



REPUBLIC OF THE PHILIPPINES  
SUPREME COURT  
Manila

SECOND DIVISION

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**NOTICE**

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated **02 December 2020** which reads as follows:*

**“G.R. No. 222221 (Spouses Cecille B. Balasabas & Orielle Balasabas & Spouses William Bolongaita & Ildegardes\* V. Bolongaita v. Amadeo Ferrolino<sup>1</sup>).**

It is settled that the sole issue for resolution in ejectment cases is the physical possession of the property independent of any claim of ownership. However, where the issue of ownership is raised, the courts may provisionally rule on this question for the purpose of determining who between the parties is entitled to the material possession of the property.<sup>2</sup> Here, both the petitioners and the respondent are claiming ownership of the property. The respondent alleges that he became the owner of the land after buying it from the petitioners and has been paying taxes thereon. On the other hand, the petitioners claim that they retain ownership of the property because the transaction was an equitable mortgage not sale.

Foremost, the parties entered into a contract denominated as *Deed of Sale with Right of Repurchase* over a parcel of land in consideration of ₱5,000.00. The parties likewise agreed that the right to repurchase must be exercised within five years from the execution of the contract, thus:

That WHEREAS, the herein VENDOR agree [*sic*] to sell the above described property in favor of the herein VENDEE with the right to repurchase the same after a period of five (5) years or otherwise on April 30, 1985, from the execution of this AGREEMENT.

NOW, THEREFORE, for and in consideration of the sum of FIVE THOUSAND (P5,000.00) PESOS in hand paid and the receipt whereof is hereby acknowledged by the VENDOR to his entire satisfaction, the said VENDOR first sells, cedes, transfers and conveys and by these presents

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\* Ildegrades in some parts of the *rollo*.

<sup>1</sup> The Court of Appeals was originally impleaded as respondent. It was later ordered excluded in the Notice dated March 16, 2016; *rollo*, p. 59.

<sup>2</sup> See *Spouses Pascual v. Spouses Coronel*, 554 Phil. 351, 359 (2007).

have SOLD, CEDED, TRANSFERRED, AND CONVEYED the property herein above-described together with all its improvements in favor of the said VENDEE, his heirs, administrators, executors, and assigns subject to the conditions herein below set forth[.]<sup>3</sup>

It is a cardinal rule in the interpretation of contracts that “[i]f the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control.”<sup>4</sup> The process of interpreting a contract requires the court to make a preliminary inquiry as to whether the contract before it is ambiguous. A contract provision is ambiguous if it is susceptible of two reasonable alternative interpretations. Where the written terms of the contract are not ambiguous and can only be read one way, the court will interpret the agreement as a matter of law.<sup>5</sup> As *Bautista v. Court of Appeals*<sup>6</sup> aptly discussed:

**The rule is that where the language of a contract is plain and unambiguous, its meaning should be determined without reference to extrinsic facts or aids. The intention of the parties must be gathered from that language, and from that language alone. Stated differently, where the language of a written contract is clear and unambiguous, the contract must be taken to mean that which, on its face, it purports to mean, unless some good reason can be assigned to show that the words used should be understood in a different sense.** Courts cannot make for the parties better or more equitable agreements than they themselves have been satisfied to make, or rewrite contracts because they operate harshly or inequitably as to one of the parties, or alter them for the benefit of one party and to the detriment of the other, or by construction, relieve one of the parties from terms which he voluntarily consented to, or impose on him those which he did not.<sup>7</sup> (Emphasis supplied.)

In this case, there is no ambiguity in the language of the contract. The provisions are categorical that the petitioners ceded and sold the property in favor of the respondent subject to a right of repurchase. Moreover, the contract was notarized and must be accorded with presumption of regularity and due execution.<sup>8</sup> As the Court of Appeals aptly observed, the essence of a *pacto de retro* sale is that the title and ownership of the property sold are immediately vested in the vendee *a retro*, subject to the resolutive condition of repurchase by a vendor *a retro* within the stipulated period. Notably, the petitioners failed to repurchase the land within the agreed period. As such, the respondent is now vested with absolute title and ownership over the property.<sup>9</sup>

Indeed, Article 1602(1) of the Civil Code provides that the contract shall be presumed to be an equitable mortgage when the price of a sale with

<sup>3</sup> *Rollo*, pp. 35-36.

