



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

REPUBLIC OF THE PHILIPPINES
and HOUSING AND URBAN
DEVELOPMENT COORDINATING
COUNCIL (HUDCC),

Petitioners,

- versus -

GONZALO ROQUE, JR., MANUELA
ALMEDA ROQUE, EDUVIGIS A.
PAREDES, MICHAEL A. PAREDES,
PURIFICACION ALMEDA, JOSE A.
ALMEDA, MICHELLE A. ALMEDA,
MICHAEL A. ALMEDA, ALBERTO
DELURA, and THERESA ALMEDA,

Respondents.

G.R. No. 203610

Present:

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

Promulgated:

10 OCT 2016

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DECISION

BRION, J.:

We resolve the petition for review on *certiorari*¹ filed by the Republic of the Philippines (*Republic*) assailing the July 4, 2012 decision² and the September 26, 2012 resolution³ of the Court of Appeals (*CA*) in CA G.R. CV No. 93018. The *CA* affirmed the Regional Trial Court's (*RTC*) decision annulling the sale of the respondents' properties to the Republic, and ordering the respondents to return the purchase price they received from the government.

* Designated as Acting Chief Justice per Special Order No. 2386 dated September 29, 2016.

¹ *Rollo*, pp. 7-32.

² Id. at 38-61; penned by Court of Appeals Associate Justice Socorro B. Inting, and concurred in by Associate Justices Fernanda Lampas Peralta and Mario V. Lopez.

³ Id. at 63.

ANTECEDENT FACTS

Gonzalo Roque, Jr. (*Gonzalo*), Manuela Almeda-Roque, Eduvigis A. Paredes, Michael A. Paredes, Purificacion Almeda, Jose A. Almeda, Michelle A. Almeda, Michael A. Almeda, Alberto Delura, and Theresa Almeda (*respondents*), owned several parcels of land with a total area of about 9,811 square meters,⁴ located in Constitution Hills, Quezon City.⁵ Gonzalo represented the respondents in the court proceedings.

In 1978, the Republic, through the Department of Public Works and Highways (*DPWH*), approached the respondents and asked them to sell a portion of the land at government-dictated prices lower than the market value.⁶ The Republic was supposed to use the land for President Marcos' National Government Center (*NGC*) Project — his plan to bring together the various national government offices in one venue for greater efficiency and to create additional areas for the expanding needs of the central government and the people.⁷

The respondents allege that several public hearings regarding the sale took place between the Republic and the respondents,⁸ and that during these meetings, the Republic made the following representations:

First, the Republic guaranteed that although the respondents would get paid a price much lower than the market value of the land, the construction of the *NGC* Project would eventually enhance the value of the surrounding portions of the land that they still own.⁹

Second, the Republic assured the respondents that, in the remote possibility that it abandons the project, they will have the right to buy back the land.¹⁰

The respondents further allege that they were reluctant to sell the land, but felt compelled to do so because martial law was in force, and they dared not resist a project of President Marcos.¹¹ Thus, relying on the Republic's representations, the respondents signed the deeds of absolute sale.

The Register of Deeds cancelled the three certificates of title (*TCT*) and issued six new titles.¹² Three of these new titles were issued in the Republic's name: (a) *TCT* No. RT-115781 (283214); (b) *TCT* No. RT-34249 (283216); and (c) *TCT* No. RT-115907 (283212).¹³

⁴ *RTC rollo*, p. 3.

⁵ *Rollo*, p. 40.

⁶ *Id.* at 39-40.

⁷ *RTC rollo*, p. 4.

⁸ *Rollo*, p. 57.

⁹ *Id.* at 40.

¹⁰ *Id.* at 42.

¹¹ *Id.* at 68.

¹² *Id.* at 61-62. The three titled issued in the Republic's name covers the properties sold while the remaining three titles issued in the respondents' names covers their remaining properties.

¹³ *Id.* at 39-41 and 61-62.

The Republic did not immediately take possession of all of the land it had bought from the respondents;¹⁴ thus, the respondents continued to occupy portions of the sold properties.¹⁵

After several years, informal settlers began to occupy parts of the land, and the respondents felt that the Republic was renegeing on its undertaking to develop the land into the NGC Project.¹⁶ Hence, Gonzalo sent letters dated March 25, 1987, and September 23, 1988, to then DPWH Secretary Vicente R. Jayme (*Jayme*) offering to buy back the properties.¹⁷ Gonzalo received no response.

