

## FIRST DIVISION

[ G.R. No. 154645, July 13, 2004 ]

**MILAGROS JOAQUINO A.K.A. MILAGROS J. REYES, PETITIONER,  
VS. LOURDES REYES, MERCEDES, MANUEL, MIRIAM AND  
RODOLFO JR. -- ALL SURNAMED REYES, RESPONDENTS.**

### D E C I S I O N

**PANGANIBAN, J.:**

Though registered in the paramour's name, property acquired with the salaries and earnings of a husband belongs to his conjugal partnership with the legal spouse. The filiation of the paramour's children must be settled in a probate or special proceeding instituted for the purpose, not in an action for recovery of property.

#### The Case

Before the Court is a Petition for Review<sup>[1]</sup> under Rule 45 of the Rules of Court, seeking to nullify the February 4, 2002 Decision<sup>[2]</sup> and the August 14, 2002 Resolution<sup>[3]</sup> of the Court of Appeals (CA) in CA-GR CV No. 45883. The CA disposed as follows:

"WHEREFORE, premises considered, the appeal is hereby **partially DENIED** and the **Decision** dated **May 30, 1994**, of the Regional Trial Court of Pasay City, Branch 111 in Civil Case No. 9722-P is **MODIFIED** to read, as follows:

"WHEREFORE, judgment is hereby rendered in favor of plaintiffs and against the defendant as follows:

'a. Declaring the house and lot registered under Transfer Certificate of Title No. 90293 (26627-A) of the Registry of Deeds of Metro Manila, District IV as conjugal partnership property of the late Spouses Rodolfo and Lourdes Reyes;

'b. Ordering the [petitioner] to surrender possession of said subject property, pursuant to the applicable law on succession, to the respective estates of the late Rodolfo Reyes and Lourdes Reyes and to pay a reasonable rental of ₱10,000.00 a month, to the same juridical entities, upon their failure to do so until possession of the property is delivered; and

'c. To pay [respondents] attorney's fees in the sum of ₱20,000.00 and to pay the costs.'"<sup>[4]</sup>

The questioned Resolution, on the other hand, denied petitioner's Motion for Reconsideration.

## **The Facts**

The CA narrated the facts as follows:

"[Respondents] filed a Complaint for reconveyance and damages, dated January 23, 1982, before the Court of First Instance of Rizal, containing the following allegations:

'x x x The complaint alleges that [respondent] Lourdes P. Reyes is the widow of Rodolfo A. Reyes who died on September 12, 1981; that [respondents] Mercedes, Manuel, Miriam and Rodolfo, Jr. are the legitimate children of [respondent] Lourdes P. Reyes and the deceased Rodolfo A. Reyes; that for years before his death, Rodolfo A. Reyes had illicit relations with [petitioner] Milagros B. Joaquin; that before his death, x x x Rodolfo A. Reyes was Vice President and Comptroller of Warner Barnes and Company with an income of ₱15,000.00 a month and, after retirement on September 30, 1980, received from said company benefits and emoluments in the amount of ₱315,0<sup>[1]</sup>1.79; that [respondent] wife was not the recipient of any portion of the said amount.

'The complaint further alleges that on July 12, 1979, a [D]eed of [S]ale of a property consisting of a house and lot at BF Homes, Parañaque, Metro Manila was executed by the spouses Ramiro Golez and Corazon Golez in favor of [petitioner] Milagros B. Joaquin for which Transfer Certificate of Title No. 90293 of the Register of Deeds of Metro Manila, District IV was issued in the name of [petitioner] Milagros B. Joaquin; that the funds used to purchase this property were conjugal funds and earnings of the deceased Rodolfo A. Reyes as executive of Warner Barnes and Company as [petitioner] Joaquin was without the means to pay for the same; that [petitioner] executed a Special Power of Attorney in favor of Rodolfo A. Reyes to mortgage the property to Commonwealth Insurance Corporation in order to pay the balance of the purchase price; that said Rodolfo A. Reyes executed a mortgage in favor of Commonwealth Insurance Corporation for ₱140,000.00 and to guaranty payment thereof, he secured a life insurance [policy] with Philam Life Insurance Corporation for the said amount, assigning the proceeds thereof to Commonwealth Insurance Corporation; that the monthly amortizations of the mortgage were paid by said Rodolfo A. Reyes before his death and at the time of his death, the outstanding balance of ₱110,000.00 was to be paid out of his Philam Life Insurance [p]olicy.

'The complaint finally alleges that the deceased had two cars in [petitioner's] possession and that the real and personal properties in [petitioner's] possession are conjugal partnership

propert[ies] of the spouses Lourdes P. Reyes and Rodolfo A. Reyes and one-half belongs exclusively to [respondent] Lourdes P. Reyes and the other half to the estate of Rodolfo A. Reyes to be apportioned among the [other respondents] as his forced heirs. [Respondents] therefore, pray that the property covered by T.C.T. No. 90293 be declared conjugal property of the spouses Lourdes P. Reyes and Rodolfo A. Reyes and that [petitioner] be ordered to reconvey the property in [respondents'] favor; that the two cars in [petitioner's] possession be delivered to [respondents] and that [petitioner] be made to pay actual, compensatory and moral damages to [respondents] as well as attorney's fees.'

x x x

x x x

x x x

"[Petitioner] eventually filed her Answer, dated August 1, 1982, the allegations of which have been summarized by the trial court in the following manner:

'In her Answer, [petitioner] Milagros B. Joaquinio alleges that she purchased the real property in question with her own exclusive funds and it was only for convenience that the late Rodolfo Reyes facilitated the mortgage over the same; that although the late Rodolfo Reyes paid the monthly amortization of the mortgage as attorney-in-fact of [petitioner], the money came exclusively from [her].

