

TWELFTH DIVISION

[CA – G.R. CV No. 100430, June 26, 2014]

**PABLO IRAO, JR., PETITIONER-APPELLEE, VS. THE HEIRS OF
EUSEBIO MORTEL, REPRESENTED BY WENINA MORTEL
VILLANUEVA GANORAN, RESPONDENTS-APPELLANTS.**

D E C I S I O N

DICDICAN, J.:

Before us is an appeal filed pursuant to Rule 41 of the Revised Rules of Court seeking the reversal and the setting aside of the Decision^[1] dated October 24, 2012 rendered by Judge Jose M. Madrid, Executive Judge of Branch 82 of the Regional Trial Court, Fourth Judicial Region, in Odiongan, Romblon ("trial court") in SPL Proc. No. OD-194.

The factual antecedents, as can be culled from the record, is as follows:

The present controversy stemmed from a Petition for Consolidation of Ownership in a Deed of Sale with Right of Repurchase filed by Mr. Pablo Irao, Jr. ("petitioner-appellee") over a property located at Barangay Ligaya, Odiongan, Romblon. The subject lot is a residential land containing an area of 198 square meters and is more particularly described as follows:

"A residential land located at Ligaya, Odiongan, Romblon, containing an area of 198 square meters, more or less and bounded on the NORTH by Lot No. 187; East, by C.P. Garcia St., SOUTH, by Lot No. 185; and WEST, by Lot No. 187 with an assessed value of Php19,800.00 series of 2004 declared to the Heirs of Eusebio Mortel, Cad. Lot No. 186 under Tax Dec. No. A10-001-00136."

In his petition, petitioner-appellee alleged that, on March 3, 2005, the Heirs of Eusebio Mortel represented by Wenina Mortel-Villanueva-Ganoran ("respondents-appellants"), sold, transferred and conveyed to the petitioner-appellee by way of Deed of Sale with Right to Repurchase the subject lot. Accordingly, the date of repurchase, March 3, 2008 which is three years after the execution of the Deed of Sale with right to Repurchase, had already expired and the respondents-appellants were not able to repurchase the subject lot in accordance with the agreed terms and conditions. Consequently, petitioner-appellee had the right to consolidate ownership of the subject lot.

In their Answer, respondents-appellants averred that the contract evidenced by the document denominated as a Deed of Sale with Right to Repurchase^[2] dated March 5, 2005 is actually an equitable mortgage.

According to the respondents-appellants, sometime in March 2005, respondent-appellant Ganoran, accompanied by her aunt Mrs. Flor Mortel, approached petitioner-appellee for money that she would use to redeem from Mr. Caesar Fiel

("Mr. Fiel") the subject lot. Respondents-appellants asseverated that Mr. Fiel had earlier filed a petition for consolidation of ownership over the subject property. The said property which was mortgaged to Mr. Fiel was the same property that is the subject matter of the present petition.

Thus in order to redeem the subject lot from Mr. Fiel, respondents-appellants sought from petitioner-appellee the amount of Four Hundred Thousand Pesos (Php400,000) payable in three (3) years.

Allegedly, in response to respondent-appellant Ganoran's request, petitioner-appellee told her in vernacular: '*Siling nako sa ida pag may mga papeles ikaw nakitao sa ako nak garantiya diling paghuyam imaw kina kag pagtao nako sa imo.*' ('I told her, if you can give me papers to guarantee your borrowing from me, that is the time I will give you').

Following what was instructed, respondent-appellant Ganoran purportedly looked for a lawyer who would execute the document of Deed of Sale with Right of Repurchase and proceeded in the preparation of documents that petitioner-appellee required of her as a condition for the release of the money that she was borrowing. The documents executed were: Deed of Sale With Right of Repurchase; Special Power of Attorney (SPA) and Tax Declaration.

