

## **THIRD DIVISION**

**[ G.R. No. 109197, June 21, 2001 ]**

**SPOUSES JAYME C. UY AND EVELYN UY, PETITIONERS, VS. THE  
HONORABLE COURT OF APPEALS AND SPS. NICANOR G. DE  
GUZMAN AND ESTER DE GUZMAN, RESPONDENTS.**

### **D E C I S I O N**

**MELO, J.:**

Before us is a petition seeking reversal of the decision of the Court of Appeals dated December 21, 1992 and its resolution dated March 3, 1993 denying reconsideration. The dispositive portion of the Court of Appeals' decision, which affirmed that of Branch 168 of the Regional Trial Court of the National Capital Region stationed in Pasig rendered in favor of private respondents herein, reads as follows:

WHEREFORE, in view of all the foregoing, the judgment, except for the portion thereof which states "within ninety (90) days from receipt of this decision," which should be changed to "within ninety (90) days from finality of this decision," is hereby AFFIRMED, with costs against the appellants.

SO ORDERED.

The relevant facts are chronicled as follows:

Private respondents Nicanor de Guzman, Jr. and Ester de Guzman were the owners of three lots, covered by Transfer Certificates Title No. 9052, 9053, and 9054, located in Greenhills Subdivision, San Juan, Metro Manila. In 1971, they constructed, at a cost of P3 million, a 1,200 square meter residential house on two of the lots. These lots, covered by TCT Nos. 9052 and 9053, had a combined area of approximately 1,626 square meters. In 1987, the market value of the lots already ranged from P4,000 to P5,000 per square meter while the house was worth about P10 million.

Sometime in 1987, Nicanor de Guzman, Jr. decided to run for the position of Representative of the Fourth District of Nueva Ecija. Sometime in April 1987, however, de Guzman's campaign fund began to run dry and he was compelled to borrow P2.5 Million from Mario Siochi. The de Guzman spouses were required to sign, as a sort of collateral, a deed of sale dated April 10, 1987 whereby they purportedly sold the lots covered by TCT No. 9052, 9053, and 9054, along with the improvements thereon, to Siochi. After the execution of the "deed of sale," de Guzman was able to obtain two more loans of P500,000.00 each from Siochi. No additional collateral was required, the "deed of sale" being more than sufficient to cover the original P2.5 million loan and the additional P1 million loan. Despite the

"deed of sale," however, the de Guzmans remained in possession of the property.

Aside from these loans, de Guzman also owed Siochi several debts, the latter having paid the following, among other debts, of de Guzman: a debt to Filipinas Bank in the amount of P1,561,460.00; P2 Million in favor of Ricardo Silverio; the levy on execution in favor of Mr. Zuzuareggui in the sum of P245,500; the P100,000 fee of de Guzman's lawyer; and the realty taxes on the property amounting to P97,292.32 and P51,703.12.

To repay these other loans, the de Guzmans agreed with Siochi to have their 1,411 square meter vacant lot, covered by TCT No. 9054 (which had already been "sold" to Siochi under the April 10, 1987 deed of sale), sold. The sale of the same amounted to P4.8 Million, the proceeds of which were all retained by Siochi.

In the meantime, and without the knowledge of the de Guzman spouses, Siochi had TCT No. 9052 and 9053 cancelled, on the basis of the deed of sale executed by the spouses on April 10, 1987, and had new Torrens titles issued in his name. On June 20, 1987, Siochi sold the two lots and the improvements thereon for P2.75 Million to herein petitioners Jayme and Evelyn Uy. Thereafter, petitioners had Siochi's titles over the lots cancelled and had new titles, TCT No. 277-R and 278-R, issued over the property. On July 1, 1988, petitioners entered into a contract of lease with option to buy with Roberto Salapantan.

Salapantan was, however, unable to obtain possession of the lots since the premises were occupied by the de Guzman spouses. Consequently, Salapantan filed a complaint for ejectment on August 1, 1988 against the de Guzman spouses with the Metropolitan Trial Court of San Juan, Metro Manila. It was only at this time that the de Guzmans discovered the sale of their house and lot by Mario Siochi to petitioners and the lease executed by petitioners to Salapantan.

On September 16, 1988, the de Guzmans filed a complaint with the Regional Trial Court of Pasig against Siochi, Salapantan, and herein petitioners, seeking the reformation of the April 10, 1987 Deed of Absolute Sale to the end that the true intention of the parties therein be expressed and to remove the cloud cast over TCT No. 9052, and 9053 caused by the June 20, 1987 deed of sale between Mario Siochi and petitioners and by the issuance of TCT No. 277-R and 278-R obtained by petitioners by virtue of said deed of sale. The complaint also sought the reconveyance of the ownership and titles under TCT No. 277-R and 278-R to the de Guzmans. The complaint, docketed as Civil Case No. 565893, was raffled to Branch 168 of the Regional Trial Court of Pasig. During the trial of the case, only the de Guzmans and Siochi presented evidence, petitioners having decided to adopt the evidence presented by Siochi.

