



Republic of the Philippines  
Supreme Court  
Manila

SECOND DIVISION

OSCAR S. VILLARTA,  
Petitioner,

G.R. No. 208021

Present:

CARPIO, J., Chairperson,  
BRION,  
DEL CASTILLO,  
MENDOZA, and  
LEONEN,\* JJ.

- versus -

GAUDIOSO TALAVERA, JR.,  
Respondent.

Promulgated:

03 FEB 2016  
*[Handwritten signature]*

X ----- X

DECISION

CARPIO, J.:

The Case

G.R. No. 208021 is a petition for review<sup>1</sup> assailing the Decision<sup>2</sup> promulgated on 22 November 2012 as well as the Resolution<sup>3</sup> promulgated on 18 June 2013 by the Court of Appeals (CA) in CA-G.R. CV No. 96732. The CA affirmed the Decision dated 26 October 2010<sup>4</sup> and the Resolution dated 8 February 2011<sup>5</sup> of Branch 35 of the Regional Trial Court of Santiago City (RTC) in Civil Case No. 35-3306.

\* On leave.  
<sup>1</sup> Under Rule 45 of the 1997 Rules of Civil Procedure.  
<sup>2</sup> *Rollo*, pp. 24-44. Penned by Associate Justice Amy C. Lazaro-Javier, with Associate Justices Mariflor P. Punzalan Castillo and Zenaida T. Galapate-Laguilles concurring.  
<sup>3</sup> *Id.* at 45. Penned by Associate Justice Amy C. Lazaro-Javier, with Associate Justices Mariflor P. Punzalan Castillo and Zenaida T. Galapate-Laguilles concurring.  
<sup>4</sup> *Id.* at 68-77. Penned by Judge Efren M. Cacatian.  
<sup>5</sup> Records, p. 461.

*[Handwritten mark]*

In its 26 October 2010 Decision, the RTC rendered judgment in favor of respondent Gaudioso Talavera, Jr. (respondent) and against petitioner Oscar S. Villarta (petitioner). The RTC dismissed petitioner's action for reformation of two deeds of absolute sale to that of equitable mortgage due to want of evidence, and ordered petitioner and all other persons acting for and in his behalf to vacate the land subject of the complaint and peacefully surrender it to respondent. The 8 February 2011 Resolution denied petitioner's motion for reconsideration.

### **The Facts**

The CA recited the facts as follows:

Appellant Oscar Villarta filed the complaint a quo for reformation of contracts, moral damages, and attorney's fees against appellee Gaudioso Talavera, Jr. He alleged: he owned four parcels of land, all situated in Santiago City viz: a) 1,243 square meters under TCT No. T-130095, b) 25,000 square meters under TCT No. T-12142, c) 296 square meters [under] TCT No. T-53252, and d) 1,475 square meters under TCT No. T-214950; sometime in 1993, he ventured into treasure hunting activities; in order to infuse his much needed capital, he obtained several loans from appellee who was a distant relative; as of 1996, his loan already reached ₱800,000.00, inclusive of 3% interest per month; he religiously paid the interest, but when the 1997 financial crisis struck, appellee raised the interest to a rate between 7% and 10%; in 1995, appellee employed insidious words and machinations in convincing him to execute a deed of absolute sale over TCT No. T-130095; however, the real agreement was that the lot would only serve as security for the several loans he obtained; in 1997, he was again convinced to execute two more deeds of conveyance over the two lots under TCTs T-12142 and T-53252, respectively; in 2001, he was informed that his loan had already reached ₱2,000,000.00 and since the 3 parcels of land were no longer sufficient to cover the loan, he was further convinced to mortgage to Maybank additional real properties, on top of the 3 parcels of land, to secure a ₱50 million loan; when appellee realized that his loan was going to be approved, the former demanded that he execute a deed of absolute sale over the lot under TCT T-214950, yet, the real agreement was that the lot would only serve as collateral; TCT T-53252 and T-12142 were returned to him; when he requested appellee to remove the encumbrance on TCTs T-130095 and T-214950 so that the bank could process the loan, appellee suddenly demanded ₱5,000,000.00; when the bank learned of it, he was advised not to pursue the loan because he would no longer have the means to pay it; appellee took advantage of the situation and caused the cancellation of TCT T-214950, by utilizing the deed of absolute sale, contrary to their real agreement that the property should only serve as collateral; the Deeds of Absolute Sale dated March 1995 and May 18, 2001 were in reality an equitable mortgage; the ₱500,000.00 consideration for the Deed of Absolute Sale dated May 18, 2001 was grossly inadequate because the actual market value of the subject land was ₱5,900,000.00; despite the execution of the two deeds of absolute sale, he still had possession of the subject lots and even leased them to Wellmade

Manufacturing Corp.; because of appellee's fraudulent act of transferring titles of the two lots to his name, he suffered sleepless nights and serious anxiety; and, he also prayed for attorney's fees and costs of suit.

