

## FIRST DIVISION

[ G.R. No. 152413, February 13, 2009 ]

**BARCELIZA P. CAPISTRANO, PETITIONER, VS. DARRYL LIMCUANDO AND FE S. SUMIRAN, RESPONDENTS.**

### DECISION

**LEONARDO-DE CASTRO, J.:**

This is a petition for review of the Court of Appeals' (CA) *Decision*<sup>[1]</sup> dated September 28, 2001 and the *Resolution*<sup>[2]</sup> dated February 1, 2002 in CA - G.R. CV No. 49028, which affirmed the *Amended Decision*<sup>[3]</sup> dated January 23, 1995 rendered by the Regional Trial Court (RTC), Branch 32 of San Pablo City, Laguna in Civil Case No. SP 3757. Said civil case was an action for the annulment of a deed of sale or for the repurchase of real property, wherein the RTC held:

WHEREFORE, the Court hereby orders and adjudges:

1. The validity of the Deed of Absolute Sale dated February 1, 1989 executed by plaintiff [petitioner] in favor of defendants [respondents];
2. That the true and correct consideration of the sale of the undivided one-half of the property now registered under TCT No. T-127771 with an area of 195 square meters in the name of plaintiff [petitioner] and defendants [respondents] is P75,000.00 partial payment of P10,000.00 having been effected by defendants [respondents] in favor of plaintiff [petitioner];
3. The defendants [respondents] to pay the plaintiff [petitioner] the sum of P65,000.00 representing the balance unpaid for the total cost of the disputed property in the sum of P75,000.00. The payment of P65,000.00 should be effected by defendants [respondents] to plaintiff [petitioner] within thirty (30) days from receipt of this decision without interest;
4. The claims of both parties for damages against each other are denied for insufficiency of evidence.<sup>[4]</sup>

A summary of the relevant facts culled from the pleadings and the evidence on record follows:

Petitioner owned a parcel of land, with an estimated area of 224 square meters located at Barangay Talaga, Rizal, Laguna, covered by Original Certificate of Title No. P-10302 pursuant to a Free Patent issued on August 23, 1977. She sold this parcel of land with a right of repurchase in favor of spouses Felimon Zuasola and

Anita Subida on December 31, 1985.

On February 1, 1989, petitioner sold half of the same parcel of land to respondents for the price of P75,000.00 on the understanding that respondents shall pay the amount of P10,000.00 as partial payment and the balance to be paid by monthly installments. Petitioner received the partial payment of P10,000.00 but signed a deed of absolute sale, denominated as "Kasulatan ng Bilihang Tuluyan," disposing half of the property in favor of respondents purportedly in consideration of the amount received. Subsequently, respondents defaulted on their monthly installments. Petitioner repeatedly demanded for the payment of the balance of P65,000.00 from respondents but the latter refused to pay and claimed that they had already fully satisfied the consideration for the disputed land according to the terms of the subject deed of sale.

Respondents learned afterwards that the disputed land had been previously sold by the petitioner to the spouses Zuasola and Subida which led respondents to file a criminal complaint for *estafa* against petitioner on April 10, 1991. Petitioner was eventually convicted.

On August 19, 1991, petitioner repurchased the parcel of land from the spouses Zuasola and Subida. She also offered to repurchase from respondents the portion of the disputed land which she sold to them but the latter refused. On September 27, 1991, Transfer Certificate of Title No. 127771 over the disputed land was issued in the names of respondents.

On May 27, 1993, petitioner filed a complaint<sup>[5]</sup> for the annulment of the subject deed of sale alleging that the sale was a nullity from the beginning and that respondents even assailed its validity in the previously mentioned criminal case for *estafa* against petitioner. As an alternative cause of action, petitioner sought to repurchase the disputed land from respondents based on Section 119 of Commonwealth Act No. 141 (Public Land Act). She prayed as follows:

WHEREFORE, it is respectfully prayed that judgment be rendered in favor of plaintiff and against defendants:

1. To declare the "Kasulatan ng Bilihang Tuluyan" as nullified;
2. To order the repurchase of the said one-half (1/2) portion of the realty by the plaintiff [petitioner];
3. That defendants [respondents] be made to pay the costs of this suit.

