

## THIRD DIVISION

[ G.R. No. 200765, August 08, 2016 ]

**DESIDERIO RANARA, JR., PETITIONER, VS. ZACARIAS DE LOS ANGELES, JR., RESPONDENT.**

### RESOLUTION

**REYES, J.:**

Before the Court is a petition for review on *certiorari*<sup>[1]</sup> und Rule 45 of the Rules of Court assailing the Decision<sup>[2]</sup> dated September 15, 2011 and Resolution<sup>[3]</sup> dated February 6, 2012 of the Court of Appeals (CA) in CA-G.R. CV No. 90099, which affirmed the Decision<sup>[4]</sup> dated June 27, 2007 of the Regional Trial Court (RTC) of Naga City, Branch 62, in Civil Case No. RTC 2001-0345, insofar as it denied Desiderio Ranara, Jr.'s (petitioner) reimbursement for the purchase price and improvements on the land from Zacarias de los Angeles, Jr. (respondent).

#### Antecedent Facts

Sometime in October 1989, Leonor Parada (Parada) loaned from Zacarias de los Angeles, Sr. (Zacarias, Sr.) money amounting to P60,000.00 to finance her migration to Canada. It was agreed that the loan would be payable within a period of 10 years. At the same time, Zacarias, Sr. informed Parada that the money came from his son, the respondent. As security, Parada mortgaged a parcel of agricultural land which would eventually be covered by Original Certificate of Title (OCT) No. 10020. It was stipulated that the respondent would take Possession of and farm the land as payment for the loan interest. Parada, thus, executed a Deed of Sale with Right to Repurchase dated October 26, 1989, during which time the OCT had not yet been issued.<sup>[5]</sup>

The respondent took possession of the land, paid taxes due and converted the forested portion into irrigated land, without objection from Parada.<sup>[6]</sup>

In 1991, OCT No. 10020 was issued in the name of Parada, who brought with her to Canada the original owner's duplicate copy when she left in 1992. Later, Parada gave the owner's duplicate to Zacarias Sr. upon reports that someone attempted to enter the land. Parada also requested her tenant from another parcel of land, Salvador Romero, to remit to the respondent her share of the harvest for the years 1992 to 1994. She also sent \$250.00 and P20,000.00.<sup>[7]</sup>

When Zacarias, Sr. fell sick in 2001, the respondent pleaded with Noel Parada (Noel), Parada's son, to repurchase the property to finance his father's hospital and medical bills. The respondent later wrote a letter to Parada demanding that she repurchase the property. Parada paid P40,000.00 delivered personally to Zacarias Sr. by Noel at the hospital. The respondent found the amount unacceptable and

returned the P40,000.00 and along with P10,000.00<sup>[8]</sup> to Parada.<sup>[9]</sup>

On February 16, 2001, the respondent sold the land to the petitioner for P300,000.00. Two documents of sale were executed: 1) for the actual sale price of P300,000.00; and 2) for P130,000.00 to be used as basis for the computation of taxes, registration of the deed and transfer of ownership. The respondent then sent Parada a letter dated July 17, 2001, enforcing the Deed of Sale with Right of Repurchase giving her 15 days to repurchase the property. The Deed of Absolute Sale with the purchase price of P150,000.00 between the petitioner and the respondent was signed on December 10, 2001.<sup>[10]</sup>

Parada insisted, in her response to the letter dated July 17, 2001, that there was no *pacto de retro* sale and then tendered P60,000.00 as payment for the loan, but it was refused by the respondent. She also learned that the respondent fraudulently registered with the Register of Deeds of Camarines Sur the Deed of Sale with Right to Repurchase, falsified the Affidavit of Seller/Transferor and that the respondent sold the property to the petitioner.<sup>[11]</sup>

After exerting all efforts to settle and to no avail, Parada filed a Complaint<sup>[12]</sup> against the petitioner and the respondent for Reformation of Instrument, Consignation, Recovery of Possession with a Prayer for a Writ of Preliminary Mandatory Injunction and Damages.