In his Answer dated April 15, 2005, appellee Gaudioso Talavera, Jr. averred: even before 1996, appellant had been obtaining loans from him; during their early transactions, appellant paid his obligations; sometime in 1996, appellant obtained a loan from him totaling ₱826,552.00, duly covered by two Metrobank Check Nos. 521917 (₱300,000.00) and 521916 (₱526,552.00) both dated February 3, 1997; the amount of ₱300,000.00 was subsequently secured by the lot covered by TCT T-130095, and, the amount of ₱526,552.00, by appellant's two lots covered by TCT T-12142 and TCT T-53252; when the two checks were presented for payment, they were dishonored due to account closed [sic]; despite repeated demands, appellant failed to settle his obligations and the agreed interest of 5% per month continued to run, which eventually amounted to ₱4,882,960.33 as of June 30, 2000; appellant asked that his obligation be pegged at ₱4,826,552.00 and tendered partial payment of ₱4,000,000.00 through RCBC Check No. 0001055; when the RCBC check was presented for payment, however, the same was dishonored due to account closed [sic]; he, once again, made demands for appellant to pay his loan, but, the latter asked for more time to produce the money; sometime in May 2001, appellant told him that he could no longer raise the sum to pay off his loans, and, instead offered his properties, i.e., TCTs T-130095 and T-214950, to satisfy his obligation; appellant offered to transfer these titles to his name and proposed that the properties covered by TCTs T-53252 and T-12142 be returned to him; the properties covered by TCTs T-130095 and T-214950 were delivered to him via appellant's two deeds of absolute sale; the consideration for both lots was set at ₱500,000.00 each, on appellant's own request, in order to reduce his capital gains tax liability and other expenses; the true consideration for both lots was ₱4,826,552.00, the amount of appellant's total obligation; he had constantly demanded that appellant vacate the lots, but the latter refused; there could be no equitable mortgage over TCT T-214950 for the same was never made a collateral for the loan; there could also be no equitable mortgage over TCT T-130095 for though it was true that the same initially served as security, the arrangement was novated when appellant offered the lot as payment; appellant's complaint failed to state a cause of action; the transfer of the properties to him was by virtue of dacion en pago; he justly acted within his rights and in the performance of his duties, gave appellant his due, and observed honesty and good faith; appellant's claim for moral damages, attorney's fees, and litigation expenses had no legal or factual basis; and, as counterclaim, appellee claimed moral damages, exemplary damages and attorney's fees.<sup>6</sup>

### **The RTC's Ruling**

The RTC rendered a Decision dated 26 October 2010 and ruled in favor of respondent. The RTC ruled:

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<sup>6</sup> *Rollo*, pp. 25-29.

It is the claim of the [petitioner] that the two (2) subject deeds of absolute sale both dated May 18, 2001 in favor of the [respondent] were intended to merely secure his loan obligation. But the Court is not convinced. It should be stressed that the subject deeds of absolute sale were executed by the [petitioner] when his loan obligation was already overdue. As a matter of fact, the two (2) checks he issued in 1997 were already dishonored [because the] account [was] closed, as well as the last check in the amount of ₱4 Million he issued as collateral on June 30, 2000 (Exhibit “4”), reason for which, and after almost a year from June 30, 2000 to May 18, 2001, his loan was overdue, thus [petitioner] had to offer [respondent] his two (2) properties covered by TCT No. T-21495 and TCT No. T-130095 as full payment of his overdue loan which already amounted to Php 4,826,552.00; thus, by way of a contract of sale, his unpaid loan was the agreed sufficient price or consideration thereof, hence, the two (2) subject deeds of absolute sale. In other words, the subject deeds of absolute sale, being public documents, speak for themselves, *res ipsa loquitur*, that [petitioner] sold the two (2) covered properties for and in consideration of his overdue loan account with [respondent], and this fact is unrefuted. On their faces, the Court finds no other intention, nor ambiguity in them, hence, no cogent reason to reform them nor to consider them as equitable mortgages, obviously, for want of evidence.