Plaintiff [Petitioner] likewise prays for any other relief which to this Honorable Court may be just and equitable in the premises.

In their Answer with Counterclaim,<sup>[6]</sup> respondents admitted the material facts of the case but chiefly contended that they purchased the subject land from petitioner in consideration of the sum of Ten Thousand Pesos (P10,000.00) only and that they never assailed the validity of the subject deed of sale in the *estafa* case.

After pre-trial and the marking of the exhibits, the parties manifested to the RTC their intention to submit the case for judgment on the basis of the evidence on

record. The RTC directed the parties to file their respective memoranda and, thereafter, rendered its judgment.

In its *Amended Decision*, the RTC sustained the validity of the subject deed of sale and denied the right of the petitioner to repurchase the disputed land from the respondents. In explanation, the trial court ruled:

When plaintiff [petitioner] sold one-half (1/2) of the subject property to the defendants [respondents] on February 1, 1989, the five (5) year period from the date of issuance of the patent on August 23, 1977 had absolutely expired. There was no longer [any] barrier for the plaintiff [petitioner] to dispose or alienate the subject property. When the plaintiff [petitioner] executed the Venta con Pacto de Retro in favor of spouses Zuasola in 1985, the barrier or prohibition was likewise already inapplicable because the five (5) year period had already expired as almost eight (8) years had elapsed from the date of issuance of the patent in 1977.

The filing of an Information for Estafa against plaintiff [petitioner] is a criminal action which cannot properly be considered as a basis for the annulment of a Deed of Absolute Sale executed by plaintiff [petitioner] in favor of defendants [respondents]. The plaintiff [petitioner] was convicted of Estafa on the basis of criminal evidence that supports a conviction beyond reasonable doubt. The annulment of the Deed of Absolute Sale should be ventilated in a separate civil action that needs preponderance of evidence for the purpose. At this instance it should also be considered seriously that when this action was filed on May 27, 1993, the plaintiff [petitioner] was already aware that Transfer Certificate of Title No. T-127771 on the disputed one-half portion was already issued in the name of defendants [respondents] as of September 27, 1991 and which title originated from OCT P-10302, the Free-Patent awarded to herein plaintiff [petitioner] on August 23, 1977 under Act No. 141. A perusal of the complaint shows that it seeks relief for declaration of nullity of the Deed of Absolute Sale executed by plaintiff [petitioner] in favor of defendants [respondents] on February 1, 1989 but it does not seek annulment of TCT No. T-127771 or a reconveyance of the same it appearing that said title is registered in the name of the defendants [respondents] insofar as the one-half disputed portion is concerned.

The repurchase made by the plaintiff [petitioner] of the disputed property from the spouses Zuasola is a voluntary act executed by plaintiff [petitioner] which the Court considers not binding and effective for the annulment of the Deed of Sale of February 1, 1989 in favor of defendants [respondents]. If plaintiff [petitioner] opted to repurchase the subject property from the spouses Zuasola it was because plaintiff [petitioner] was under the impression that she was under the protective mantle of the provisions of Sec. 119 of Public [Land] Act 141. This actuation of plaintiff [petitioner] is not looked [upon] with favor by the Court.

The plaintiff [petitioner], however, raised the issue of nonpayment of the full consideration of the sale of the disputed one-half portion to the defendants [respondents] in the total sum of P75,000.00. Defendants

[Respondents] alleged that the full consideration is P10,000.00 as envisioned in the Deed of Absolute Sale and said amount having been fully paid to plaintiff [petitioner], defendants [respondents] are no longer obligated to plaintiff [petitioner]. The Court glaringly noticed that the Deed of Sale with right of repurchase of the subject property in favor of the Zuasolas was for the amount of P40,000.00 which shows that even in 1985 the one-half undivided portion which is now the subject of this action could command a consideration of P20,000.00 in a transaction of Venta Con Pacto de Retro. The subject property abuts a provincial road. The undivided one-half of the whole property of 195 square meters to the mind of the Court could not be fairly sold for a consideration of P10,000.00. The Court entertains a laudable and correct impression that the subject property was agreed to be sold for the sum of P75,000.00, the amount of P10,000.00 having already been paid in advance leaving a balance of P65,000.00 which should therefore be paid by the defendants [respondents] to plaintiff [petitioner].<sup>[7]</sup>

On appeal by both petitioner and respondents, the CA affirmed the judgment of the RTC as follows:

Plaintiff-appellant's [Petitioner's] right to repurchase the one-half (1/2) portion of the property no longer exists. The prohibition against the alienation of the land acquired by [petitioner] by free patent ended on August 23, 1983 or five years from its issuance. Thus, when plaintiff-appellant [petitioner] sold the one-half (1/2) portion of the property to defendant-appellants [respondents] on February 1, 1989, the redemption period contemplated by Section 119 of the Public Land Act, as amended, no longer finds application.