The respondents' suspicion was confirmed in December 2003. Armando A. De Castro (*De Castro*), then undersecretary of the Housing and Urban Development Coordinating Council (*HUDCC*), wrote a letter to the respondents, requesting them to vacate all portions of the sold land that they were still occupying, because the government would use the properties for socialized housing pursuant to Republic Act (*R.A.*) No. 9207.¹⁸

On August 23, 2004, Gonzalo wrote another letter to then HUDCC Secretary Michael Defensor, offering to buy back the properties.¹⁹ He argued that the respondents have the right to repurchase the properties after the Republic abandoned the NGC Project and diverted the use of the properties to socialized housing.²⁰

Secretary Defensor allegedly found the respondents' position reasonable and requested a feedback on the possibility of a repurchase.²¹ However, the secretary was transferred to another department and was unable to further address the situation.²² Despite persistent follow-ups, the respondents failed to receive any action from the Republic on this matter.²³

Realizing that the Republic had completely abandoned its initial plan to use the land for the NGC Project, in 2005, the respondents filed a **complaint for the annulment of the sale** of the properties on the grounds of

¹⁴ Id. at 41 and 70.

¹⁵ Id. at 70.

¹⁶ Id. at 41.

¹⁷ Id.

¹⁸ An Act Declaring Certain Portions of the National Government Center Site Open for Disposition to Bona Fide Residents and Local Government or Community Facilities, Charitable, Educational and Religious Institutions Actually Occupying the Same for Socioeconomic, Civic and Religious Purposes, Amending for this Purpose Proclamation No. 1826, Series of 1979 and for Other Purposes (Approved on: May 17, 2003).

¹⁹ *Rollo*, p. 71.

²⁰ Id. at 41-42.

²¹ Id. at 71-72: Marginal note on Gonzalo's letter:

“
August 23, 2004
Sonny Godonez,

This request is reasonable. Look into the possibility of a purchase.
Give me a feedback asap.

(Sgd.) Michael Defensor”

²² Id. at 72.

²³ Id.

fraud, force, intimidation, or undue influence.²⁴ They also asserted their right to buy back the properties at the same price at which they sold them since the Republic failed to develop the land according to the original purpose for which it was “expropriated.”²⁵ Alternatively, they asked for the payment of additional compensation in the amount of not less than Five Million Pesos.²⁶

In their answer,²⁷ the Republic and the HUDCC (*defendants*) argue that: (1) they are immune from suit as government instrumentalities; (2) they agreed to neither the respondents’ right to repurchase the properties in case the government abandons the NGC Project nor a right to additional compensation in case the respondents’ remaining properties suffer a decrease in market value; (3) the respondents were not forced, intimidated, or unduly influenced to sell their properties to the government; and (4) even assuming that any vice of consent attended the sale, the respondents’ action for the annulment of sale is barred by prescription²⁸ and laches.

During trial, Dante Viloría (*Viloría*) testified on the negotiations that took place. Viloría was the Assistant City Assessor of Quezon City and was part of the government’s negotiating team for the NGC Project. He testified that: (a) the negotiated price was lower than the base amounts in Presidential Decree No. 1517;²⁹ (b) the government did not file any court action to expropriate the properties; (c) it did not take possession of the properties; and (d) it undertook to resell the properties to the respondents at the same price if the project would not push through.³⁰ Gonzalo’s testimony corroborated Viloría’s testimony.

²⁴ *RTC rollo*, pp. 2-12.

²⁵ *Rollo*, p. 42.

²⁶ *Id.* at 42.

²⁷ *Id.* at 77-87.

²⁸ *Id.* at 82-83: The defendants argued that an action for annulment of sale must be filed within four years from the time the defect of the consent ceased. (CIVIL CODE OF THE PHILIPPINES, Art. 1391) Thus, the action prescribed on February 24, 1990 or four years from the time martial rule ceased.

Assuming that fraud attended the sale, the action for the annulment of sale on that ground prescribes after four years from the discovery of the fraud. The defendants argue that from 1987 to 1998, several presidential proclamations were issued subjecting the properties to socialized housing programs. The implementation of socialized housing on the properties since 1987 was known to the general public. Thus, the respondents should have filed the action for annulment of sale not later than 2002.