Considering the absolute ownership of [respondent] now over the properties covered by his new certificate of title and the other deed of absolute sale, [respondent] is entitled under the law to possess and occupy the premises, including the exercise by him of the other attributes of ownership to the exclusion of others, including the [petition]. Indeed, possession follows ownership.<sup>7</sup>

The dispositive portion of the RTC’s decision reads:

WHEREFORE, in view of the foregoing considerations, the Court hereby renders judgment in favor of [respondent], DISMISSING the complaint for want of evidence, and ORDERING [petitioner] and all other persons acting for and in his behalf to vacate the subject premises and peacefully surrender the same to [respondent] and/or his duly authorized representatives.

No other pronouncements.

SO ORDERED.<sup>8</sup>

Petitioner filed a Motion for Reconsideration on 16 December 2010. The RTC denied petitioner’s motion for reconsideration in its Resolution dated 8 February 2011.

Petitioner received the notice from the CA to file his Appellant’s Brief by 24 October 2011. His motion for extension of time to file his brief was granted, and he was granted an extension until 22 January 2012.<sup>9</sup> Petitioner

<sup>7</sup> Id. at 76.

<sup>8</sup> Id. at 77.

<sup>9</sup> CA *rollo*, p. 24.

filed his Appellant's Brief on 24 January 2012,<sup>10</sup> while respondent failed to file his Appellee's Brief. The CA considered the appeal submitted for decision without Appellee's Brief.<sup>11</sup>

### **The CA's Ruling**

In its Decision promulgated on 22 November 2012, the CA dismissed petitioner's appeal and affirmed the RTC's 26 October 2010 Decision and 8 February 2011 Resolution. The CA rejected petitioner's argument that the real transaction is an equitable mortgage and consequently denied the request to recompute the obligation.

The CA found that there was nothing ambiguous in the language of the deeds of absolute sale dated March 1995 and 18 May 2001. The CA also found that the essential requisites of a contract were all present. Petitioner never argued that his consent was vitiated when he executed the deeds of sale. The objects of the contracts were also certain in referring to TCT Nos. T-130095 and T-214950. Both parties have also admitted that the cause of both contracts was to completely satisfy petitioner's loan obligations.

The CA also failed to find in the deeds of sale an intent to secure an existing debt by way of a mortgage. Respondent was able to prove, by preponderance of evidence, that the Metrobank checks originally used to secure petitioner's loans were dishonored, the RCBC check intended for payment was also dishonored, and the TCTs were subsequently offered as payment. Further, respondent did not tolerate petitioner's occupancy of the lots. Respondent sent petitioner a final demand letter to vacate, consolidated ownership over the lots, and paid the real estate taxes on the lots. The CA found that the records show that the parties entered into a series of arrangements and schemes where petitioner offered varying modes of payment for his loans. There were no extensions of the period to pay, but a series of modifications of the mode of payment. The totality of the evidence shows that the parties never intended to make TCT Nos. T-130095 and T-214950 as mere collateral for petitioner's loans.

Petitioner filed a Motion for Reconsideration<sup>12</sup> dated 20 December 2012. The CA denied the motion in a Resolution<sup>13</sup> dated 18 June 2013.

### **The Issues**

Petitioner enumerated the following grounds warranting allowance of his petition:

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<sup>10</sup> Id. at 42.  
<sup>11</sup> Id. at 59.  
<sup>12</sup> Id. at 89-98.  
<sup>13</sup> *Rollo*, p. 45.

1. The Honorable Court of Appeals gravely erred and has in fact decided the instant case in a manner contrary to law and established jurisprudence when it held that while some of the circumstances mentioned under Article 1602 of the Civil Code are present in the case at bar, the totality of evidence shows that the parties never intended to make TCTs T-130095 and T-214950 as mere collateral for [petitioner's] loans; and
2. As a consequence, the Honorable Court of Appeals likewise erred in holding that the petitioner's request for recomputation to determine his correct obligation must fail in view of said Honorable Court's findings that there is no equitable mortgage despite the clear presence of the circumstances mentioned under Article 1602 of the Civil Code.<sup>14</sup>

### **The Court's Ruling**

The petition has no merit. We affirm the decision of the Court of Appeals.

### **Not an Equitable Mortgage**

The relevant provisions of the Civil Code read:

Art. 1602. The contract shall be presumed to be an equitable mortgage, in any of the following cases:

1. When the price of a sale with a 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 be fairly 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 rent or otherwise shall be considered as interest which shall be subject to the usury laws.

Art. 1604. The provisions of article 1602 shall also apply to a contract purporting to be an absolute sale.

