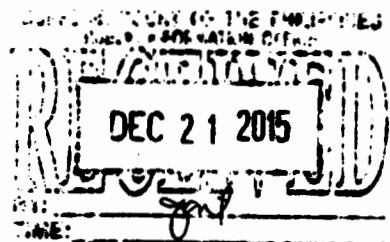




Republic of the Philippines
Supreme Court
Manila

CERTIFIED TRUE COPY
Wilfredo V. Lapitan
WILFREDO V. LAPITAN
Division Clerk of Court
Third Division
DEC 18 2015

THIRD DIVISION



MILAGROS C. REYES,
Petitioner,

G.R. No. 196083

Present:

VELASCO, JR., *J.*, Chairperson,
PERALTA,
VILLARAMA, JR.,
REYES, and
JARDELEZA, *JJ.*

Promulgated:

FELIX P. ASUNCION,
Respondent.

November 11, 2015
Wilfredo V. Lapitan

X-----

D E C I S I O N

PERALTA, *J.*:

For this Court's consideration is the Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court, dated April 25, 2011 of petitioner Milagros C. Reyes seeking the reversal of the Decision² of the Court of Appeals (CA) dated July 9, 2010 which affirmed the Decision³ of the Regional Trial Court (RTC), Branch 66, Capas, Tarlac, dated January 17, 2007 dismissing the Complaint⁴ of petitioner against respondent Felix P. Asuncion for the declaration of nullity of a contract or deed.

The facts follow.

¹ *Rollo*, pp. 45-109.

² Penned by Associate Justice Mario V. Lopez, with Associate Justices Magdangal M. De Leon and Rodil V. Zalameda, concurring; *id.* at 50-60.

³ Penned by Judge Alipio C. Yumul; *id.* at 75-83.

⁴ *Id.* at 62-65.

JY

Petitioner claimed that since the early 80s, she and her late husband were the owners, with the right to occupy and possess a parcel of land (*subject land*), which is also a sugarcane plantation, with an area of more or less 3.5 hectares located at Patling, Capas, Tarlac and forms part of a U.S. Military Reservation. Sometime in 1986, petitioner hired respondent as a caretaker of the subject land. In 1997, the Bases Conversion and Development Authority (*BCDA*) launched a resettlement program for the victims of the Mt. Pinatubo eruption and began to look for possible resettlement sites in Tarlac and the subject lot was among those considered.

Thereafter, according to petitioner, in order to prevent the BCDA from converting her property into a resettlement site, she and respondent executed a contract, antedated on June 15, 1993, transferring her rights over the subject land to the respondent. The contract reads as follows:

PAGLILIPAT [NG] KARAPATAN SA LUPA

Para sa Kinauukulan[:]

Ako po [ay] si [G]inang Milagros C. Reyes, widow[,]. [F]ilipino, a sugar [p]lanter of Central Azucarera de Tarlac, San Miguel [,] Tarlac [and] residing at San Rafael[,] Tarlac.

Akin[g] pinatutunayan sa kasulatan[g] ito na nabili ko ang karapatan o [r]ights ni [G]inoong Reymundo Dailig, nakatira sa Patling[,] Capas[,] Tarlac. Ang loti ay may sukat na tatlong ectarya at kalahati [sic] (3 ½ hec.). [A]t itoy [sic] ay kusang loob naming mag-asawa, si Jesus C. Reyes[,] na ipagkaloob ang nasabing lupa kay [G]inoong Felix Asuncion [unreadable portion]. Sa loob ng sampung taon namin[g] pagsasama[,] nakita namin na naging matapat siya sa kanyang obligations bilang taga pamahala [sic] ng aming tubuhan at sa mga [k]ontratista at higit sa lahat ay marunong siya makisama sa aming kasama siya [ay] mapagkakatiwalaan lalo na sa pera. Dahilsa [sic] naging matapat siya sa amin bilang Palsunero, napagkasunduan namin na kami ang bahala sa finances, sa kasunduan na kami ang magpapakabyaw ng tubo sa pangalan ko, hanggang gusto ko. Sa ilalim nito ay nakapirma ang aking pangalan.

