

THIRD DIVISION

[G.R. No. 196083, November 11, 2015]

**MILAGROS C. REYES, PETITIONER, VS. FELIX P. ASUNCION,
RESPONDENT.**

D E C I S I O N

PERALTA, J.:

For this Court's consideration is the Petition for Review on *Certiorari*^[1] under Rule 45 of the Rules of Court, dated April 25, 2011 of petitioner Milagros C. Reyes seeking the reversal of the Decision^[2] of the Court of Appeals (CA) dated July 9, 2010 which affirmed the Decision^[3] of the Regional Trial Court (RTC), Branch 66, Capas, Tarlac, dated January 17, 2007 dismissing the Complaint^[4] of petitioner against respondent Felix P. Asuncion for the declaration of nullity of a contract or deed.

The facts follow.

Petitioner claimed that since the early 80s, she and her late husband were the owners, with the right to occupy and possess a parcel of land (*subject land*), which is also a sugarcane plantation, with an area of more or less 3.5 hectares located at Patling, Capas, Tarlac and forms part of a U.S. Military Reservation. Sometime in 1986, petitioner hired respondent as a caretaker of the subject land. In 1997, the Bases Conversion and Development Authority (BCDA) launched a resettlement program for the victims of the Mt. Pinatubo eruption and began to look for possible resettlement sites in Tarlac and the subject lot was among those considered.

Thereafter, according to petitioner, in order to prevent the BCDA from converting her property into a resettlement site, she and respondent executed a contract, antedated on June 15, 1993, transferring her rights over the subject land to the respondent. The contract reads as follows:

PAGLILIPAT [NG] KARAPATAN SA LUPA

Para sa Kinauukulan[:]

Ako po [ay] si [G]inang Milagros C. Reyes, widow[,], [F]ilipino, a sugar [p]lanter of Central Azucarera de Tarlac, San Miguel [,] Tarlac [and] residing at San Rafael[,], Tarlac.

Akin[g] pinatutunayan sa kasulatan[g] ito na nabili ko ang karapatan o [r]ights ni [G]inoong Reymundo Dailig, nakatira sa Patling[,], Capas[,], Tarlac. Ang loti ay may sukat na tatlong ektarya at kalahati [sic] (3 1/2 hec). [A]t itoy [sic] ay kusang loob naming mag-asawa, si Jesus C.

Reyes[,] na ipagkaloob ang nasabing lupa kay [G]inoong Felix Asuncion [unreadable portion]. Sa loob ng sampung taon naminfg] pagsasama[,] nakita namin na naging matapat siya sa kanyang obligations bilang taga pamahala [sic] ng aming tubuhan at sa mga [k]ontratista at higit sa lahat ay marunong siya makisama sa aming kasama siya [ay] mapagkakatiwalaan lalo na sa pera. Dahil sa [sic] naging matapat siya sa amin bilang Palsunero, napagkasunduan namin na kami ang bahala sa finances, sa kasunduan na kami ang magpapakabiyaw ng tubo sa pangalan ko, hanggang gusto ko. Sa ilalim nito ay nakapinna ang aking pangalan.

Sgd.
Felix P. Asuncion
Tenant

Sgd.
Milagros C. Reyes
Planter

Sgd.
Witness
Barangay [C]aptain
Bon Vistair^[5]

Petitioner claimed to have remained the absolute owner and possessor of the subject land and presently occupies the same as a sugarcane plantation and even mills the sugarcane harvested at the Central Azucarera de Tarlac for her own benefit. She also stated that the respondent continued working for her but the latter's employment was severed when petitioner discovered that respondent sold the former's pigs and cows.

On January 6, 2000, respondent filed a Complaint for Estafa against petitioner before the Office of the Prosecutor in Tarlac City, Tarlac alleging that petitioner failed and/or refused to give respondent his share of the total harvests on the subject land for the years 1993-1999, using their contract as basis. However, the said complaint was dismissed for lack of probable cause.

Thereafter, petitioner filed a Complaint dated October 21, 2001 against respondent before the RTC of Capas, Tarlac for the declaration of nullity of the subject contract.

The RTC, on January 17, 2007, rendered a Decision in favor of the respondent. It ruled that there is no legal basis to nullify the contract. The dispositive portion of the decision states:

WHEREFORE, premises considered, finding no legal basis to nullify the contract denominated as *Paglilipat [nang] Karapatan set Lipa*, the complaint is dismissed and the *Paglilipat [nang] Karapatan set Lupa* is declared legal and binding.

