

SECOND DIVISION

[G.R. No. 174118, April 11, 2012]

**THE ROMAN CATHOLIC CHURCH, REPRESENTED BY THE
ARCHBISHOP OF CACERES, PETITIONER, VS. REGINO PANTE,
RESPONDENT.**

D E C I S I O N

BRION, J.:

Through a petition for review on *certiorari*,^[1] the petitioner Roman Catholic Church (*Church*) seeks to set aside the May 18, 2006 decision^[2] and the August 11, 2006 resolution^[3] of the Court of Appeals (CA) in CA-G.R.-CV No. 65069. The CA reversed the July 30, 1999 decision^[4] of the Regional Trial Court (RTC) of Naga City, Branch 24, in Civil Case No. 94-3286.

THE FACTUAL ANTECEDENTS

The Church, represented by the Archbishop of Caceres, owned a 32-square meter lot that measured 2x16 meters located in *Barangay Dinaga*, Canaman, Camarines Sur.^[5] On September 25, 1992, the Church contracted with respondent Regino Pante for the sale of the lot (thru a Contract to Sell and to Buy^[6]) *on the belief* that the latter was an actual occupant of the lot. The contract between them fixed the purchase price at P11,200.00, with the initial P1,120.00 payable as down payment, and the remaining balance payable in three years or until September 25, 1995.

On June 28, 1994, the Church sold in favor of the spouses Nestor and Fidela Rubi (*spouses Rubi*) a 215-square meter lot that *included the lot previously sold to Pante*. The spouses Rubi asserted their ownership by erecting a concrete fence over the lot sold to Pante, effectively blocking Pante and his family's access from their family home to the municipal road. As no settlement could be reached between the parties, Pante instituted with the RTC an action to annul the sale between the Church and the spouses Rubi, insofar as it included the lot previously sold to him.^[7]

The Church filed its answer with a counterclaim, seeking the annulment of its contract with Pante. The Church alleged that *its consent to the contract was obtained by fraud* when Pante, in bad faith, misrepresented that he had been an actual occupant of the lot sold to him, when in truth, he was merely using the 32-square meter lot as a passageway from his house to the town proper. It contended that it was its policy to sell its lots only to actual occupants. Since the spouses Rubi and their predecessors-in-interest have long been occupying the 215-square meter lot that included the 32-square meter lot sold to Pante, the Church claimed that the spouses Rubi were the rightful buyers.

During pre-trial, the following admissions and stipulations of facts were made:

1. The lot claimed by Pante is a strip of land measuring only 2x16 meters;
2. The lot had been sold by the Church to Pante on September 25, 1992;
3. The lot was included in the sale to the spouses Rubi by the Church; and
4. Pante expressly manifested and represented to the Church that he had been actually occupying the lot he offered to buy.^[8]

In a decision dated July 30, 1999,^[9] the RTC ruled in favor of the Church, finding that the Church's consent to the sale was secured through Pante's misrepresentation that he was an occupant of the 32-square meter lot. Contrary to his claim, Pante was only using the lot as a passageway; the Church's policy, however, was to sell its lots only to those who actually occupy and reside thereon. As the Church's consent was secured through its mistaken belief that Pante was a qualified "occupant," the RTC annulled the contract between the Church and Pante, pursuant to Article 1390 of the Civil Code.^[10]

The RTC further noted that full payment of the purchase price was made only on September 23, 1995, when Pante consigned the balance of P10,905.00 with the RTC, after the *Church refused to accept the tendered amount*. It considered the three-year delay in completing the payment fatal to Pante's claim over the subject lot; it ruled that if Pante had been prompt in paying the price, then the Church would have been estopped from selling the lot to the spouses Rubi. In light of Pante's delay and his admission that the subject lot had been actually occupied by the spouses Rubi's predecessors, the RTC upheld the sale in favor of the spouses Rubi.

Pante appealed the RTC's decision with the CA. In a decision dated May 18, 2006,^[11] the CA granted Pante's appeal and reversed the RTC's ruling. The CA characterized the contract between Pante and the Church as a contract of sale, since the Church made no express reservation of ownership until full payment of the price is made. In fact, the contract gave the Church the right to repurchase in case Pante fails to pay the installments within the grace period provided; the CA ruled that the right to repurchase is unnecessary if ownership has not already been transferred to the buyer.