'[Petitioner] further alleges in her answer, by way of special and affirmative defenses, that during all the nineteen (19) years that [she] lived with Rodolfo Reyes from 1962 continuously up to September 12, 1981 when the latter died, [petitioner] never had knowledge whatsoever that he was married to someone else, much less to [respondent] Lourdes P. Reyes; that [petitioner] was never the beneficiary of the emoluments or other pecuniary benefits of the late Rodolfo Reyes during his lifetime or after his death because [she] had the financial capacity to support herself and her children begotten with the late Rodolfo Reyes. [Petitioner] prays for a judgment dismissing [respondents'] complaint and for the latter to pay unto [petitioner] moral and exemplary damages in such amounts as may be determined during the trial, including atto[r]ney's fees and the costs of the suit. x x x.'

x x x

x x x

x x x

"On February 2, 1993, [respondent] Lourdes Reyes died.

"Subsequently, the trial court granted the complaint based on the following factual findings:

'Lourdes Reyes was legally married to Rodolfo Reyes on January 3, 1947 in Manila. They have four children, namely: Mercedes, Manuel, Miriam and Rodolfo Jr., all surnamed Reyes

and co-[respondents] in this case. Rodolfo Reyes died on September 12, 1981. At the time of his death, Rodolfo Reyes was living with his common-law wife, Milagros Joaquin, x x x with whom she begot three (3) children namely: Jose Romillo, Imelda May and Charina, all surnamed Reyes.

'During his lifetime, Rodolfo Reyes worked with Marsman and Company and later transferred to Warner Barnes & Co., where he assumed the position of Vice-President [Comptroller] until he retired on September 30, 1980. His monthly salary at Warner Barnes & Co. was ₱15,000.00 x x x and upon his separation or retirement from said company, Rodolfo Reyes received a lump sum of ₱315,011.79 in full payment and settlement of his separation and retirement benefits.

'During the common-law relationship of Rodolfo Reyes and [petitioner] Milagros Joaquin and while living together, they decided to buy the house and lot situated at No. 12 Baghdad Street, Phase 3, BF Homes, Parañaque, Metro Manila. A Deed of Absolute Sale dated July 12, 1979 was executed in favor of [petitioner] Milagros Joaquin and Transfer Certificate of Title No. S-90293 covering the said property was issued in the name of [petitioner only] on July 20, 1979.

'To secure the finances with which to pay the purchase price of the property in the amount of ₱140,000.00, [petitioner] executed on July 20, 1979, a Special Power of Attorney in favor of Rodolfo A. Reyes for the latter, as attorney-in-fact, to secure a loan from the Commonwealth Insurance Company. An application for mortgage loan was filed by Rodolfo Reyes with the Commonwealth Insurance Company and a Real Estate Mortgage Contract was executed as collateral to the mortgage loan. The loan was payable in ten (10) years with a monthly amortization of ₱1,166.67. The monthly amortizations were paid by Rodolfo Reyes and after his death, the balance of ₱109,797.64 was paid in full to the Commonwealth Insurance by the Philam Life Insurance Co. as insurer of the deceased Rodolfo A. Reyes.'"<sup>[5]</sup>

On appeal to the CA, petitioner questioned the following findings of the trial court: 1) that the house and lot had been paid in full from the proceeds of the loan that Rodolfo Reyes obtained from the Commonwealth Insurance Company; 2) that his salaries and earnings, which were his and Lourdes' conjugal funds, paid for the loan and, hence, the disputed property was conjugal; and 3) that petitioner's illegitimate children, not having been recognized or acknowledged by him in any of the ways provided by law, acquired no successional rights to his estate.

### **Ruling of the Court of Appeals**

Affirming the RTC, the CA held that the property had been paid out of the conjugal funds of Rodolfo and Lourdes because the monthly amortizations for the loan, as well as the premiums for the life insurance policy that paid for the balance thereof,

came from his salaries and earnings. Like the trial court, it found no sufficient proof that petitioner was financially capable of buying the disputed property, or that she had actually contributed her own exclusive funds to pay for it. Hence, it ordered her to surrender possession of the property to the respective estates of the spouses.

The appellate court, however, held that the trial court should not have resolved the issue of the filiation and the successional rights of petitioner's children. Such issues, it said, were not properly cognizable in an ordinary civil action for reconveyance and damages and were better ventilated in a probate or special proceeding instituted for the purpose.

Hence, this Petition.<sup>[6]</sup>

### **Issues**

Petitioner submits the following issues for the Court's consideration:

#### **"I.**

Whether or not it has been indubitably established in a court of law and trier of facts, the Regional Trial Court, that petitioner's three <sup>[3]</sup> illegitimate children are x x x indeed the children of the late Rodolfo Reyes.

#### **"II.**

Whether or not it is legally permissible for [respondents] to make a mockery of the law by denying [the] filiations of their [two] 2 illegitimate sisters and one <sup>[1]</sup> illegitimate brother when in fact the very complaint filed by their mother, the lawful wife, Lourdes[,] shows that her husband Rodolfo had illicit relations with the petitioner Milagros and had lived with her in a house and lot at Baghdad Street.

#### **"III.**

Whether or not the fact that the Court of Appeals made a finding that the house and lot at Baghdad Street are conjugal property of lawfully wedded Rodolfo and Lourdes including the insurance proceeds which was used to pay the final bill for the house and lot, this will prevail over Articles 19 and 21 of the Civil Code.

#### **"IV.**

Whether or not the Supreme Court should enforce the rule that the parties to a lawsuit should only tell the truth at the trial and in [their] pleadings x x x.

#### **"V.**

Whether or not the legitimate children of the late Rodolfo Reyes should respect their father's desire that his illegitimate children should have a