No pronouncement as to cost. SO ORDERED.^[6]

Undeterred, petitioner appealed the case to the CA, and on July 9, 2010, the latter dismissed the appeal, thus:

FOR THESE REASONS, We DISMISS the appeal for lack of merit, the assailed Decision dated January 17, 2007 of the Regional Trial Court is AFFIRMED.

SO ORDERED.^[7]

After the CA denied^[8] petitioner's motion for reconsideration, the latter filed the present petition.

Petitioner assigned the following errors:

I

THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR IN RULING THAT THE SUBJECT CONTRACT IS VALID EVEN IF IT DOES NOT REFLECT THE TRUE INTENT OF THE PARTIES.

II.

THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR IN RULING THAT THE DONATION OF THE SUBJECT LAND IS VALID EVEN IF NOT MADE AND ACCEPTED IN A PUBLIC DOCUMENT.

III.

THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR IN RULING THAT THE PETITIONER MAY TRANSFER THE SUBJECT LAND TO THE RESPONDENT EVEN WITHOUT THE CONSENT OF THE HEIRS OF HER LATE HUSBAND.^[9]

Thereafter, respondent filed his Comment^[10] dated March 31, 2014 and petitioner filed her Reply^[11] dated June 7, 2014.

This Court finds no merit in the petition.

It is petitioner's contention that the subject contract is purely simulated, since it purports a transfer of rights over the subject land in favor of the respondent. However, when petitioner executed the contract, it was never her intention to transfer her rights over the subject land as the primordial consideration was to prevent the BCDA from taking over the property. She also asserts that she and the respondent agreed to make the said false appearance in the contract. However, the RTC and the CA found no other evidence to support the said allegations and the self-serving averments of the petitioner. This Court is in agreement with the RTC and the CA as to the insufficiency of evidence to prove that there was indeed a simulation of contract.

The Civil Code provides:

Art. 1345. *Simulation of a contract may be absolute or relative.* The former takes place when the parties do not intend to be bound at all; the latter, when the parties conceal their true agreement.

Art. 1346. *An absolutely simulated or fictitious contract is void.* A relative simulation, when it does not prejudice a third person and is not intended for any purpose contrary to law, morals, good customs, public order or public policy binds the parties to their real agreement.

Valerio v. Refresca^[12] is instructive on the matter of simulation of contracts:

x x x In absolute simulation, there is a colorable contract but it has no substance as the parties have no intention to be bound by it. The main characteristic of an absolute simulation is that the apparent contract is not really desired or intended to produce legal effect or in any way alter the juridical situation of the parties. As a result, an absolutely simulated or fictitious contract is void, and the parties may recover from each other what they may have given under the contract. However, if the parties state a false cause in the contract to conceal their real agreement, the contract is relatively simulated and the parties are still bound by their real agreement. Hence, where the essential requisites of a contract are present and the simulation refers only to the content or terms of the contract, the agreement is absolutely binding and enforceable between the parties and their successors-in-interest.

Lacking, therefore, in an absolutely simulated contract is consent which is essential to a valid and enforceable contract.^[13] Thus, where a person, in order to place his property beyond the reach of his creditors, simulates a transfer of it to another, he does not really intend to divest himself of his title and control of the property; hence, the deed of transfer is but a sham.^[14]

The primary consideration in determining the true nature of a contract is the intention of the parties. If the words of a contract appear to contravene the evident intention of the parties, the latter shall prevail. Such intention is determined not only from the express terms of their agreement, but also from the contemporaneous and subsequent acts of the parties.^[15]

The burden of proving the alleged simulation of a contract falls on those who impugn its regularity and validity. A failure to discharge this duty will result in the upholding of the contract. The primary consideration in determining whether a contract is simulated is the intention of the parties as manifested by the express terms of the agreement itself, as well as the contemporaneous and subsequent actions of the parties. The most striking index of simulation is not the filial relationship between the purported seller and buyer, but the complete absence of any attempt in any manner on the part of the latter to assert rights of dominion over the disputed property.^[16]

The finding of the CA is correct when it ruled that petitioner failed to present evidence to prove that respondent acted in bad faith or fraud in procuring her