²⁹ Presidential Decree No. 1517, Proclaiming Urban Land Reform in the Philippines and Providing for the Implementing Machinery Thereof, “Urban Land Reform Act”, June 11, 1978.

³⁰ *Rollo*, pp. 103-104.

“Q: What was the practice at that time with respect to the payment of just compensation for land expropriation by the government, if you know?

A: We started expropriation proceedings under P.D. 1517, the declared value of the owner and the declare (sic) value of the assessor, whichever is lower.

Q: Was that observed in the case of the expropriation of the National Government Center?

A: It was not, sir, because the clamor there is very low not in accordance with the price acquisition of lands.

x x x x

Q: Did you arrive at some negotiated price, purchase price for the properties?

A: Yes, Sir.

x x x x

Several presidential proclamations were issued pertaining to the NGC Project from 1979-1998.³¹ In 2003, Congress passed RA 9207, amending the proclamations. Under Section 3 of RA 9207, 184 hectares on the west side and 238 hectares on the east side were excluded from the original 444-hectare NGC reservation.³²

THE RTC RULING

The RTC decided in the respondents' favor. It held that: (1) the Republic is not immune from suit; (2) the respondents' action is not barred by either prescription or laches; and (3) the sale should be annulled.

First, the RTC held that the Republic is not immune from suit. Citing Section 9, Article III of the Constitution,³³ the Republic cannot invoke government immunity since the nature of the case is either to obtain just compensation or to retrieve the properties.

Second, the respondents' action is not barred by either prescription or laches.

It noted Roque's letters to DPWH Secretary Jayme dated March 25, 1987 and September 23, 1988. In the March letter, Gonzalo brought up the agreement he had with the Republic that he has pre-emptive right to buy back his property from the government should the project not push through. In the September letter, Gonzalo told the DPWH Secretary that he prevented the informal settlers from building structures within his former property and reiterated his pre-emptive right to buy back the property. The RTC took these letters as clear indications of the respondents' vigilance in invoking their right; thus, their action is not barred by laches.

The RTC added that the respondents found out about the Republic's plan to divert the use of the properties to low-cost housing only on May 14, 2003, when RA 9207 was enacted. Thus, the filing of the complaint in 2005

Q: How about the issue of the possibility of abandonment of the project of the government, was that taken up?

A: That is one that we discussed in the meeting the need of privatizing (sic) their property. **If the government will not push through with the project, they can repurchase or reconvey the property.**

Q: At what price?

A: The same price."

³¹ *Rollo*, pp. 78-79. Several presidential proclamations were issued in relation to the NGC Project, to wit:

- a) In 1979, President Marcos issued Proclamation No. 1926, reserving the a 444-hectare property as a site for the NGC Project;
- b) In 1987, President Aquino issued Proclamation No. 137, excluding some portions of the NGC reservation and declared these portions open for disposition;
- c) In 1993, President Ramos issued Proclamation No. 248, declaring the excluded properties reserved for the *bona fide* residents; and
- d) In 1998, President Ramos issued Proclamation No. 1169, excluding additional areas from the NGC site.

³² *Id.* at 79.

³³ "Section 9. Private property shall not be taken for public use without just compensation."

was within the four-year prescriptive period reckoned from the enactment of RA 9207.

Third, the RTC annulled the deeds of absolute sale on the ground of fraud. It gave credence to Viloría and Gonzalo's testimonies about the matters discussed during negotiations. Based on these testimonies, the RTC emphasized that the respondents signed the deeds of absolute sale relying on the government's assurances that they could retrieve the properties should the NGC Project not materialize.

Fourth, the RTC declared that the respondents are not entitled to damages and attorney's fees because the Republic was not in bad faith in resisting the complaint. The RTC added that the Republic is not entitled to its counterclaims because RA 9207 recognizes the validity of vested rights and precedence of proclamations.

Aggrieved, the Republic filed an appeal with the CA.

THE CA RULING

The CA **affirmed** the RTC's decision.³⁴ It held that: (1) the Republic is not immune from suit; (2) the sale was conditioned upon the materialization of the NGC Project; and (3) the respondents' action is not barred by prescription or laches.

First, the CA ruled that the doctrine of sovereign immunity must be read with Section 9, Article III of the Constitution, which provides that "private property shall not be taken for public use without just compensation." This provision imposes two requirements: public purpose and payment of just compensation.

