

SECOND DIVISION

[G.R. No. 115734, February 23, 2000]

**RUBEN LOYOLA, CANDELARIA LOYOLA, LORENZO LOYOLA,
FLORA LOYOLA, NICANDRO LOYOLA, ROSARIO LOYOLA,
TERESITA LOYOLA AND VICENTE LOYOLA, PETITIONERS, VS.
THE HONORABLE COURT OF APPEALS, NIEVES, ROMANA,
ROMUALDO, GUILLERMO, LUCIA, PURIFICACION, ANGELES,
ROBERTO, ESTRELLA, ALL SURNAMED ZARRAGA AND THE HEIRS
OF JOSE ZARRAGA, NAMELY AURORA, MARITA, JOSE, RONALDO,
VICTOR, LAURIANO, AND ARIEL, ALL SURNAMED ZARRAGA,
RESPONDENTS.**

D E C I S I O N

QUISUMBING, J.:

For review on *certiorari* is the decision of the Court of Appeals in CA-G.R. No. CV 36090, promulgated on August 31, 1993, reversing the judgment of the Regional Trial Court of Biñan, Laguna, Branch 24, in Civil Case No. B-2194. In said decision, the appellate court decreed:

"PREMISES CONSIDERED, the decision appealed from is hereby REVERSED and a new judgment rendered as follows:

1. Dismissing the plaintiff's Complaint;
2. Declaring the "*Bilihang Tuluyan ng Kalahati (1/2) ng Isang (1) Lagay na Lupa*" dated August 24, 1980 (Exhibit 1) as well as Transfer Certificate of Title No. T-116067 of the Registry of Deeds for the Calamba Branch to be lawful, valid, and effective.

"SO ORDERED."^[1]

The RTC decision reversed by the Court of Appeals had disposed of the complaint as follows:

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

1. Declaring the simulated deed of absolute sale purportedly executed by the late Gaudencia Zarraga on August 24, 1980 as well as the issuance of the corresponding certificate of title in favor of the defendants null and void from the beginning;
2. Ordering the Register of Deeds of Laguna, Calamba Branch to cancel Transfer Certificate of Title No. T-116087 issued in favor of the defendants and to issue another one, if feasible, in favor of the

plaintiffs and the defendants as co-owners and legal heirs of the late Gaudencia Zarraga;

3. Order(ing) the defendants to reconvey and deliver the possession of the shares of the plaintiff on (sic) the subject property;
4. Ordering the defendants to pay the amount of P20,000 as and for attorney's fees and the costs of this suit.
5. As there is no preponderance of evidence showing that the plaintiffs suffered moral and exemplary damages, their claim for such damages is hereby dismissed.

The plaintiffs' claim under the second cause of action is hereby dismissed on the ground of prescription.

Likewise, the defendants' counterclaim is hereby dismissed for lack of merit.

"SO ORDERED."^[2]

We shall now examine the factual antecedents of this petition.

In dispute here is a parcel of land in Biñan, Laguna, particularly described as follows:

"A PARCEL OF LAND (Lot 115-A-1) of the subdivision plan (LRC) Psd-32117), being a portion of Lot 115-A, described on Plan Psd-55228, LRC (GLRO) Record No. 8374), situated in the Poblacion, Municipality of Biñan, Province of Laguna, Island of Luzon. Bounded on the NE., points 3 to 4 by the Biñan River; on the SE., points 4 to 1 by Lot 115-A-2 of the subd. Plan; on the SW., points 1 to 2 by the Road and on points 2 to 3 by Lot 115-B, Psd-55228 x x x containing an area of SEVEN HUNDRED FIFTY THREE (753) SQ. METERS, more or less x x x."^[3]

Originally owned in common by the siblings Mariano and Gaudencia Zarraga, who inherited it from their father, the parcel is covered by Transfer Certificate of Title (TCT) No. T-32007. Mariano predeceased his sister who died single, without offspring on August 5, 1983, at the age of 97.

Victorina Zarraga vda. de Loyola and Cecilia Zarraga, are sisters of Gaudencia and Mariano. Victorina died on October 18, 1989, while Civil Case No. B-2194 was pending with the trial court. Cecilia died on August 4, 1990, unmarried and childless. Victorina and Cecilia were substituted by petitioners as plaintiffs.

Private respondents, children of Mariano excepting those denominated as the "Heirs of Jose Zarraga," are first cousins of petitioners. Respondents designated as the "Heirs of Jose Zarraga" are first cousins once removed of the petitioners.

Private respondents allege that they are the lawful owners of Lot 115-A-1, the one-half share inherited by their father, Mariano and the other half purchased from their deceased aunt, Gaudencia. Transfer Certificate of Title No. 116067 was issued in their names covering Lot 115-A-1.

The records show that the property was earlier the subject of Civil Case No. B-1094 before the then Court of First Instance of Laguna, Branch 1, entitled "*Spouses Romualdo Zarraga, et al. v. Gaudencia Zarraga, et al.*" Romualdo Zarraga, one of the private respondents now, was the plaintiff in Civil Case No. B-1094. The defendants were his siblings: Nieves, Romana, Guillermo, Purificacion, Angeles, Roberto, Estrella, and Jose, all surnamed Zarraga, as well as his aunt, the late Gaudencia. The trial court decided Civil Case No. B-1094 in favor of the defendants. Gaudencia was adjudged owner of the one-half portion of Lot 115-A-1. Romualdo elevated the decision to the Court of Appeals and later the Supreme Court. The petition, docketed as G.R. No. 59529, was denied by this Court on March 17, 1982.