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<sup>14</sup> Id. at 10-11.

A deed of absolute sale dated March 1995 and referred to TCT No. T-130095 was attached to the complaint. It reads:

DEED OF ABSOLUTE SALE

KNOW ALL MEN BY THESE PRESENTS:

I, OSCAR S. VILLARTA, Filipino, of legal age, married to Lucila J. Santiago, and a resident of Santiago, Isabela, am the registered owner of that certain parcel of land, particularly described as follows:

“ . . . A PARCEL OF LAND x x x containing an area of ONE THOUSAND TWO HUNDRED FORTY THREE (1,243) SQUARE METERS, more or less. It is covered by TRANSFER CERT. OF TITLE NO. T-130095, Isabela Registry.”

That for and in consideration of the sum of THREE HUNDRED THOUSAND (₱300,000.00) PESOS, Philippine currency, to me in hand paid by GAUDIOSO TALAVERA, JR., of legal age, Filipino, married to Emilia Dy, and a resident of Cauayan, Isabela, I do hereby SELL, TRANSFER and CONVEY, absolutely and unconditionally, unto the said GAUDIOSO TALAVERA, JR., his heirs and or assigns the above-described real property.

That I further declare that the above-described real property sold is free from liens and encumbrances; that it is a residential lot; that the provisions of Art. 1623 of the Civil Code had been complied with prior to the execution of this sale and that I agree to the registration of this deed in the Office of the Register of Deeds of Isabela.<sup>15</sup>

Respondent denied the existence of the March 1995 Deed of Sale. He alleged that he did not sign it, and that the March 1995 Deed of Sale was not notarized.<sup>16</sup> He instead stated that there were two deeds of absolute sale dated 18 May 2001. The first deed of absolute sale dated 18 May 2001 also referred to TCT No. T-130095, and reads:

DEED OF ABSOLUTE SALE

KNOW ALL MEN BY THESE PRESENTS:

That I, OSCAR SANTOS VILLARTA[,] of legal age, Filipino, married to Lucila Santiago and a resident of Dubinam West, City of Santiago, Philippines, for and in consideration of the sum of FIVE HUNDRED THOUSAND PESOS (₱500,000.00), Philippine Currency, to me in hand paid by GAUDIOSO TAL[A]VERA, JR., likewise of legal age, married, Filipino and a resident of Cauayan, Isabela

Do:

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<sup>15</sup> Records, p. 15.

<sup>16</sup> Id. at 70.

hereby *SELL, TRANSFER and CONVEY* unto the said GAUDIOSO TALAVERA, JR., his heirs and or assigns *ONE THOUSAND TWO HUNDRED FORTY THREE (1,243) SQUARE METER[S]* of a parcel of land with its improvements with Transfer Certificate of Title No. T-130095 located at Municipality of Santiago, Isabela, Philippines now City of Santiago, Philippines belonging to me and more particularly described as follows:

x x x x

That I hereby warrant exclusive possession and ownership of the above described property including its improvements[.]<sup>17</sup>

The second deed of absolute sale dated 18 May 2001 referred to TCT No. T-214950, and reads:

#### DEED OF ABSOLUTE SALE

KNOW ALL MEN BY THESE PRESENTS:

That I, *OSCAR SANTOS VILLARTA*[,] of legal age, Filipino, married to Lucila Santiago and a resident of Dubinam West, City of Santiago, Philippines, for and in consideration of the sum of *FIVE HUNDRED THOUSAND PESOS (₱500,000.00)*, Philippine Currency, to me in hand paid by *GAUDIOSO TAL[A]VERA, JR.*, likewise of legal age, married, Filipino and a resident of Cauayan, Isabela

Do:

hereby *SELL, TRANSFER and CONVEY* unto the said GAUDIOSO TALAVERA JR., his heirs and or assigns *ONE THOUSAND FOUR HUNDRED SEVENTY FIVE (1,475) SQUARE METER[S]* of a parcel of land with its improvements with Transfer Certificate of Title No. T-214950 located at Municipality of Santiago, Isabela, Philippines now City of Santiago, Philippines belonging to me and more particularly described as follows:

x x x x

That I hereby warrant exclusive possession and ownership of the above described property including its improvements[.]<sup>18</sup>

An affidavit of true consideration of the absolute sale of property, also dated 18 May 2001, reads:

#### AFFIDAVIT OF TRUE CONSIDERATION OF THE ABSOLUTE SALE OF PROPERTY

I, *OSCAR SANTOS VILLARTA*[,] of legal age, married to Lucila J. Santiago, Filipino and a resident of Dubinam West, City of Santiago, Philippines after having been sworn to in accordance with law herebu [sic]

<sup>17</sup> Id. at 409.

