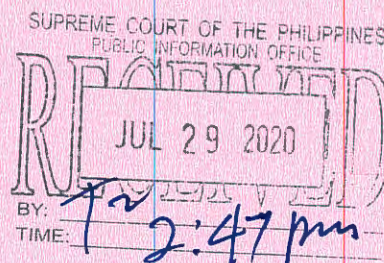




Republic of the Philippines
Supreme Court
Manila
FIRST DIVISION



NOTICE

Sirs/Mesdames:

Please take notice that the Court, First Division, issued a Resolution dated February 19, 2020 which reads as follows:

“G.R. No. 250679 – HEIRS OF REMULADOR CUYOS, represented by KAREN CUYOS-PAQUITA v. HEIRS OF TERESITA CARRASCO, represented by namely: TEODORA E. SOLON, LUZMINDA E. ECARANUM, ANGELITA E. ABAO, ALEJO C. EVANGELISTA, VICENTE C. EVANGELISTA, GORGONIO C. EVANGELISTA, FELICITAS C. EVANGELISTA, DIVINA EVANGELISTA GALARIO represented by VINCENT GALARIO and DANTE EVANGELISTA

Antecedents

Teresita Carrasco filed a complaint for termination of mortgage, tender of payment, and return/release of Original Certificate of Title (OCT) No. P-14929 against petitioners Heirs of Remulador Cuyos.

In her complaint, Teresita essentially averred that in 1982, she borrowed rice, seedling, and piglets worth P5,000.00 from the late Remulador Cuyos. She also borrowed a certain amount of money from Remulador. Eventually, her loan from Remulador amounted to P15,000.00. In 1985, Remulador demanded payment from her. Unable to pay her loan, she was forced to put up as collateral a parcel of land with an area of 18,698 square meters located at the Municipality of Claveria, Misamis Oriental and covered by OCT No. P-14929. She inherited this land from her parents. Remulador then told her she may stop paying interest on her loan if she would allow him to use and till the land until such time she could pay her obligation. When she was ready to pay her loan, she informed Remulador and

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demanded from the latter the release of her title. Remulador, however, refused and left for Manila without informing her. When Remulador passed away, she repeated her demand to his heirs but they refused to accept her payment and to return her title.¹

In their answer, petitioners Heirs of Remulador Cuyos countered that Teresita sold the land to Remulador on November 15, 1986. This was duly supported by the notarized Deed of Absolute Sale which Teresita executed in Remulador's favor. Pursuant to this sale, Teresita turned over to Remulador OCT No. P-14929, tax receipts for the years 1985 and 1986, tax declaration no. 8508936, and sworn statement of the true and current fair market value of the property. Later, Remulador and eventually his heirs took possession of the property. Thus, they were surprised when Teresita, twenty six (26) years later, demanded to repurchase the land and, much later, filed the complaint after they politely refused her demand to repurchase.²

The matter was brought to the Office of Barangay Anei, Claveria, Misamis Oriental, where the parties failed to amicably settle.³ Thus, Teresita filed the action before the Municipal Circuit Trial Court (MCTC) of Jasaan-Claveria, Misamis Oriental.

By Decision dated November 11, 2015, MCTC, Branch 5, Jasaan-Claveria dismissed the complaint for lack of jurisdiction. In its subsequent Order dated March 11, 2016, the MCTC denied Teresita's motion for reconsideration.⁴

On appeal, the Regional Trial Court (RTC), Branch 18, Cagayan De Oro City denied the appeal through its Decision dated November 28, 2016. By Order dated May 29, 2017, however, the RTC reconsidered the appeal, took cognizance of the complaint, and set the case for trial.⁵

While the case was pending before the RTC, Teresita passed away. Accordingly, her heirs came in as substitute plaintiff-appellant.⁶

Ruling of the Regional Trial Court

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¹ *Rollo*, p. 20.

² *Id.* at 5.

³ *Id.* at 20.

⁴ *Id.* at 21-22.

⁵ *Id.* at 22.

⁶ *Id.* at 23.