In his Answer with Cross-Claim and Counterclaim,<sup>[13]</sup> the petitioner denied any knowledge of any defect in the title of the property, since the respondent was in the possession of and cultivating the land. The petitioner claimed that he is an innocent purchaser for value. The petitioner also claimed that aside from paying the purchase price of P300,000.00, he had introduced permanent improvements on the property amounting to P150,000.00 consisting of deep-well irrigation facilities and another P150,000.00 for levelling portions of the property and converting the same to rice land. The petitioner prayed that if the case be resolved in favor of Parada, he be reimbursed by the respondent for his actual expenses plus the legal rate of interest.

For his part, the respondent insisted that the contract he entered with Parada was one of sale. He claimed that he introduced the improvements in the property and sought reimbursement for the same. Moreover, the respondent claimed that the petitioner failed to pay the full purchase price of the property and still owed him a balance of P50,000.00 and took advantage of his lack of education and dire need of money.<sup>[14]</sup>

### **Ruling of the RTC**

In its Decision<sup>[15]</sup> dated June 27, 2007, the RTC ruled in favor of Parada. It found that Parada and the respondent entered into an Equitable mortgage pursuant to Article 1602(6)<sup>[16]</sup> of the Civil Code. It denied the petitioner and the respondent's claim for reimbursement from Parada. Moreover, the RTC ruled that the petitioner did not have any privity of contract between Parada and the respondent. Article 1616 of the Civil Code specifically provides that the vendor a retro's obligation to reimburse useful and necessary expenses only pertains to the vendee a retro.<sup>[17]</sup>

With respect to the counterclaim and cross-claim of the petitioner, the RTC dismissed the same. It stated that when the petitioner purchased the land from the respondent, he knew of the property's status. He knew that he was dealing with a registered land and the fact that title to the land reflected Parada as the owner. The petitioner knew of the risks involved but continued with the sale. The RTC stated that "[h]e who comes to Court must have clean hands. Each of the parties must bear his own loss."<sup>[18]</sup> It denied the petitioner's claim of reimbursement for the improvements he had allegedly introduced in the land because he acquired the property in bad faith.<sup>[19]</sup>

### **Ruling of the CA**

In its Decision<sup>[20]</sup> dated September 15, 2011, the CA affirmed the RTC's decision respecting the denial of the petitioner's counterclaim and cross-claim. It, thus, affirmed that the petitioner was a buyer in bad faith and was not entitled to reimbursement since the water pump hat he introduced was a useful expense. Under Article 546<sup>[21]</sup> of the Civil Code, only possessors in good faith are entitled to reimbursement of useful expenses. In addition, there were no receipts shown to substantiate the claim for the other improvements he allegedly introduced to the land. With respect to the reimbursement of the purchase price, the CA agreed with the RTC when it stated that petitioner did not come to the court with clean hands and, thus, must bear his own loss and as such is not entitled to reimbursement of the purchase price.<sup>[22]</sup>

Hence, the petitioner filed the present petition asserting that the CA committed an error and claiming that he is entitled to Reimbursement from the respondent.<sup>[23]</sup> He reiterates that he was an innocent purchaser for value. He entered into the contract of sale fully believing that the respondent was the actual owner of the property and had the legal capacity to dispose of the property.<sup>[24]</sup> Even assuming that he was in bad faith, the respondent was equally in bad faith when he sold the property to him, thus as between them, they should be construed to be in good faith and under the principle of *in pari delicto*. The petitioner argues that the respondent should be made to reimburse the purchase price and the value of the improvements he had introduced to the land.<sup>[25]</sup>

### **Ruling of the Court**

The Court denies the petition.

Generally, the question of whether a person is a purchaser in good faith is a factual matter that generally will not be delved into by the Court as it is not a trier of facts.<sup>[26]</sup> Factual findings of the trial court on the matter, especially if affirmed by the appellate court, are binding and conclusive upon the Court save for specific instances.<sup>[27]</sup> However, none of the exceptions apply to the instant case.

Here, both the RTC and CA have ruled that the petitioner a ad the respondent are both in bad faith and such finding is binding on the Court since none of the exceptions warranting the Court's review are availing.

In any event, the Court agrees with the courts *a quo* that the petitioner was in bad