Even assuming that the contract had been a contract to sell, the CA declared that Pante fulfilled the condition precedent when he consigned the balance within the three-year period allowed under the parties' agreement; upon full payment, Pante fully complied with the terms of his contract with the Church.

After recognizing the validity of the sale to Pante and noting the subsequent sale to the spouses Rubi, the CA proceeded to apply the rules on double sales in Article 1544 of the Civil Code:

Article 1544. If the same thing should have been sold to different

vendees, the ownership shall be transferred to the person who may have first taken possession thereof in good faith, if it should be movable property.

Should it be immovable property, the ownership shall belong to the person acquiring it who in good faith first recorded it in the Registry of Property.

Should there be no inscription, the ownership shall pertain to the person who in good faith was first in the possession; and, in the absence thereof, to the person who presents the oldest title, provided there is good faith. [Emphasis ours.]

Since neither of the two sales was registered, the CA upheld the full effectiveness of the sale in favor of Pante who first possessed the lot by using it as a passageway since 1963.

The Church filed the present petition for review on *certiorari* under Rule 45 of the Rules of Court to contest the CA's ruling.

THE PETITION

The Church contends that the sale of the lot to Pante is voidable under Article 1390 of the Civil Code, which states:

Article 1390. The following contracts are voidable or annulable, even though there may have been no damage to the contracting parties:

(1) Those where one of the parties is incapable of giving consent to a contract;

(2) Those where the consent is vitiated by mistake, violence, intimidation, undue influence or fraud.

These contracts are binding, unless they are annulled by a proper action in court. They are susceptible of ratification. [Emphasis ours.]

It points out that, during trial, Pante already admitted knowing that the spouses Rubi have been residing on the lot. Despite this knowledge, Pante misrepresented himself as an occupant because he knew of the Church's policy to sell lands only to occupants or residents thereof. It thus claims that Pante's misrepresentation effectively vitiated its consent to the sale; hence, the contract should be nullified.

For the Church, the presence of fraud and misrepresentation that would suffice to annul the sale is the primary issue that the tribunals below should have resolved. Instead, the CA opted to characterize the contract between the Church and Pante, considered it as a contract of sale, and, after such characterization, proceeded to resolve the case in Pante's favor. The Church objects to this approach, on the principal argument that there could not have been a contract at all considering that

its consent had been vitiated.

THE COURT'S RULING

The Court resolves to **deny** the petition.

No misrepresentation existed vitiating the seller's consent and invalidating the contract

Consent is an essential requisite of contracts^[12] as it pertains to the meeting of the offer and the acceptance upon the thing and the cause which constitute the contract.^[13] To create a valid contract, the meeting of the minds must be free, voluntary, willful and with a reasonable understanding of the various obligations the parties assumed for themselves.^[14] Where consent, however, is given through mistake, violence, intimidation, undue influence, or fraud, the contract is deemed voidable.^[15] However, not every mistake renders a contract voidable. The Civil Code clarifies the nature of mistake that vitiates consent:

Article 1331. In order that mistake may invalidate consent, it should refer to the substance of the thing which is the object of the contract, or to those conditions which have principally moved one or both parties to enter into the contract.

Mistake as to the identity or qualifications of one of the parties will vitiate consent only when such identity or qualifications have been the principal cause of the contract.

A simple mistake of account shall give rise to its correction. [Emphasis ours.]

For mistake as to the qualification of one of the parties to vitiate consent, two requisites must concur:

1. the mistake must be either with regard to the identity or with regard to the qualification of one of the contracting parties; and
2. the identity or qualification must have been the principal consideration for the celebration of the contract.^[16]

In the present case, the Church contends that its consent to sell the lot was given on the mistaken impression arising from Pante's fraudulent misrepresentation that he had been the actual occupant of the lot. Willful misrepresentation existed because of its policy to sell its lands only to their actual occupants or residents. Thus, it considers the buyer's actual occupancy or residence over the subject lot a qualification necessary to induce it to sell the lot.

Whether the facts, established during trial, support this contention shall determine if the contract between the Church and Pante should be annulled. In the process of