<sup>18</sup> Id. at 411.

depose and say:

1. That I am the same person executing this captioned affidavit;
2. That I am the true and registered owner of two (2) parcels of land located at City of Santiago, Philippines with *Transfer Certificate No. T-214950 and T-130095*;
3. That I sold the two (2) above described property to Gaudioso Talavera, Jr., for and in consideration of the amount of *FOUR MILLION EIGHT HUNDRED TWENTY SIX THOUSAND AND FIVE HUNDRED FIFTY TWO (₱4,826,552.00) PESOS* in Philippine Currency.
4. That I acknowledge to have received the said amount from Mr. Gaudioso Talavera, Jr. in its fullness;
5. That I am waiving any claim and whatsoever rights I have to the said property against the vendee Gaudioso Talavera Jr.[:];
6. That I am executing this affidavit to attest to the truth of the foregoing and that it is my true act and deed without any coercion and or intimidation on my person.<sup>19</sup>

The trial court recognized that TCT No. T-130095 was covered by two Deeds of Absolute Sale. However, the trial court was unconvinced that the 2001 Deeds of Absolute Sale were intended merely to secure petitioner's loan obligations because both were executed when the loans were already overdue. The CA affirmed the findings of the trial court. The CA conceded that although "some of the circumstances mentioned under Art. 1602 are present in the case at bar, the totality of the evidence shows that the parties never intended to make TCT Nos. T-130095 and T-214950 as mere collateral for [petitioner's] loans. The twin deeds of sale speak for themselves."

We agree with the lower courts' assessment of the facts. The conduct of the parties prior to, during, and after the execution of the deeds of sale adequately shows that petitioner sold to respondent the lots in question to satisfy his debts.

Respondent was able to sufficiently explain why the presumption of an equitable mortgage does not apply in the present case. The inadequacy of the purchase price in the two deeds of sale dated 18 May 2001 was supported by an Affidavit of True Consideration of the Absolute Sale of the Property. Respondent did not tolerate petitioner's possession of the lots. Respondent caused the registration and subsequent transfer of TCT No. T-214950 to TCT No. T-333921 under his name, and paid taxes thereon. There were no extensions of time for the payment of petitioner's loans; rather, petitioner offered different modes of payment for his loans. It was only after three instances of bounced checks that petitioner offered TCT Nos. T-130095 and T-214950 as payment for his loans and executed deeds of sale in respondent's favor.

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<sup>19</sup> Id. at 413.

The transaction between petitioner and respondent is thus not an equitable mortgage, but is instead a *dacion en pago*.

*Dacion en pago* is the delivery and transmission of ownership of a thing by the debtor to the creditor as an accepted equivalent of the performance of an existing obligation. **It is a special mode of payment where the debtor offers another thing to the creditor who accepts it as equivalent to the payment of an outstanding debt.** For *dacion en pago* to exist, the following elements must concur: (a) existence of a money obligation; (b) the alienation to the creditor of a property by the debtor with the consent of the former; and (c) satisfaction of the money obligation of the debtor.<sup>20</sup>

In view of the foregoing, we see no reason to depart from the findings of fact and conclusions of the lower courts.

**WHEREFORE**, we **DENY** the petition and **AFFIRM** the assailed Decision promulgated on 22 November 2012 as well as the Resolution promulgated on 18 June 2013 by the Court of Appeals in CA-G.R. CV No. 96732. Costs against petitioner.

**SO ORDERED.**



**ANTONIO T. CARPIO**  
Associate Justice

**WE CONCUR:**



**ARTURO D. BRION**  
Associate Justice

<sup>20</sup> *Rockville Excel Int'l. Exim Corp. v. Spouses Culla and Miranda*, 617 Phil. 328, 334 (2009). Emphasis in the original. Citations omitted.

  
**MARIANO C. DEL CASTILLO**  
Associate Justice

  
**JOSE CATRAL MENDOZA**  
Associate Justice

(on leave)  
**MARVIC M.V.F. LEONEN**  
Associate Justice

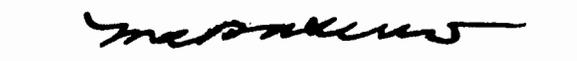
### ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

  
**ANTONIO T. CARPIO**  
Associate Justice  
Chairperson

### CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

  
**MARIA LOURDES P. A. SERENO**  
Chief Justice