Sgd.
Felix P. Asuncion
Tenant

Sgd.
Milagros C. Reyes
Planter

Sgd.
Witness
Barangay [C]aptain
Bon Vistan⁵

Petitioner claimed to have remained the absolute owner and possessor of the subject land and presently occupies the same as a sugarcane

⁵ *Id.* at 106.



plantation and even mills the sugarcane harvested at the Central Azucarera de Tarlac for her own benefit. She also stated that the respondent continued working for her but the latter's employment was severed when petitioner discovered that respondent sold the former's pigs and cows.

On January 6, 2000, respondent filed a Complaint for Estafa against petitioner before the Office of the Prosecutor in Tarlac City, Tarlac alleging that petitioner failed and/or refused to give respondent his share of the total harvests on the subject land for the years 1993-1999, using their contract as basis. However, the said complaint was dismissed for lack of probable cause.

Thereafter, petitioner filed a Complaint dated October 21, 2001 against respondent before the RTC of Capas, Tarlac for the declaration of nullity of the subject contract.

The RTC, on January 17, 2007, rendered a Decision in favor of the respondent. It ruled that there is no legal basis to nullify the contract. The dispositive portion of the decision states:

WHEREFORE, premises considered, finding no legal basis to nullify the contract denominated as *Paglilipat [nang] Karapatan sa Lupa*, the complaint is dismissed and the *Paglilipat [nang] Karapatan sa Lupa* is declared legal and binding.

No pronouncement as to cost.

SO ORDERED.⁶

Undeterred, petitioner appealed the case to the CA, and on July 9, 2010, the latter dismissed the appeal, thus:

FOR THESE REASONS, We DISMISS the appeal for lack of merit, the assailed Decision dated January 17, 2007 of the Regional Trial Court is AFFIRMED.

SO ORDERED.⁷

After the CA denied⁸ petitioner's motion for reconsideration, the latter filed the present petition.

Petitioner assigned the following errors:



⁶ *Id.* at 83.

⁷ *Id.* at 60.

⁸ Resolution dated March 1, 2011, *id.* at 45-48.

I.

THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR IN RULING THAT THE SUBJECT CONTRACT IS VALID EVEN IF IT DOES NOT REFLECT THE TRUE INTENT OF THE PARTIES.

II.

THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR IN RULING THAT THE DONATION OF THE SUBJECT LAND IS VALID EVEN IF NOT MADE AND ACCEPTED IN A PUBLIC DOCUMENT.

III.

THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR IN RULING THAT THE PETITIONER MAY TRANSFER THE SUBJECT LAND TO THE RESPONDENT EVEN WITHOUT THE CONSENT OF THE HEIRS OF HER LATE HUSBAND.⁹

Thereafter, respondent filed his Comment¹⁰ dated March 31, 2014 and petitioner filed her Reply¹¹ dated June 7, 2014.

This Court finds no merit in the petition.

It is petitioner's contention that the subject contract is purely simulated, since it purports a transfer of rights over the subject land in favor of the respondent. However, when petitioner executed the contract, it was never her intention to transfer her rights over the subject land as the primordial consideration was to prevent the BCDA from taking over the property. She also asserts that she and the respondent agreed to make the said false appearance in the contract. However, the RTC and the CA found no other evidence to support the said allegations and the self-serving averments of the petitioner. This Court is in agreement with the RTC and the CA as to the insufficiency of evidence to prove that there was indeed a simulation of contract.

The Civil Code provides:

Art. 1345. *Simulation of a contract may be absolute or relative.* The former takes place when the parties do not intend to be bound at all; the latter, when the parties conceal their true agreement.

Art. 1346. *An absolutely simulated or fictitious contract is void.* A relative simulation, when it does not prejudice a third person and is not intended for any purpose contrary to law, morals, good customs, public order or public policy binds the parties to their real agreement.

⁹ *Id.* at 25-26.

¹⁰ *Id.* at 132-141.

¹¹ *Id.* at 156-167.

