

SECOND DIVISION

[G.R. No. 119857, July 28, 2010]

**GOLDEN APPLE REALTY AND DEVELOPMENT CORPORATION AND
ROSVIBON REALTY CORPORATION, PETITIONERS, VS. SIERRA
GRANDE REALTY CORPORATION, MANPHIL INVESTMENT
CORPORATION, RENAN V. SANTOS AND PATRICIO MAMARIL,
RESPONDENTS.**

D E C I S I O N

PERALTA, J.:

This is a petition for review^[1] on *certiorari* under Rule 45 of the Rules of Court seeking to nullify and set aside the Decision^[2] of the Court of Appeals (CA) dated January 23, 1995 and the Resolution^[3] dated March 28, 1995 in CA-G.R. CV No. 40961.

The antecedent facts are the following:

On December 1, 1981, Hayari Trading Corporation (Hayari), through a Loan Agreement,^[4] borrowed from Manphil Investment Corporation (Manphil) the amount of Two Million Five Hundred Thousand Pesos (P2,500,000.00) for the benefit of Filipinas Textile Mills, Inc. (Filtex).

On the same date, Hayari President Yu Han Yat, Jr., his wife Terry Villanueva Yu and the latter's uncle, Bernardino Villanueva, executed an *Assumption of Joint and Solidary Liability*^[5] for and in consideration of the loan granted to Hayari, assuming joint and solidary liability with Hayari for the due and punctual payment of all and/or any amortizations on the loan, as well as all amounts payable to Manphil, in connection therewith and for the strict performance and fulfillment of the obligation of Hayari.

In connection therewith, Valiant Realty and Development Corporation, represented by its General Manager Bernardino Villanueva, and Sierra Grande Realty Corporation (Sierra Grande), represented by Terry Villanueva Yu, executed a Third Party Real Estate Mortgage^[6] in favor of Manphil over a parcel of land, otherwise known as the *Roberts property*.

Filtex also constituted a real estate mortgage over certain parcels of land that it owned and also constituted a chattel mortgage over the machinery of Hayari in order to secure payment of the loan.

Thereafter, Bernardino Villanueva suggested that the *Roberts property* be subdivided to make it easier for Sierra Grande to sell the same. On June 22, 1985, as suggested, the Board of Directors of Sierra Grande, composed of brothers and

sisters Robert Villanueva, Daniel Villanueva, Terry Villanueva Yu, Susan Villanueva and Eden Villanueva, passed a resolution^[7] authorizing General Manager Bernardino Villanueva, brother of their deceased father, to hire a geodetic engineer and cause the subdivision plan to be approved by the Land Registration Commission, and to sell the subdivided lots after approval of the subdivision plan, if found to be necessary and for which the corporation may need to carry its purpose.

Eventually, on June 22, 1985, Bernardino Villanueva executed a Contract to Sell^[8] the *Roberts property* with Golden Apple Realty and Development, Inc. (Golden Apple), majority of its stocks are owned by Elmer Tan, a first cousin of the Villanueva brothers and sisters, and Rosvibon Realty Corporation (Rosvibon), majority of its stocks are owned by Rosita So, another sister of the father of the Villanueva brothers and sisters, for the amount of P441,032.00. The amount of P10,000.00 of the purchase price will have to be paid to the vendor upon the signing of the contract and the balance to be paid to the mortgagee Manphil, on or before October 31, 1987.

On June 29, 1985, the *Roberts property* was surveyed and subdivided into four lots,^[9] subject to the approval of the subdivision plan.

On July 26, 1985, Sierra Grande, through Bernardino Villanueva, finally executed a Deed of Sale^[10] of Lots 1, 2 and 3, with a total land area of 1,402 square meters, to Golden Apple, for P382,080.00 and another Deed of Sale^[11] of Lot 4, with a total land area of 499 sq. m., to Rosvibon for P119,760.00.