By Judgment dated December 11, 2017, the RTC ruled in favor of Teresita's heirs, herein respondents, thus:

WHEREFORE, premises considered, judgment is hereby rendered:

- (1) Declaring the *Deed of Absolute Sale* dated November 15, 1986 as an equitable mortgage;
- (2) Declaring the *Deed of Absolute Sale* dated November 15, 1986 as null and void;
- (3) Ordering the plaintiffs, Heirs of Teresita Carrasco, to pay the defendants, Heirs of Remulador Cuyos, the total indebtedness of plaintiff Teresita Carrasco in the amount of Fifteen Thousand Pesos (P15,000.00).
- (4) Ordering the defendants to return to the plaintiffs the owner's duplicate copy of *Original Certificate of Title N(o). P-14929* under Free Patent No. (X-1) 10440; an[d]
- (5) Ordering the defendants to vacate the premises of the land covered by *Original Certificate of Title N(o). P-14929* and turning over its possession to the plaintiffs.

SO ORDERED.⁷

Through Order dated June 14, 2018, the RTC denied petitioners' motion for reconsideration.⁸

Proceedings Before the Court of Appeals

In their petition for review, petitioners argued that the deed of absolute sale was not an equitable mortgage. In reality, there were two (2) separate but related transactions between Teresita and Remulador. The first was a loan with mortgage, and the second, sale of the mortgaged property.⁹

The RTC also erred when it regarded the amount of P5,000.00 as grossly inadequate *vis-à-vis* the value of the property. This amount may be relatively small at the present but was already a substantial amount way back in 1986.¹⁰

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⁷ *Id.* at 23.

⁸ *Id.* at 24.

⁹ *Id.* at 25.

¹⁰ *Id.* at 25.

More, the RTC even ruled that the sale was void as it was made within the prohibited five (5) year period from the issuance of the original title under Commonwealth Act No. 141 (CA 141), otherwise known as the Public Land Act. In any case, even assuming that the sale was void, the RTC should not have ordered them to return the property to respondents. Under CA 141, the sale of the property under free patent within the five (5) year prohibition should result in the cancellation of the grant and reversion of the property and its improvement to the State. Thus, the RTC should have ordered the property reverted back to the State.¹¹

Lastly, the RTC should not have declared void the deed of absolute sale because respondents did not specifically pray for this relief.

Ruling of the Court of Appeals

Through its assailed Decision¹² dated July 23, 2019, the Court of Appeals affirmed. It held that petitioners failed to show that the sale was not an equitable mortgage under Articles 1602 and 1604 of the New Civil Code. It noted that other than petitioners' bare assertion, they did not present substantial evidence to prove that back in 1986, the amount of P5,000.00 was already more than enough purchase price for the property. The surrounding circumstances, on the other hand, proved that the real contract between Teresita and Remulador was an equitable mortgage.¹³

It also emphasized that the property was mortgaged to secure Teresita's loan obligation for the amount of P15,000.00. Yet, under the deed of absolute sale, Teresita sold the property to Remulador for only P5,000.00 without even indicating in the sale document that Teresita had already paid P10,000.00 to Remulador.¹⁴

In any case, even assuming that Teresita truly intended to sell the property to Remulador, the same was void under CA 141. Further, petitioners cannot claim that the RTC should have ordered for the reversion of the property back to the State. The matter of the reversion was between the State and Teresita or her heirs.¹⁵

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¹¹ *Id.* at 25-26.

¹² Penned by Associate Justice Loida S. Posadas-Kahulugan and concurred in by Associate Justice Oscar V. Badelles and Associate Justice Florencio M. Mamauag, Jr., *rollo*, pp. 19-34.

¹³ *Id.* at 27.

¹⁴ *Id.* at 27.

¹⁵ *Id.* at 29-32.