In the present case, the Republic "extrajudicially expropriated" the respondents' properties for a public purpose, *i.e.*, *the construction of the NGC Project*. However, the Republic failed to pay just compensation to the respondents. To recall, it expropriated the land at an amount far below the actual market value. Despite the low price, the respondents sold their properties relying on the Republic's promise that they would be amply compensated by the appreciation of their remaining properties' values.

Not only did the NGC Project not materialize but the values of their remaining properties depreciated due to the illegal settlers in their vicinity. Thus, the respondents were deprived of just compensation to which they are entitled.

Consequently, the Republic may not validly invoke the non-suability of the State and conveniently hide under the State's cloak of invincibility

³⁴ *Rollo*, p. 60.

against suit. The ends of justice would be subverted if the court were to uphold the State's immunity from suit in this case.

Second, the CA held that the parties entered into a conditional sale with a right to repurchase the properties from the Republic. The sale was subject to these conditions: (a) the landowners may repurchase the properties at selling price should the NGC Project not materialize; and (b) the construction of the NGC Project will increase the land value of the landowners' remaining properties.

The Republic invoked the parol evidence rule in arguing that the sale had no conditions. In response, the CA noted that the parol evidence rule admits of exceptions, such as the failure of the written agreement to express the parties' true intent.³⁵ This exception applies in the present case.

The testimony of Vilorio established that the sale contracts failed to express the parties' true intent and agreement. He explained that the Republic assured the respondents that it would reconvey the properties to them should the NGC Project not push through.

The CA added that the enactment of R.A. No. 9207 had no effect on the respondents' right to repurchase their land, because the law recognizes the precedence and validity of vested rights. Given that the Republic no longer pushed through with the NGC Project, it should have allowed the respondents to exercise their right to buy back the land.

Third, the CA ruled that the respondents' action is not barred by prescription and/or laches. As the RTC held, the respondents filed their complaint within the prescribed period and were prompt and vigilant in protecting their rights.

Hence, the Republic filed this petition.

THE PARTIES' ARGUMENTS

In its petition, the Republic argues that: (a) the lower courts erred in annulling the sale on the ground of fraud; (b) the respondents have no right to reacquire the properties sold to the Republic; (c) the respondents' action is barred by laches and/or prescription; and (d) the State has not given its consent to be sued.

The Republic submits that the government did not use insidious words or machinations constitutive of fraud in transacting with the respondents. The government did not lie when it told the respondents that it intended to establish the NGC Project in the area, and its failure to realize the project cannot be considered a fraudulent act.³⁶

³⁵ RULES OF COURT, Rule 130, Sec. 9(b).

³⁶ *Rollo*, p. 22.

Furthermore, the respondents' failure to realize their expected gain from the "economic boom" is not a ground to annul the sale. They voluntarily agreed to the sale, albeit reluctantly. They should not be allowed to obtain judicial relief just because they believe they got the short end of the bargain. Moreover, any deficiency in the purchase price has been more than adequately compensated by the respondents' uninterrupted use of a portion of the government's property for over thirty (30) years.³⁷

The Republic points out that the respondents failed to present any document to prove that there were conditions imposed on the sale.³⁸ Furthermore, the enactment of R.A. No. 9207 has determined the public use of the land.³⁹

Even assuming that vices of consent attended the sale in 1978 and persisted during the Marcos regime, the Republic argues that the respondents should have filed the action to annul within four (4) years from February 24, 1986.⁴⁰ The respondents, however, only filed their complaint in January 2005, or clearly beyond the prescriptive period.

Finally, the Republic reiterates that, under the doctrine of state immunity from suit, it cannot be sued without its consent.⁴¹

In their comment, the respondents argue that: (a) the defense of immunity from suit is not proper in an eminent domain case; (b) the action is not barred by prescription and/or laches; (c) the Republic compelled them to sell their properties through extrajudicial expropriation at a government-dictated price; and (d) the CA correctly annulled the extrajudicial expropriation of the land and allowed the respondents to repurchase the land given the government's abandonment of the NGC Project.

The respondents submit that the Republic cannot hide behind the state immunity doctrine to defeat the constitutionally guaranteed right against the taking of private property for a purpose other than the specified public use and only after payment of just compensation.

The respondents argue that their action has not prescribed because they filed the complaint within four (4) years from the enactment of RA 9207.⁴² Their action is also not barred by laches because their act of sending the letters to the DPWH shows their vigilance in protecting their rights.⁴³ Further, the Republic failed to prove that the respondents had any constructive or actual knowledge of the presidential decrees reducing or modifying the land meant for the NGC Project.⁴⁴

³⁷ Id. at 23.