Meanwhile, Sierra Grande's Board, on August 29, 1985, passed a resolution^[12] revoking the authority of Bernardo Villanueva to sell the *Roberts property*. Hayari President Yu Han Yat, Jr., husband of Sierra Grande director Terry Villanueva Yu, advised Manphil, through a letter^[13] dated August 30, 1985, that all dealings with respect to its loan or credit facility with Manphil shall be coursed through or effected with the express knowledge, representation or consent of the President of Hayari. Thereafter, a resolution^[14] notarized on September 3, 1985 was passed by the directors of Sierra Grande revoking the authority previously granted to Bernardino Villanueva to negotiate and contract the sale of the *Roberts property* and any other property, in behalf of the corporation and place on notice all prospective buyers or vendees not to negotiate or contract with any party other than the duly authorized officer or officers of the corporation who are expressly empowered to enter into such transaction and who can exhibit a formal board resolution duly certified by the board secretary and signed by the majority of the board of directors who are also the majority stockholders representing at least 2/3 of the capital stock .

Nevertheless, on September 16, 1985, Elmer Tan, on behalf of the buyer corporations, paid to Manphil for Hayari's account an amortization of P57,819.72, for the principal sum due on July 27, 1985; P42,192.30, for Int.-CBP; P27,329.05, for interest; and P3,423.40, as penalties.^[15]

Sometime in January 1986, Sierra Grande learned that Bernardino Villanueva^[16] tried to secure the duplicate original title^[17] of the subject parcel of land from Manphil claiming to be the President of Hayari. As a result, on November 20, 1986,

Sierra Grande, through Susan Villanueva Tan, the Corporate Secretary, wrote^[18] Manphil stating that Bernardino Villanueva was not in any way connected officially with Sierra Grande and was not authorized to deal in any way with the *Roberts property* nor borrow the transfer certificate title to the same property. Susan Tan also wrote^[19] the Bangko Sentral ng Pilipinas (BSP), as the subject property was already on receivership, informing the latter of the following: that Hayari had not made any request to borrow any duplicate original title; that Bernardino Villanueva was not connected in any way with Hayari; that Bernardino Villanueva had no authority to borrow any duplicate original title; and that whatever authorization Bernardo Villanueva had in dealing with the *Roberts property* had been withdrawn and abrogated under a board resolution. The letter also requested that even if payments were made on the loan of Hayari by a third party, the subject duplicate original title must not be released without the express consent of Hayari.

Later, on August 15, 1988, Terry Villanueva Yu, the President of Sierra Grande at that time, informed^[20] Manphil that Bernardino Villanueva and Elmer Tan had attempted to pre-terminate Hayari's loan in order to obtain the duplicate original title of the subject lot. It was also mentioned in the letter that Hayari may opt to pre-terminate the loan itself and be subrogated in the right of action against Bernardino Villanueva.

However, on October 20, 1988, Manphil allowed Elmer Tan to pre-terminate Hayari's obligation after making total payments to Manphil in the amount of P3,134,921.00.^[21]

Hence, Golden Apple and Rosvibon, on November 28, 1988, filed with the Regional Trial Court of Pasay City, a Complaint^[22] against Sierra Grande and Manphil for specific performance and damages.

On February 27, 1991, the trial court rendered its Decision,^[23] the dispositive portion of which reads:

WHEREFORE, the Court hereby renders judgment for the plaintiffs and against the defendants, ordering,

- 1) all defendants to surrender and deliver to plaintiffs corporations the owner's duplicate copy of TCT No. 19801 of the Registry of Deeds for Pasay City;
- 2) defendants Sierra Grande to pay plaintiffs the sums of P50,000.00 by way of moral and exemplary damages, respectively;
- 3) defendant Sierra Grande to pay plaintiffs the sum of P50,000.00 as and for attorney's fees and costs of suit.

The Counterclaim is hereby DISMISSED.

SO ORDERED.