<sup>4</sup> CIVIL CODE, Article 1370, first paragraph.

<sup>5</sup> *Abad v. Goldloop Properties, Inc.*, 549 Phil. 641, 654 (2007).

<sup>6</sup> 379 Phil. 386 (2000).

<sup>7</sup> *Id.* at 399.

<sup>8</sup> See *Pan Pacific Industrial Sales Co., Inc. v. Court of Appeals*, 517 Phil. 380, 388-389 (2006).

<sup>9</sup> See *Cadungog v. Yap*, 506 Phil. 541, 556 (2005).

right to repurchase is unusually inadequate. Yet, in a *pacto de retro* sale, the consideration is not necessarily the true value of the land sold because the practice is to fix a relatively reduced price in order to give the seller a *retro* every facility to redeem the land.<sup>10</sup> Thus, we find the purchase price of ₱5,000.00 or one-fourth of the value of the property (₱20,680.00) as stated in the tax declaration not unusually inadequate. The relatively reduced price may be explained by the five-year period to exercise the right to repurchase, which affords petitioners the facility to redeem the land.

Similarly, Article 1602(6) of the Civil Code states that the contract is presumed equitable mortgage 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. However, there is no evidence showing that the *pacto de retro* sale was executed for the purpose of securing a loan other than the petitioners' bare allegation. The petitioners did not even claim that they were in dire need of money to explain why they were constrained to accept any terms or stipulations on the purchase price.<sup>11</sup>

Lastly, the property was already declared for taxation purposes in respondent's name. This is a good indicia of possession in the concept of an owner for no one in his right mind would be paying taxes for a property that is not in his actual or at least constructive possession. This act strengthens one's *bona fide* claim of acquisition of ownership.<sup>12</sup>

In sum, the greater weight of evidence lies in favor of respondent's claim of ownership over the land which is more convincing than petitioners' bare allegations. Respondent is clearly entitled to physical or material possession of the property which is one of the attributes of ownership.<sup>13</sup>

**FOR THESE REASONS**, the petition is **DENIED**. The Court of Appeals' – Cebu City Decision<sup>14</sup> dated October 31, 2014 and Resolution dated January 7, 2016 in CA-G.R. SP No. 03268 are **AFFIRMED**.

**SO ORDERED.**" (Perlas-Bernabe, J., on leave. Rosario, J., designated additional Member *per* Special Order No. 2797 dated November 5, 2020.)

<sup>10</sup> *Heirs of Dominga Tabora Vda. De Macoy v. Court of Appeals*, 283 Phil. 146, 157 (1992).

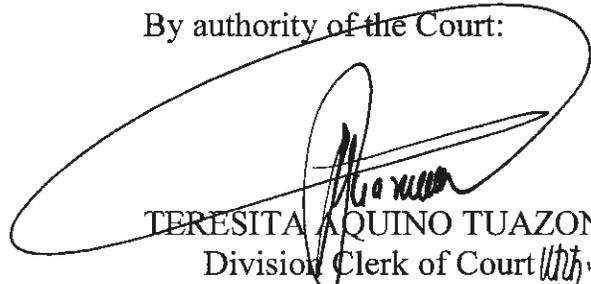
<sup>11</sup> In *Agas v. Sabico*, 496 Phil. 729, 745 (2005), we reiterated that parties to a contract may sign documents without fully knowing the terms thereof because "[n]ecessitous men are not, truly speaking, free men; but to answer a present emergency, will submit to any terms that the crafty may impose upon them."

<sup>12</sup> *Alcaraz v. Tangga-An*, 449 Phil. 62, 71 (2003).

<sup>13</sup> *Co v. Militar*, 466 Phil. 217, 225 (2004).

<sup>14</sup> *Rollo*, pp. 34-44; penned by Associate Justice Marilyn B. Lagura-Yap, with the concurrence of Associate Justices Edgardo L. Delos Santos (now a Member of this Court) and Jhosep Y. Lopez.

By authority of the Court:



TERESITA AQUINO TUAZON  
Division Clerk of Court

18 FEB 2021

Wth,  
2/18

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HON. PRESIDING JUDGE (reg)  
Regional Trial Court, Branch 45  
6200 Dumaguete City  
(Civil Case No. T-06-03)

MR. AMADEO FERROLINO  
Respondent  
(Present address unknown)

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