³⁸ Id. at 24.

³⁹ Id. at 24.

⁴⁰ Id. at 28.

⁴¹ Id. at 30.

⁴² Id. at 133.

⁴³ Id. at 133.

⁴⁴ Id. at 134.

The respondents contend that they had no choice but to accept the price that the government offered during the Marcos regime.⁴⁵ Even the State recognized the dark period of fear that enveloped the country under President Marcos, as shown by the passage of R.A. No. 10368.⁴⁶ This law made it a policy to acknowledge the State's moral and legal obligation to recognize and provide reparation to victims of rights violations committed at the time.⁴⁷

Finally, the respondents note that the Republic did not dispute Vilorio's testimony that during the negotiations for the expropriation of the land, the government undertook to resell the land to its former owners should the government abandon the NGC Project.⁴⁸

The Republic reiterates its arguments in the reply. It stresses that the RTC annulled the sale on the ground of *fraud* despite the absence of deceit or use of insidious words or machinations to induce the respondents to enter into the sale contracts. It also insists that the properties will still be devoted to public use, which is socialized housing. It stresses that the respondents failed to present evidence that ₱60.00 per square meter in 1987 did not constitute just compensation. Moreover, the respondents used the properties without paying rent.

OUR RULING

We **grant** the Republic's petition.

The issues for the Court's resolution are: (a) whether the Republic is immune from suit; (b) whether the action is barred by prescription or laches; and (c) whether an exception to the parol evidence rule applies.

A. Immunity from Suit

We rule that the Republic is not immune from suit in the present case.

The Constitution provides that "the State may not be sued without its consent."⁴⁹ One instance when a suit is against the State is when the Republic is sued by name,⁵⁰ as in this case.

A suit against the State is allowed when the State gives its consent, either expressly or impliedly. Express consent is given through a statute⁵¹ while implied consent is given when the State enters into a contract or commences litigation.⁵² Although not all contracts entered into by the

⁴⁵ Id. at 135.

⁴⁶ Human Rights Victims Reparation and Recognition Act, July 23, 2012.

⁴⁷ *Rollo*, p. 137.

⁴⁸ Id. at 139.

⁴⁹ 1987 CONSTITUTION, Art. XVI, Sec. 6.

⁵⁰ *Republic v. Sandoval*, G.R. No. 84607, March 19, 1993, 220 SCRA 124, 126-127.

⁵¹ *United States of America v. Guinto*, G.R. No. 76607, February 26, 1990, 182 SCRA 644-645.

⁵² Id.

government operates as a waiver of its non-suability, the Court held in the two cases below that the State effectively gave its consent when it entered into contracts and committed breach.

In *Santiago v. The Government of the Republic of the Philippines*,⁵³ Ildefonso Santiago and his wife donated a parcel of land to the Republic on the alleged condition that the latter would install lighting facilities and a water system and would build an office building and parking lot on the property on or before December 7, 1974. Santiago filed a complaint for the revocation of the donation due to the government's breach of the condition. The trial court dismissed the case based on the State's non-suability. The Court set aside the dismissal on *certiorari*, reasoning that the State's consent to be sued is presumed when the State fails to comply with the alleged terms of a deed of donation. It essentially held that the Republic impliedly waived its immunity.

In *Republic v. Sandiganbayan*,⁵⁴ the Court ruled that when the Republic entered into a compromise agreement with a private person, it stripped itself of its immunity from suit and placed itself on the same level as its adversary. When the State enters into a contract which creates mutual or reciprocal rights and obligations, the State may be sued even without express consent.⁵⁵ Its consent to be sued is implied from its entry into the contract and the Republic's breach grants the other party the right to enforce or repudiate the contract.

In the present case, the Republic entered into deeds of sale with the respondents to construct the NGC Project on the lots sold. To facilitate the sale, the Republic created a negotiating team to discuss the terms of the sale with the respondents. The latter agreed to the negotiated sale on these alleged conditions: (a) that they will have the right to repurchase the properties if the NGC Project does not push through; and (b) that the NGC Project will increase the market value of their remaining properties.