It may be true that the policy behind homestead laws is to distribute disposable agricultural lands of the state to land destitute citizens for their home and cultivation, **but this right may not altogether be true when the person invoking the same is guilty of bad faith.**

In the instant case, plaintiff-appellant [petitioner] was convicted of estafa by reason of the double sale over the same property. She repurchased the property from the first buyer only after an information had already been filed against her. It is inescapable that when she filed the complaint with the court a quo she was with unclean hands. **It is an act that negates the gratuitous reward by the State.**

From the foregoing, we deem it fit not to disturb the judgment of the court a quo.<sup>[8]</sup> (Emphasis supplied)

Hence, the instant petition for review.

Petitioner asserts that the subject deed of sale is null and void. The cause of this obligation, as an indispensable element of a contract, is allegedly false because of the fact that, prior to the sale of the disputed land in favor of the respondents in 1989, petitioner had the same land sold with right of repurchase in favor of spouses Zuasola and Subida way back in 1985. <sup>[9]</sup> Petitioner's asserts that her redemption of the disputed land from spouses Zuasola and Subida does not cure a void contract

(i.e. the deed of sale in favor of respondents). In addition, petitioner argues that, at the time the adverted criminal case was instituted against her, respondents essentially admitted that fraud attended the execution of the subject deed of sale and that, therefore, respondents should be deemed to have assailed the validity of the said contract.

Anent her alternative cause of action, petitioner claims that the RTC ostensibly and irrelevantly applied Section 118 of the Public Land Act. She underscores instead Section 119 of the said law and stresses that her right to repurchase the disputed land prescribes only after five years from the date she conveyed the same to the respondents in 1989. Thus, she claims she timely exercised such right when she instituted the complaint in 1993.

In their *Comment*<sup>[10]</sup> and *Memorandum*,<sup>[11]</sup> respondents argue that the provision of the Public Land Act which prohibits the alienation of the disputed land within a period of five years reckoned from the date of the issuance of the patent had lapsed along with the right to repurchase the disputed land under the said law. The respondents further contend that the petitioner conveyed the disputed land in bad faith and should not therefore be allowed to come to court with unclean hands.

After evaluation of the parties' competing arguments, we find the petition devoid of merit.

We simply cannot uphold petitioner's contention that the deed of sale she executed in favor of respondents should be declared null and void on the basis of the previous deed of sale with right of repurchase petitioner executed in favor the spouses Zuasola and Subida. Ostensibly, when petitioner sold the subject property to herein respondents, she no longer had any right to do so for having previously sold the same property to other vendees. However, it is elementary that he who comes to court must do so with clean hands.<sup>[12]</sup> Being the vendor in both sales, petitioner knew perfectly well that when she offered the subject property for sale to respondents she had already previously sold it to the spouses Zuasola and Subida. It is undeniable then that petitioner fraudulently obtained the consent of respondents in the execution of the assailed deed of sale. She even admits her conviction of the crime of *estafa* for the deception she perpetrated on respondents by virtue of the double sale.

Certainly, petitioner's action for annulment of the subject deed should be dismissed based on Article 1397 of the Civil Code which provides that the person who employed fraud cannot base his action for the annulment of contracts upon such flaw of the contract, thus:

Art. 1397. The **action for the annulment of contracts** may be instituted by all who are thereby obliged principally or subsidiarily. However, persons who are capable cannot allege the incapacity of those with whom they contracted; **nor can those who** exerted intimidation, violence, or undue influence, or **employed fraud**, or caused mistake **base their action upon these flaws of the contract.**

Petitioner is, therefore, precluded from seeking the annulment of the said contract based on the fraud which she herself has caused.