On April 3, 1991, Sierra Grande filed a Motion for Reconsideration^[24] of the decision, which was eventually denied by the trial court.^[25]

The respondents herein filed their appeal with the CA, which reversed the decision of the trial court in its Decision^[26] dated January 23, 1995. The dispositive portion of the said Decision reads as follows:

WHEREFORE, the Court REVERSES the appealed decision. We DISMISS the plaintiffs' complaint and on defendant Sierra Grande's counterclaim, we SENTENCE plaintiffs to pay defendant Sierra Grande P20,000.00, as attorney's fees and costs.

SO ORDERED.

The Motion for Reconsideration^[27] dated February 3, 1995 filed by herein petitioners was later on denied by the CA.^[28] Thus, the present petition.

Petitioners raised the following assignment of errors:

ASSIGNMENT OF ERRORS

The respondent Court of Appeals grievously erred in:

4.1 invalidating the Deeds of Absolute Sale between "Golden Apple" and "Rosvibon," as vendees, and "Sierra Grande," as vendor, on the primordial premise that "badges of fraud" attended their execution;

4.2 applying Article 1602 of the Civil Code to the case at bar;

4.3 overextending Article 1602 of the Civil Code to include lack of capacity, notarial infirmity, and conflict of interest to the concept of "badges of fraud";

4.4 invalidating the contracts on the ground of insufficiency of consideration;

4.5 invalidating the contracts on the ground of lack of legal personality of vendee "Rosvibon Realty";

4.6 invalidating the contracts on the ground of irregularity in its execution and in concluding that the deeds of sale were ante-dated;

4.7 invalidating the contracts on the ground of conflict of interest; and finally

4.8 disallowing damages awarded by the trial court to the petitioners.

The petition is unmeritorious.

In reversing the decision of the trial court, the CA, in a short and succinct manner, made factual conclusions that necessitated its finding that the contracts in question were invalid.

The said ruling of the CA is contrary to the factual findings of the trial court. In *Guillang v. Bedania*,^[29] this Court reiterated that it is not a trier of facts, but certain exceptions apply, thus:

The principle is well-established that this Court is not a trier of facts. Therefore, in an appeal by certiorari under Rule 45 of the Rules of Court, only questions of law may be raised. The resolution of factual issues is the function of the lower courts whose findings on these matters are received with respect and are, as a rule, binding on this Court.^[30]

However, this rule is subject to certain exceptions. One of these is **when the findings of the appellate court are contrary to those of the trial court.**^[31] Findings of fact of the trial court and the Court of Appeals may also be set aside when such findings are not supported by the evidence or where the lower courts' conclusions are based on a misapprehension of facts.^[32]

Obviously, the contrary findings of the trial court and the CA leave this Court with no other alternative but to re-examine some of the facts raised in the present petition.

Petitioners claim that the CA misused the term *badges of fraud* in reaching its decision. According to them, Article 1602, upon which the term *badges of fraud* refers to, is not applicable, because the said article refers to a sale with a right to repurchase, whereas the subject invalidated contracts were absolute sales. They cited a case^[33] where this Court pronounced that, badges of fraud is a circumstance in Article 1602 of the Civil Code, which, if present in any given transaction, gives rise to the presumption that it is not a sale but an equitable mortgage. Thus, according to petitioners, the CA confused Article 1602 (1) with that of Article 1470,^[34] because both articles deal with sale in general and have inadequacy of price as subject matter. Either way, they argue, the inadequacy of the price does not result in the cancellation or invalidation of contracts.

However, the above argument of petitioners is speculative. A close reading of the CA Decision would reveal that the said court used the phrase *badges of fraud* to refer to certain fraudulent acts that attended the execution of the Contract to Sell and the Deeds of Absolute Sale which would eventually tend to prove that the same transactions were indeed suspicious as the said contracts were antedated, simulated and fraudulent. The said findings were pointed out by the CA in this manner:

We declare the contracts invalid.