Following *Santiago* and *Republic*, the State's failure to abide by these conditions constitutes the State's implied waiver of its immunity. We reiterate that the doctrine of state immunity from suit cannot serve to perpetrate an injustice on a citizen.⁵⁶ If we rule otherwise, we will be tolerating unfair dealing in contract negotiation.

B. Prescription and Laches

We turn to the issue of whether the respondents' action for annulment of sale is barred by prescription and/or laches.

⁵³ G.R. No. L-48214, December 19, 1978, 87 SCRA 294.

⁵⁴ G.R. No. 129406, March 6, 2006, 484 SCRA 119, 120.

⁵⁵ Id.

⁵⁶ *Amigable v. Cuenca*, G.R. No. L-26400, February 29, 1972; *Ministerio v. Court of First Instance of Cebu*, G.R. No. L-31635, August 31, 1971, 40 SCRA 464.

Prescription can either be a question of law or fact.⁵⁷ It is question of fact where there is a need to determine the veracity of factual matters.⁵⁸ Laches is also evidentiary in nature.⁵⁹

This Court is not a trier of facts. It is not our function to review, examine, and evaluate the probative value of the evidence presented. We give great weight to the RTC's conclusion and findings; we are even bound by the RTC's findings when the CA adopts them.⁶⁰

Resolving the issues of prescription and laches in the present case requires a factual review, specifically whether the presidential proclamations that reduced the land allotted for the NGC Project covered the subject properties and when the prescription period should start to run under the circumstances. These are questions of fact that this Court need not delve into.

Nevertheless, the RTC found and concluded, with the CA affirming, that the respondents' action to annul the sale is not barred either by prescription or laches. Both court ruled that the enactment of RA 9207 was the earliest time that the respondents could have known about the government's plans to officially use the land for socialized housing. Thus, the respondents were not barred by prescription when they filed their complaint in 2005, within four (4) years from the enactment of RA 9207.

As to laches, both the RTC and the CA found that the respondents' letters to the DPWH showed that they were vigilant in asserting their alleged right to repurchase the properties from the Republic. This vigilance negates the Republic's claim of laches.

We are bound and accordingly adopt these findings and conclusions by the lower courts.

C. Parol Evidence

The core issue in this case is whether an exception to the parol evidence rule applies. In resolving this issue, we examine whether the parol evidence presented, particularly Gonzalo and Vilorio's testimonies, are admissible to establish the alleged oral conditions in the sale contract.

We rule in the negative.

Section 9, Rule 130 of the Rules of Court provides that a written contract is deemed to contain all the terms agreed upon by the parties and no evidence of these terms is admissible other than the contents of the contract.

⁵⁷ *Macababba, Jr. v. Masirag*, G.R. No. 161237, January 14, 2009, 576 SCRA 70-71, citing *Crisostomo v. Garcia*, G.R. No. 164787, January 31, 2006, 481 SCRA 402-403.

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ See *W-Red Construction and Development Corporation v. CA*, 392 Phil. 888, 894 (2000).

The parol evidence rule forbids any addition to the terms of a written agreement by testimony showing that the parties orally agreed on other terms before the signing of the document.⁶¹ However, a party may present evidence to modify, explain, or add to the terms of a written agreement if he **puts in issue in his pleadings** either: (a) an intrinsic ambiguity, mistake, or imperfection in the written agreement; (b) the **failure of the written agreement to express the parties' true intent and agreement**; (c) the validity of the written agreement; or (d) the existence of other terms agreed to by the parties or their successors in interest after the execution of the written agreement. The issue must be squarely presented.⁶²

We note the basic rule that he who alleges must prove his case. In this case, the respondents have the burden to prove that the sale was subject to two conditions: (a) their remaining properties will benefit from the increase in land value after the construction of the NGC Project and (b) the government will return the sold properties to them should the NGC Project not materialize. However, they failed to discharge this burden.

Notably, they failed to present copies of the deeds of sale to show that the sale was attended by the alleged conditions. Pursuant to the parol evidence rule, no evidence of contractual terms is admissible other than the contract itself. On this level alone, the respondents failed to discharge their burden.

Furthermore, the respondents failed to put in issue in their pleadings the sale contract's failure to express the parties' agreement. In *Ortañez v. Court of Appeals*,⁶³ the respondents alleged the existence of oral conditions which were not reflected in the deeds of sale. A witness testified in court that the sale was subject to the oral conditions. The Court held that the parol evidence was inadmissible because, among others, the respondents failed to **expressly plead** that the deeds of sale did not reflect the parties' intentions. Instead, they merely alleged that the sale was subject to four conditions which they tried to prove during trial. The Court emphasized that this cannot be done because they failed to put in issue in their pleadings any exception to the parol evidence rule.