The present controversy began on August 24, 1980, nearly three years before the death of Gaudencia while G.R. No. 59529 was still pending before this Court. On said date, Gaudencia allegedly sold to private respondents her share in Lot 115-A-1 for P34,000.00. The sale was evidenced by a notarized document denominated as "*Bilihang Tuluyan ng Kalahati (1/2) ng Isang Lagay na Lupa.*"^[4] Romualdo, the petitioner in G.R. No. 59529, was among the vendees.

Meanwhile, the decision in Civil Case No. B-1094 became final. Private respondents filed a motion for execution. On February 16, 1984, the sheriff executed the corresponding deed of reconveyance to Gaudencia. On July 23, 1984, however, the Register of Deeds of Laguna, Calamba Branch, issued in favor of private respondents, TCT No. T-116067, on the basis of the sale on August 24, 1980 by Gaudencia to them.

On January 31, 1985, Victorina and Cecilia filed a complaint, docketed as Civil Case No. B-2194, with the RTC of Biñan, Laguna, for the purpose of annulling the sale and the TCT. The trial court rendered judgment in favor of complainants.

On appeal, the appellate court REVERSED the trial court. On September 15, 1993, herein petitioners (as substitute parties for Victorina and Cecilia, the original plaintiffs) filed a motion for reconsideration, which was denied on June 6, 1994.

Hence, the instant petition.

Petitioners submit the following issues for resolution by this Court:

1. WHETHER OR NOT THERE ARE STRONG AND COGENT REASON(S) TO DISTURB THE FINDINGS AND CONCLUSIONS OF THE TRIAL COURT THAT THE CONTRACT DENOMINATED AS DEED OF ABSOLUTE SALE IS SIMULATED AND THEREFORE NULL AND VOID.
2. WHETHER THE ACTS OF PRIVATE RESPONDENTS IS (SIC) CONSISTENT WITH THE ACTS OF VENDEES WHEN THEY DEFIED LOGIC AS FOUND BY THE TRIAL COURT...
3. WHETHER THE ALLEGED VENDORS (SIC) GAUDENCIA ZARRAGA WHO WAS THEN 94 YEARS OLD, ALREADY WEAK AND WHO WAS UNDER THE CARE OF ONE OF THE VENDEES PRIVATE RESPONDENT ROMANA ZARRAGA, SINGLE AND WITHOUT ANY CHILD BUT HAS SISTERS AND OTHER NEPHEWS AND NIECES WILL SELL HER PROPERTY THEN WORTH P188,250.00 IN 1980 FOR ONLY P34,000, AND WHETHER

A CONTRACT OF SALE OF REALTY IS PERFECTED, VALID AND GENUINE WHEN ONE OF THE VENDEES ROMUALDO ZARRAGA DOES NOT KNOW OF THE TRANSACTION, THE OTHER VENDEE JOSE ZARRAGA WAS ALREADY LONG DEAD BEFORE THE EXECUTION OF THE *BILIHAN* IN QUESTION AND YET WAS INCLUDED AS ONE OF THE VENDEES, LIKEWISE, OTHER SUPPOSED VENDEES NIEVES ZARRAGA AND GUILLERMO ZARRAGA ASIDE FROM ROMUALDO WERE NOT PRESENT WHEN THE TRANSACTION TOOK PLACE.

4. THE LEGAL MEANING AND IMPORT OF SIMULATED CONTRACT OF SALE WHICH INVALIDATES A TRANSACTION IS ALSO A LEGAL ISSUE TO BE THRESHED OUT IN THIS CASE AT BAR.

5. WHETHER PETITIONERS HAVE THE LEGAL PERSONALITY TO SUE.^[5]

Notwithstanding petitioners' formulation of the issues, we find the only issue for resolution in this case is whether or not the deed of absolute sale is valid.

Petitioners vigorously assail the validity of the execution of the deed of absolute sale suggesting that since the notary public who prepared and acknowledged the questioned *Bilihan* did not personally know Gaudencia, the execution of the deed was suspect. However, the notary public testified that he interviewed Gaudencia prior to preparing the deed of sale.^[6] Petitioners failed to rebut this testimony. The rule is that a notarized document carries the evidentiary weight conferred upon it with respect to its due execution,^[7] and documents acknowledged before a notary public have in their favor the presumption of regularity.^[8] By their failure to overcome this presumption, with clear and convincing evidence, petitioners are estopped from questioning the regularity of the execution of the deed.^[9]

Petitioners also charge that one of the vendees, Jose Zarraga, was already dead at the time of the sale. However, the records reveal that Jose died on July 29, 1981.^[10] He was still alive on August 24, 1980, when the sale took place.

Petitioners then contend that three of the vendees included in the deed, namely, Romualdo, Guillermo, and Nieves, were not aware of the transaction, which casts doubt on the validity of the execution of the deed. Curiously, Romualdo who questioned Gaudencia's ownership in Civil Case No. B-1094, was one of those included as buyer in the deed of sale. Romana, however, testified that Romualdo really had no knowledge of the transaction and he was included as a buyer of the land only because he was a brother.

Petitioners suggest that all the aforecited circumstances lead to the conclusion that the deed of sale was simulated.

Simulation is "the declaration of a fictitious will, deliberately made by agreement of the parties, in order to produce, for the purposes of deception, the appearances of a juridical act which does not exist or is different what that which was really executed."^[11] Characteristic of simulation is that the apparent contract is not really desired or intended to produce legal effect or in any way alter the juridical situation of the parties. Perusal of the questioned deed will show that the sale of the property would convert the co-owners to vendors and vendees, a clear alteration of the