

FIRST DIVISION

[G.R. No. 207176, June 18, 2014]

SPOUSES VICTOR AND EDNA BINUA, PETITIONERS, VS. LUCIA P. ONG, RESPONDENT.

D E C I S I O N

REYES, J.:

Spouses Victor and Edna Binua (petitioners) seek the declaration of the nullity of the real estate mortgages executed by petitioner Victor in favor of Lucia P. Ong (respondent), on the ground that these were executed under fear, duress and threat.

Facts of the Case

In a Joint Decision^[1] dated January 10, 2006 by the Regional Trial Court of Tuguegarao City, Branch 2 (RTC-Branch 2), in Criminal Cases Nos. 8230, 8465-70, petitioner Edna was found guilty of Estafa and was sentenced to imprisonment from six (6) years and one (1) day of *prision mayor*, as minimum, to thirty (30) years of *reclusion perpetua*, as maximum, for each conviction. Petitioner Edna was also ordered to pay the respondent the amount of P2,285,000.00, with ten percent (10%) interest, and damages.^[2]

Petitioner Edna sought to avoid criminal liability by settling her indebtedness through the execution of separate real estate mortgages over petitioner Victor's properties on February 2, 2006, and covering the total amount of P7,000,000.00. Mortgaged were portions of Lot No. 1319 covered by Transfer Certificate of Title (TCT) No. T-15232 and Lot No. 2399 covered by TCT No. T-15227, both located in Tuguegarao City.^[3]

Thereafter, petitioner Edna filed a motion for new trial, which was granted by the RTC-Branch 2. Consequently, the RTC-Branch 2 rendered a Decision^[4] on February 24, 2006, ordering petitioner Edna to pay the respondent the amount of P2,285,000.00 as actual damages, with ten percent (10%) interest, and other damages.^[5] The RTC-Branch 2 ruled that the presentation of a promissory note dated March 4, 1997 novated the original agreement between them into a civil obligation. The decision further reads:

During the hearing of the motion [for new trial], [petitioner Edna's] counsel presented [petitioner Edna]. In the course of her testimony, she narrated that a promissory note (Exhibit "1") dated March 4, 1997 was executed by her in favor of Lucia P. Ong, the herein private complainant.

x x x x

With the surfacing and finally the introduction of Exhibit “1”, the nature of the liability of [petitioner Edna] changed from both criminal and civil in nature to purely civil in character.

The Promissory Note novated the complexity of the nature of the course of action the [respondent] had from the beginning against [petitioner Edna].

x x x x

However, after the Promissory Note (Exh. “1”) was executed by the parties, the whole scenario was novated into purely civil in nature. It was the intention of both [the respondent] and [petitioner Edna] to turn the debt into a mere loan, hence, this agreement of theirs being the law that binds them must be respected.

[Petitioner Edna] nonetheless, admits in Exhibit “1,” that, she is indebted to [the respondent]. Thus, she must pay her just debt.^[6] (Emphasis ours)

Petitioner Edna, however, failed to settle her obligation, forcing the respondent to foreclose the mortgage on the properties, with the latter as the highest bidder during the public sale.

The petitioners then filed the case for the Declaration of Nullity of Mortgage Contracts, alleging that the mortgage documents were “executed under duress, as the [petitioners] at the time of the execution of said deeds were still suffering from the effect of the conviction of [petitioner] Edna, and could not have been freely entered into said contracts.”^[7]

On December 12, 2008, the RTC of Tuguegarao City, Branch 5 (RTC-Branch 5), rendered a Decision^[8] dismissing the complaint for lack of factual and legal merit.^[9] The RTC-Branch 5 ruled:

When the [petitioners] executed the Deeds of Mortgage, did they act under fear, or duress, or threat? Quite clearly, they did – because a judgment of conviction was hanging over Edna’s head sentencing her to a prison term x x x. However, Article 1335 of the Civil Code is equally unmistakable. The last paragraph of the article reads: “A threat to enforce one’s claim through competent authority, if the claim is just or legal, does not vitiate consent.”

The Court cannot see its way to an agreement with the [petitioners]. They asked for a “compromise” consisting in the execution of a promissory note by deeds of mortgage. Edna profited from it – she did not go to jail. She was in fact acquitted. The judgment of Branch 2 of this Court attained finality for failure of the accused to perfect a seasonable appeal. And now they come to Court asking it to set aside

the very deeds of mortgage they had signed to keep Edna away from prison?^[10]

The petitioners brought their case to the Court of Appeals (CA) and in the assailed Decision^[11] dated November 13, 2012 and Resolution^[12] dated May 14, 2013, the RTC-Branch 5 decision was affirmed. The CA ruled that:

[T]he claim of [petitioner] Victor that he executed the real estate mortgages for fear that his wife would go to jail is obviously not the intimidation referred to by law. In asserting that the above-mentioned circumstance constituted fear, duress and threat, [the petitioners] missed altogether the essential ingredient that would qualify the act complained of as intimidation, that the threat must be of an unjust act.^[13]

In the present petition for review under Rule 45 of the Rules of Court, the petitioners claim that:

I.

THE LOWER COURT ERRED IN GIVING FULL FAITH AND CREDENCE TO THE DECISION OF THE COURT A QUO BASED ON FINDINGS OF FACTS NOT SUPPORTED BY THE EVIDENCE ON RECORD

II.

THE LOWER COURT ERRED IN REFUSING TO DECLARE NULL AND VOID THE MORTGAGE CONTRACTS DESPITE ITS FINDING THAT SAID CONTRACTS WERE EXECUTED UNDER FEAR, DURESS AND THREAT

III.

THE LOWER COURT ERRED IN REFUSING TO DECLARE NULL AND VOID THE MORTGAGE CONTRACTS DESPITE THE FACT THAT THEY WERE EXECUTED TO SECURE A MONETARY OBLIGATION THAT IMPOSES A MONTHLY INTEREST OF TEN PERCENT^[14]

The petitioners contend that the CA erred when it sustained the findings of the RTC that the execution of the promissory note changed petitioner Edna's obligation to a civil one. According to the petitioners, the RTC's findings are not in accord with the RTC-Branch 2 Decision dated February 24, 2006, which ruled that petitioner Edna's liability is purely civil and not based on the compromise agreement with the respondent. The petitioners insist that the RTC-Branch 2 decision allegedly show "the lack of criminal liability of x x x Edna Binua due to novation." The petitioners also contend that there was no evidence during trial regarding the existence of the promissory note or that the basis of petitioner Edna's exoneration from criminal liability was the execution of the mortgage.^[15]