After several days, respondent-appellant Ganoran allegedly received from petitioner-appellee a sheet of paper containing UNLAD Savings loan computation for a principal loan of Php400,000 payable in 3 years and with an interest rate of 18% per year. In this computation, total interest for 3 years is Php116,574.89 which when added to the principal of Php400,000 results to a sum of Php516,574.89. Respondents-appellants claimed that this became the basis of the purchase price of PHP516,574.89 as stipulated in the parties' Deed of Absolute Sale with Right of Repurchase.

With the notarized Deed of Absolute Sale with Right of Repurchase, respondent-appellant Ganoran returned to petitioner-appellee and received the principal amount borrowed, that is, Php400,000 less one year additional interest of Php2,500 a month. According to respondents-appellants, on top of the Php116,574.89 interest for 3 years, petitioner-appellee also imposed additional interest of Php2,500 per month and there was nothing that Ms. Ganoran could do but protest and eventually agree to it.

On April 11, 2005, using the money that respondents-appellants had borrowed from petitioner-appellee, they were able to settle their debt from Mr. Fiel by paying Three Hundred Thousand Pesos (Php300,000) for a principal loan of only Php200,000.

However, when respondents-appellants failed to make additional payments to petitioner-appellee, they were allegedly asked by the latter to sign a Promissory Note for the 2-year additional interest (which was termed rentals) in the amount of Php60,000.

Thus, upon the expiration of the respondents-appellants' right to repurchase in March 2008 and they were still not able to repurchase the subject lot, petitioner-appellee filed a petition for consolidation of ownership over the subject lot.

After the parties filed their respective pleadings, the trial court set the case for the pre-trial conference. When the pre-trial was terminated, trial on the merits ensued

thereafter.

On October 24, 2012, the trial court rendered the herein assailed Decision, the dispositive portion of which reads:

"WHEREFORE, premises considered, judgment is hereby rendered consolidating the ownership of the property located at Ligaya, Odiongan, Romblon with an area of 198 square meters covered by Lot No. 186 under Tax Declaration No. A10-001-00136 to petitioner, Pablo Irao Jr.,"

"SO ORDERED."

Aggrieved, respondents-appellants interposed an appeal to this Court raising the following errors purportedly committed by the trial court, to wit:

I.

THE REGIONAL TRIAL COURT ERRED WHEN IT HELD THAT NONE OF THE CIRCUMSTANCES MENTIONED IN ARTICLE 1602 OF THE CIVIL CODE BEST DESCRIBED THE CASE WHICH IS IN TOTAL DISREGARD OF THE EVIDENCE PRESENTED AND THE FACTS ESTABLISHED DURING THE TRIAL.

II.

THE REGIONAL TRIAL COURT ERRED IN NOT CONSIDERING THE DEED OF SALE WITH RIGHT TO REPURCHASE AS AN EQUITABLE MORTGAGE

III.

THE REGIONAL TRIAL COURT ERRED IN GRANTING THE PETITION DESPITE CLEAR EVIDENCE THAT RESPONDENT-APPELLANT GANORAN DOES NOT OWN THE PROPERTY.

In sum, the primordial issues to be resolved by this Court are: whether or not the trial court erred in granting petitioner-appellees' petition for consolidation of ownership and whether or not the deed of sale with right to repurchase is actually an equitable mortgage.

After a careful perusal of the record and a judicious scrutiny of pertinent laws and jurisprudence, we find the appeal filed in this case to be meritorious.

In granting the petition of the petitioner-appellee, the trial court held that neither of the requirements or any of the circumstances in Article 1602 of the Civil Code of the Philippines best described the case at bench. The trial court held, thus:

"Based on the evidence adduced during the trial on the merits, although it was shown that the respondent remained in possession of the subject property, her continued occupancy is no longer as an owner but a mere lessor of the subject property evidenced by her payment of lease-rental. In fact she acknowledged the ownership and title of the petitioner over the subject property."

However, after a thorough and conscientious study of the facts of this case, as well as the laws and jurisprudence applicable in the premises, we resolve the foregoing issues in the affirmative.