The RTC also did not err when it declared the deed of absolute sale as void, albeit if this relief was not expressly prayed for by respondents for the complaint contained a general prayer for “*other reliefs just and equitable*.” This justified the RTC’s declaration that the deed of absolute sale was void.¹⁶

In its assailed Resolution¹⁷ dated October 17, 2019, the Court of Appeals denied petitioners’ motion for reconsideration.¹⁸

Issues

(1) Did the Court of Appeals err in affirming the RTC’s finding that the transaction between Teresita and Remulador was an equitable mortgage rather than an absolute deed of sale?

(2) Did the Court of Appeals err when it affirmed the order for respondents to reconvey the possession of the property to respondents and not to the State *via* reversion proceedings?

(3) Did the Court of Appeals err in declaring the deed of absolute sale void although this relief was not specifically sought in the complaint?

Ruling

The Court affirms.

Procedural Matters

To begin with, petitioners failed to attach to the petition copies of pertinent portions of the records as would support the petition such as the subject Deed of Absolute Sale, OCT No. P-14929, and the decisions and orders of the trial courts, as required under Section 4,

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¹⁶ *Id.* at 32-33.

¹⁷ *Id.* at 44-46.

¹⁸ *Id.* at 35-41.

Rule 45 of the Revised Rules of Court.¹⁹

On this ground alone, the petition should be denied pursuant to Section 5 of the same Rule, viz.:

Section 5. Dismissal or denial of petition.

The failure of the petitioner to comply with any of the foregoing requirements regarding the payment of the docket and other lawful fees, deposit for costs, proof of service of the petition, and the contents of and the documents which should accompany the petition shall be sufficient ground for the dismissal thereof.

But even on the merits, the petition must fail.

First Issue

Absolute sale or equitable mortgage

Articles 1602 and 1604 of the New Civil Code state:

Article 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 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.

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¹⁹ Sec. 4. Contents of petition. – The petition shall be filed in eighteen (18) copies, with the original copy intended for the court being indicated as such by the petitioner, and shall (a) state the full name of the appealing party as the petitioner and the adverse party as respondent, without impleading the lower courts or judges thereof either as petitioners or respondents; (b) indicate the material dates showing when notice of the judgment or final order or resolution subject thereof was received, when a motion for new trial or reconsideration, if any, was filed and when notice of the denial thereof was received; (c) set forth concisely a statement of the matters involved, and the reasons or arguments relied on for the allowance of the petition; (d) be accompanied by a clearly legible duplicate original, or a certified true copy of the judgment or final order or resolution certified by the clerk of court of the court a quo and the requisite number of plain copies thereof, and such material portions of the record as would support the petition; and (e) contain a sworn certification against forum shopping as provided in the last paragraph of section 2, Rule 42.



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.

x x x

x x x

x x x

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

x x x

x x x

x x x

Applying Article 1602, the presence of at least two (2) circumstances here gives rise to the presumption that a contract purporting to be one of sale is actually an equitable mortgage. Both the RTC and the Court of Appeals correctly ruled that certain circumstances gave rise to the presumption of equitable mortgage.²⁰

For one, petitioners failed to adduce even a single piece of evidence to prove that P5,000.00 was not an unusually inadequate consideration for an 18,698 square meter land in the Municipality of Claveria, Misamis Oriental. It may be a big amount way back in 1986, but can it be considered adequate consideration, or at least not grossly inadequate for the land in question. The presumption of equitable mortgage operates in favor of Teresita and her heirs. It remains in place in the absence of any evidence to the contrary.

Petitioners claim that upon the alleged sale of the property, Teresita turned over to them the sworn statement of the true and current fair market value of the property. Yet, petitioners failed to present this document. They did not even attach the same to the present petition.

On this score, it is undisputed that Teresita's total obligation to Remulador amounted to P15,000.00. Why it got reduced to P5,000.00 the amount borne in the deed of sale was never explained by petitioners.

Another. Despite the so-called absolute deed of sale and even after the lapse of almost three (3) decades, neither Remulador nor his heirs transferred the title to their names. This inaction, nay, omission further lends credence to the claim of Teresita and her heirs that what the parties really intended was not an absolute deed of sale but a mere equitable mortgage.