Similar to *Ortañez*, a review of the complaint reveals that the respondents *failed to put in issue in their complaint* that the deeds of sale do not express the parties' true intent. Hence, the failure of the deeds of sale to reflect the parties' agreement was not squarely presented as an issue for the court to hear evidence on it. Therefore, the exceptions to the parol evidence rule cannot apply.

Even assuming that the respondents put in issue in the complaint the deed of sales' failure to express the parties' true agreement, the parol

⁶¹ *Ortañez v. Court of Appeals*, G.R. No. 107372, January 23, 1997, 266 SCRA 561-562.

⁶² Id.

⁶³ Id.

evidence will still not apply because they failed to justify the applicability of the second exception to the parol evidence in this case.

The second exception to the parol evidence rule applies only when the written contract is **so ambiguous or obscure in terms that the parties' contractual intention cannot be understood from a mere reading of the agreement.**⁶⁴ Hence, the court may receive extrinsic evidence to enable the court to address the ambiguity.⁶⁵

Although parol evidence is admissible to explain the contract's meaning, it cannot serve to incorporate into the contract additional conditions which are not mentioned at all in the contract unless there is fraud or mistake.⁶⁶ Evidence of a prior or contemporaneous verbal agreement is generally not admissible to vary, contradict, or defeat the operation of a valid contract.⁶⁷ Hence, parol evidence is inadmissible to modify the terms of the agreement if the complaint fails to allege any mistake or imperfection in the written agreement.

In the present case, the respondents failed to allege that the terms of the deeds of sale are ambiguous or obscure to require the presentation of parol evidence to ascertain the parties' intent. Both parties agree that the transaction was clearly a sale to transfer ownership over the properties to the Republic. Absent any allegation that the contractual terms are ambiguous, the testimonies of Gonzalo and Viloría are unnecessary to establish the two alleged oral conditions.

To reiterate, the respondents failed to comply with the parol evidence rule because: *first*, they failed to produce copies of the deeds of sale; *second*, they failed to prove that the second exception to the parol evidence rule applies. Hence, the testimonies of Gonzalo and Viloría are inadmissible under the parol evidence rule.

CONCLUSION

In sum, we rule that (a) the State is not immune from suit; (b) the respondents' action is not barred by either prescription or laches; and (c) the second exception to the parol evidence rule does not apply. Consequently, we grant the Republic's petition and reverse the CA's ruling annulling the sale contract between the parties.

On a final note, we point out that the parties entered into a negotiated sale transaction; thus, the Republic did not acquire the property through expropriation.

⁶⁴ *Seaoil Petroleum Corporation v. Autocorp Group*, G.R. No. 164326, October 17, 2008, 569 SCRA 387.

⁶⁵ *Id.*

⁶⁶ *Id.*

⁶⁷ *Id.*

In expropriation, the Republic's acquisition of the expropriated property is subject to the condition that the Republic will return the property should the public purpose for which the expropriation was done did not materialize.⁶⁸ On the other hand, a sale contract between the Republic and private persons is not subject to this same condition unless the parties stipulate it.

The respondents in this case failed to prove that the sale was attended by a similar condition. Hence, the parties are bound by their sale contract transferring the property without the condition applicable in expropriation cases.

WHEREFORE, we grant the Republic's petition and accordingly **REVERSE** and **SET ASIDE** the Court of Appeal's July 4, 2012 decision and September 26, 2012 resolution in CA G.R. CV No. 93018.

SO ORDERED.


ARTURO D. BRION
 Associate Justice

WE CONCUR:


ANTONIO T. CARPIO
 Associate Justice
 Chairperson


MARIANO C. DEL CASTILLO
 Associate Justice


JOSE CATRAL MENDOZA
 Associate Justice


MARVIC M.V.F. LEONEN
 Associate Justice

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Ouano v. Republic, G.R. Nos. 168770 and 168812, February 9, 2011, sc.judiciary.gov.ph.

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, it is hereby certified 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.

A handwritten signature in black ink, appearing to read "Antonio T. Carpio". The signature is fluid and cursive, with a large initial "A" and a long, sweeping underline.

ANTONIO T. CARPIO
Acting Chief Justice