*Valerio v. Refresca*¹² is instructive on the matter of simulation of contracts:

x x x In absolute simulation, there is a colorable contract but it has no substance as the parties have no intention to be bound by it. The main characteristic of an absolute simulation is that the apparent contract is not really desired or intended to produce legal effect or in any way alter the juridical situation of the parties. As a result, an absolutely simulated or fictitious contract is void, and the parties may recover from each other what they may have given under the contract. However, if the parties state a false cause in the contract to conceal their real agreement, the contract is relatively simulated and the parties are still bound by their real agreement. Hence, where the essential requisites of a contract are present and the simulation refers only to the content or terms of the contract, the agreement is absolutely binding and enforceable between the parties and their successors-in-interest.

Lacking, therefore, in an absolutely simulated contract is consent which is essential to a valid and enforceable contract.¹³ Thus, where a person, in order to place his property beyond the reach of his creditors, simulates a transfer of it to another, he does not really intend to divest himself of his title and control of the property; hence, the deed of transfer is but a sham.¹⁴

The primary consideration in determining the true nature of a contract is the intention of the parties. If the words of a contract appear to contravene the evident intention of the parties, the latter shall prevail. Such intention is determined not only from the express terms of their agreement, but also from the contemporaneous and subsequent acts of the parties.¹⁵

The burden of proving the alleged simulation of a contract falls on those who impugn its regularity and validity. A failure to discharge this duty will result in the upholding of the contract. The primary consideration in determining whether a contract is simulated is the intention of the parties as manifested by the express terms of the agreement itself, as well as the contemporaneous and subsequent actions of the parties. The most striking index of simulation is not the filial relationship between the purported seller and buyer, but the complete absence of any attempt in any manner on the part of the latter to assert rights of dominion over the disputed property.¹⁶

¹² 520 Phil. 367, 374 (2006), citing *Loyola v. Court of Appeals*, 383 Phil. 171 (2000) and *Heirs of the Late Spouses Balite v. Lim*, 487 Phil. 281 (2004). (Italics omitted)

¹³ *Manila Banking Corporation v. Silverio*, 504 Phil. 17, 27 (2005), citing *People's Aircargo and Warehousing Co., Inc. v. Court of Appeals*, 357 Phil. 850, 869 (1998).

¹⁴ *Tongoy, et al. v. Court of Appeals, et al.*, 208 Phil. 95, 113 (1983), citing *Vda. de Rodriguez v. Rodriguez, et al.*, 127 Phil. 294, 301-302 (1967).

¹⁵ *Spouses Lopez v. Spouses Lopez*, 620 Phil. 368, 378 (2009).

¹⁶ *Ramos v. Heirs of Honorio Ramos, Sr.*, 431 Phil. 337, 339 (2002).



The finding of the CA is correct when it ruled that petitioner failed to present evidence to prove that respondent acted in bad faith or fraud in procuring her signature or that he violated their real intention, if any, in executing it, thus:

So far, appellant's averments evince an obvious knowledge and voluntariness on her part to enter into the alleged simulated contract. Without the slightest doubt, appellant, as plaintiff in the court below, utterly failed to adduce any evidence of appellee's bad faith or fraud in procuring her signature to the contract or that he violated their real intention, if any, in executing it. It must be stressed that the determination of whether one acted in bad faith is evidentiary in nature. Indeed, the unbroken jurisprudence is that “[b]ad faith [or fraud] under the law cannot be presumed; it must be established by clear and convincing evidence. The allegation of simulation of contract as well as lack of consent and/or vitiated consent remains to be proven. As it stands, We perceive that the contract by its very terms and conditions, on June 15, 1993, appellant simply intended to transfer the subject land to appellee. It is a cardinal rule that if the terms of a contract are clear and leave no doubt as to the intention of the contracting parties, the literal meaning of its stipulation shall control.¹⁷

Petitioner insists that the subject contract is in the nature of a simple donation, and even assuming *arguendo* that the same was meant to be a remuneratory donation, it is still invalid because the donation was not notarized.

Donation is an act of liberality whereby a person gratuitously disposes of a thing or a right in favor of another who accepts it.¹⁸ Once perfected, a donation is final; its revocation or rescission cannot be effected, absent any legal ground therefor.¹⁹ A donation may, in fact, comprehend the entire property of the donor.²⁰ At any rate, the law provides that donors should reserve, in full ownership or in usufruct, sufficient means for their own support and that of all their relatives who, at the time of the acceptance of the donation, are by law entitled to be supported by them.²¹

The subject contract in this case is seemingly a remuneratory donation as all the elements for such are present. The CA explained:

A painstaking review of the contract reveals that it is a remuneratory donation. First, appellant expressed in the contract that “sa loob ng sampung taon namin[g] pagsasama[,] nakita namin na naging

¹⁷ *Rollo*, p. 55. (Citations omitted.)