Second Issue

Reversion

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²⁰ *Sps. Felipe Solitarios and Julia Torda v. Sps. Jaque*, 746 Phil. 852, 867 & 876 (2014).

Petitioners' argument that the land should have been reverted back to the State is off tangent. For one, the case below is not a reversion proceeding. For another, the State is not involved here and the subject land is a private land, not a land owned by the State. More, there is no sale to speak of which would have otherwise violated the 5-year prohibited period under CA 141.

In any event, Republic Act No. 11231, otherwise known as the Agricultural Free Patent Reform Act, which took effect in March 2019 states:

x x x

x x x

x x x

Section 2. It is the declared policy of the State to **remove the restrictions** on free patents to allow the efficient and effective utilization of these lands in order to contribute to wealth creation, entrepreneurship, and economic development.

Section 3. Agricultural public lands alienated or disposed in favor of qualified public land applicants under Section 44 of Commonwealth Act No. 141, as amended, **shall not be subject to restrictions** imposed under Sections 118, 119 and 121 thereof regarding acquisitions, encumbrances, conveyances, transfers, or dispositions. **Agricultural free patent shall now be considered as title in fee simple and shall not be subject to any restriction on encumbrance or alienation.**

Section 4. This Act shall have **retroactive effect** and **any restriction** regarding acquisitions, encumbrances, conveyances, transfers, or dispositions imposed on agricultural free patents issued under Section 44 of Commonwealth Act No. 141, as amended, before the effectivity of this Act **shall be removed and are hereby immediately lifted**: *Provided*, That nothing in this Act shall affect the right of redemption under Section 119 of Commonwealth Act No. 141, as amended, for transactions made in good faith prior to the effectivity of this Act. (Emphasis supplied)

x x x

x x x

x x x

So must it be.

Third Issue

Declaration of nullity of the Deed of Sale may be granted although not specifically prayed for

When Teresita and her heirs sought to terminate the mortgage, petitioners themselves invoked the validity of the so-called deed of

absolute sale pertaining to the property in question. In pleading this defense, petitioners necessarily asked the trial court to rule on the validity and efficacy of the deed of absolute sale, *vis-à-vis* the right of Teresita and her heirs to terminate the mortgage on the same property. It thus became necessary for the courts to pass upon and resolve this issue on the merits. For sure, petitioners cannot preclude the trial court from ruling thereon after petitioners themselves raised it as an issue.

At any rate, where the complaint prays for “*other reliefs just and equitable*” as in this case, the court is thereby vested with authority to award such other reliefs just and equitable under the circumstances.

Section 2, Rule 7 of the Revised Rules of Court states:

Sec. 2. The body.

The body of the pleading sets forth its designation, the allegations of the party's claims or defenses, the relief prayed for, and the date of the pleading.

X X X

X X X

X X X

(c) Relief. - The pleading shall specify the relief sought, but **it may add a general prayer for such further or other relief as may be deemed just or equitable.** (Emphasis supplied)

X X X

X X X

X X X

Indeed, a general prayer for “*other reliefs just and equitable*” on a complaint normally enables the court to award reliefs supported by the complaint or other pleadings, by the facts admitted at the trial, and by the evidence adduced by the parties, even if these reliefs are not specifically prayed for in the complaint.²¹

All told, the Court of Appeals did not err when it affirmed the ruling of the RTC that the supposed deed of absolute sale was an equitable mortgage and ordered petitioners to reconvey the property to respondents upon the latter's payment of Teresita's total obligation to the former.

WHEREFORE, the petition is **DENIED**. The Court of Appeals Decision dated July 23, 2019 and Resolution dated October 17, 2019 in CA-G.R. SP No. 08919-MIN are **AFFIRMED**.

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²¹ *Ilusorio, et al. v. Ilusorio*, G.R. No. 210475, April 11, 2018.

SO ORDERED.”

Very truly yours,

LIBRADA C. BUENA
Division Clerk of Court

by:


MARIA TERESA B. SIBULO
Deputy Division Clerk of Court

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