On December 28, 1990, the trial court rendered its decision in favor of the de Guzmans, disposing as follows:

WHEREFORE, in view of all the foregoing, the Court finds for the plaintiff and judgment is hereby accordingly rendered as follows:

1. Declaring the Deed of Sale dated April 10, 1987, Exhibit

"B", executed between plaintiffs and defendants Mario Siochi and Erlinda Siochi, an equitable mortgage and ordering the plaintiffs to pay defendant spouses Mario Siochi and Erlinda Siochi the admitted loan therein in the amount of P2.5 million with legal interest of 12% per annum from April 10, 1987 and the additional admitted loan of P1,000,000.00 also with legal interest of 12% per annum from May 1987 when the same was incurred within ninety (90) days upon receipt of this decision;

2. Declaring as null and void the Deed of sale dated June 20, 1987, Exhibit "C", executed between defendants Mario Siochi and Erlinda Siochi as vendors therein and Jayme O. Uy and Evelyn C. Uy, as vendees therein;

3. Ordering defendant spouses Jayme Uy and Evelyn Uy to reconvey the questioned properties to plaintiffs;

4. Ordering the Register of Deeds of San Juan, Metro Manila, to cancel TCT Nos. 277-R and 278-R issued in favor of the defendant spouses Jayme O. Uy and Evelyn Uy and to issue new titles in the names of the plaintiff spouses Nicanor G. de Guzman, Jr. and Esther de Guzman;

5. Declaring as null and void the Contract of Lease with Option to Buy dated July 1, 1988 executed between defendants Jayme Uy and Evelyn Uy and defendant Roberto Salapantan; and

6. Ordering defendants to pay plaintiffs attorney's fees in the sum of P100,000.00.

Costs against all defendants.

Aggrieved, petitioners interposed an appeal with the Court of Appeals, docketed therein as CA-G.R. CV No. 30935. On December 21, 1992, the appellate court affirmed with a slight modification as earlier mentioned. Hence, the instant recourse wherein petitioners do not dispute that the sale by the de Guzmans to Siochi is an equitable mortgage as found by both the trial court and the appellate court. As incisively stated by the trial court:

Art. 1602 of the New Civil Code provides:

The contract shall be presumed to be an equitable mortgage, in any of the following cases:

(1) When the price of a sale with right to repurchase is unusually inadequate;

(2) When the vendor remains in possession as lessee or

otherwise;

(3) When upon or after the expiration of the right to repurchase another instrument extending the period of redemption or granting a new period is executed;

(4) When the purchaser retains for himself a part of the purchase price;

(5) When the vendor binds himself to pay the taxes on the thing sold;

(6) In any other case where it may fairly be inferred that the real intention of the parties is that the transaction shall secure the payment of a debt or the performance of any other obligation.

In any of the foregoing cases, any money, fruits, or other benefit to be received by the vendee as a rent or otherwise shall be considered as interest which shall be subject to the usury law.

In view of all the foregoing, the Court is convinced and so finds that the questioned deed of sale, Exhibit "B", is in reality a mere equitable mortgage and not an absolute sale in view of the following circumstances:

First, the consideration of the sale of P2.5 Million is grossly and unusually inadequate. The uncontradicted evidence is that the price alone of plaintiff's residential house in 1987 having a floor area of 1,200 square meters is P10 Million while the two (2) lots having an aggregate area of 1,620 square meters commanded a price of from P4,000.00 to P5,000.00 per square meter in 1987 the year when the deed of sale was executed, (Art. 1602, par. 1 in relation to Art. 1604, New Civil Code; *Capulong vs. Court of Appeals*, 130 SCRA 245). The vacant lot with an area of 1,411 square meters was sold by Siochi at P4.8 Million.

Second, despite the alleged deed of sale, plaintiffs have remained in actual and physical possession of the litigated property up to the present time (Art. 1602, par. 2, New Civil Code, *Labosan vs. Lacuesta*, 86 SCRA 1622) which is a badge of an equitable mortgage.

Third, the uncontradicted evidence is that plaintiffs were driven to obtain the emergency loan "due to urgent necessity of obtaining funds", (*Labosan vs. Lacuesta*, 86 SCRA 1622) and they signed the deed of sale knowing that it did not express their real intention (Art. 1362, New Civil Code). In fact, additional loans in the total sum of P1 million were extended to plaintiffs by Siochi even after the execution of