¹⁸ Civil Code, Art. 725.

¹⁹ *Ocampo v. Ocampo*, 471 Phil. 519, 541 (2004), citing Vitug, *Compendium of Civil Law and Jurisprudence* (1993 revised ed.), p. 353.

²⁰ Civil Code, Art. 750.

²¹ *Id.*



matapat siya sa kanyang obligations bilang taga pamahala [sic] ng aming tubuhan at sa mga [k]ontratista at higit sa lahat ay marunong siya makisama sa aming mga kasama at siya [ay] mapagkakatiwalaan lalo na sa pera. Clearly, she gave the subject land to appellee to remunerate his ten (10) years of faithful service to her. More importantly, appellant stated that "napagkasunduan namin na kami ang bahala sa finances, sa kasunduan na kami ang magpapakabyaw ng tubo sa pangalan ko, hanggang gusto ko. This is a profit sharing agreement where appellant finances the planting, harvesting and milling of sugarcane on the subject land donated to appellee under appellant's name. Unmistakably, it is a charge or burden on the donation.²²

However, as pointed out by the CA, the contract, as well as the evidence presented during the trial, are silent as to the value of the burden, hence, instead of the law on donations, the rules on contract should govern the subject contract because the donation is onerous as the burden is imposed upon the donee of a thing with an undetermined value. Furthermore, the CA is also right in ruling that it is not necessary that the contract be in a public instrument if it involves immovable property, properly citing *Pada-Kilario v. Court of Appeals*²³ which states that the requirement of Article 1358 of the Civil Code that acts which have for their object the creation, transmission, modification or extinguishment of real rights over immovable property, must appear in a public document, is only for convenience, non-compliance with which does not affect the validity or enforceability of the acts of the parties as among themselves.

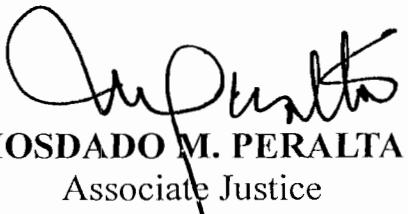
Finally, petitioner argues that she has raised the issue of her co-ownership of the subject land with her late husband at the very outset of the case, thus, in view of that co-ownership, petitioner cannot alienate the subject land without the consent of the heirs of her late husband. However, as aptly observed by the CA, the petitioner did not raise the issue of co-ownership during the trial, thus, she cannot now assail the validity of the contract using such ground for the first time on appeal. It is also worth noting that petitioner has not, in her appeal to the CA, as well as in her petition with this Court, mentioned the specific heirs affected or prejudiced by the subject contract.

WHEREFORE, the Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, dated April 25, 2011 of petitioner Milagros C. Reyes is **DENIED** for lack merit, and the Decision of the Court of Appeals, dated July 9, 2010, is **AFFIRMED** in *toto*.

²² *Rollo*, p. 58.

²³ 379 Phil. 515, 527 (2002).

SO ORDERED.



DIOSDADO M. PERALTA
Associate Justice

WE CONCUR:



PRESBITERO J. VELASCO, JR.
Associate Justice



MARTIN S. VILLARAMA, JR.
Associate Justice



BIENVENIDO L. REYES
Associate Justice



FRANCIS H. JARDELEZA
Associate Justice

ATTESTATION

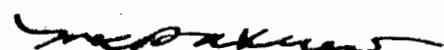
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson, Third Division

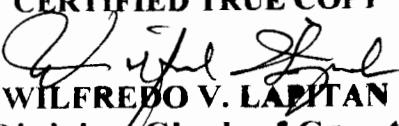
CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, 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's Division.



MARIA LOURDES P. A. SERENO
Chief Justice

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WILFREDO V. LAPITAN
Division Clerk of Court
Third Division

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