Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

FRIAN B. LAMBO, Petitioner,	**G.R. No. 269085**
	Present:
- *versus* -	CAGUIOA, *J.*, *Chairperson*, INTING, GAERLAN, DIMAAMPAO, and SINGH, *JJ.*
	Promulgated:
EVELYN VEGA-ROSE, Respondent.	FEB 19 2026

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D E C I S I O N

INTING, J.:

Before the Court is a Petition for Review on *Certiorari*[1] under Rule 45 of the Rules of Court assailing the Decision[2] dated January 26, 2023, and the Resolution[3] dated July 7, 2023, of the Court of Appeals (CA) in CA-G.R. CV No. 06124-MIN. The CA denied the appeal filed by Frian B. Lambo (petitioner) for lack of merit and affirmed the Decision[4] dated January 15, 2021, of Branch 12 of the Regional Trial Court (RTC) of Zamboanga City in Civil Case No. 6957 that declared the transaction between petitioner and Evelyn Vega-Rose (respondent) as an equitable mortgage.

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1 *Rollo*, pp. 10–29.

2 *Id.* at 40–51. Penned by Associate Justice Lily V. Biton and concurred in by Associate Justices Ana Marie T. Mas and John Z. Lee of the Twenty Third Division, Court of Appeals, Cagayan de Oro City.

3 *Id.* at 53–54. Penned by Associate Justice Lily V. Biton and concurred in by Associate Justices Ana Marie T. Mas and John Z. Lee of the Twenty Third Division, Court of Appeals, Cagayan de Oro City.

4 *Id.* at 30–38. Penned by Presiding Judge Gregorio V. dela Peña, III.

The Antecedents

This case originated from a Complaint[5] for specific performance with damages filed by respondent against petitioner, Nenita B. Lambo (Nenita) and Edlin B. Lambo (Edlin) before the RTC.

Petitioner is the registered owner of a residential lot located at Casas de Amor Subdivision, Lunzuran, Zamboanga City, covered by Transfer Certificate of Title (TCT) No. 129-2014002556. To secure a housing loan, petitioner mortgaged the property to the Home Development Mutual Fund (HDMF). The loan, initially in the amount of PHP 1,080,000.00, was later increased to PHP 3,281,600.00, payable over a period of 30 years with interest.[6]

After paying the monthly amortizations for only two months in 2016, however, petitioner defaulted on the succeeding amortizations.[7] As of March 30, 2017, the outstanding obligation had increased to PHP 3,612,962.07.[8] Consequently, on April 12, 2017, the HDMF notified petitioner of her delinquent account and warned her that foreclosure proceedings would be initiated if the amount due was not paid on or before April 17, 2017.[9]

Upon receiving notice of the impending foreclosure, Nenita, petitioner's mother, sought respondent's assistance. At that time, petitioner was working abroad as an overseas Filipino worker in Dubai, while respondent was based in Davao City, having recently arrived from the United States of America.[10]

Respondent requested that all documents relating to the HDMF loan be brought to her for review. As petitioner could not personally travel to Davao City, her brother, Edlin, brought the loan documents to respondent.[11]

After reviewing the documents, respondent agreed to advance the amount necessary to fully settle the HDMF loan. This agreement, however, was subject to the condition that a Deed of Absolute Sale over the subject property would be executed in her favor, reserving petitioner's right to repurchase the same upon full payment of the amount advanced by respondent.[12]

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5 RTC Records, pp. 3–10.
6 *Rollo*, p. 30.
7 *Id.*
8 *Id.*
9 *Id.*
10 *Id.*
11 *Id.*
12 *Id.* at 30–31.

On April 11, 2017, respondent went to Zamboanga City to verify the status of petitioner's loan with the HDMF. She met with the HDMF's legal officer, who advised her that a Special Power of Attorney (SPA) would be required for the release of the owner's duplicate copy of the title upon full payment of the loan.[13] Believing that an SPA was already in transit,[14] respondent executed her own SPA in favor of Edlin, designating him to receive the title from the HDMF.[15]

On April 12, 2017, respondent paid the HDMF the total amount of PHP 3,625,607.75 via a manager's check,[16] evidenced by Official Receipt No. 9623995.[17] In turn, Edlin executed an Acknowledgment Receipt confirming receipt of the amount intended to be used as payment for petitioner's HDMF loan.[18]

Despite the full settlement of petitioner's HDMF loan, the owner's duplicate copy of TCT No. 129-2014002556 was not released to respondent. Instead, it was released to Edlin pursuant to an SPA executed by petitioner.[19] This prompted respondent to execute an adverse claim against the title.[20]

In the meantime, petitioner's family continued to possess and occupy the property. No deed transferring ownership to respondent was ever registered with the Register of Deeds. To address this, respondent made repeated follow-ups regarding the transfer of the property. She even prepared and transmitted a Deed of Absolute Sale and an Special SPA to petitioner.[21]

Per the records, petitioner admitted that she (1) received the Deed of Absolute Sale and the SPA, (2) signed both documents, and thereafter (3) returned them to respondent, albeit without notarization. Petitioner later explained that she did not have the documents notarized because she had changed her mind and no longer intended to proceed with the transaction.[22]

Subsequent demands and efforts to resolve the matter failed. Thus, respondent filed the subject Complaint[23] for specific performance and damages.

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13 *Id.* at 31.
14 *Id.*
15 RTC Records, p. 19.
16 *Id.* at 21.
17 *Id.* at 22.
18 *Id.* at 23.
19 *Rollo*, p. 31.
20 RTC Records, pp. 27–28.
21 *Rollo*, pp. 31–32.
22 RTC Records, pp. 147–151.
23 RTC records, pp. 3–10.

The Ruling of the RTC

In the Decision dated January 15, 2021, the RTC ruled in favor of respondent and declared that the transaction between the parties constituted an equitable mortgage, not a contract of sale. The dispositive portion of the Decision reads:

> WHEREFORE, all the foregoing premises considered, judgment is hereby rendered in favor of the plaintiff (Respondent) and against the defendant (Petitioner) in the following manner:
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> 1.) Declaring the agreement/transaction between the plaintiff and defendant Frian B. Lambo, which resulted in the execution of the Deed of Absolute Sale of Real Estate dated April 11, 2017 covering Transfer Certificate of Title (TCT) No. 129-2014002556 of the Register of Deeds of Zamboanga City as an equitable mortgage under Article 1602 in relation to Article 1604 of the New Civil Code;
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> 2.) Ordering defendant Frian B. Lambo to pay the plaintiff the total amount of P3,625,607.75, within a period of 30 days from the date the herein judgment becomes final and executory, plus legal interest of 6% per annum to be reckoned from the date the herein case was filed in court until the said amount is fully paid;
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> 3.) In case of the failure on the part of the Defendant Frian B. Lambo to comply with the order as stated in the next preceding paragraph, the property covered by TCT No. 129-2014002556 registered in her name as well as all the improvements found and existing therein shall be foreclosed and the Branch Sheriff of this Court is hereby directed to sell the same through public auction and to the highest bidder by observing the procedures and formalities for extrajudicial foreclosure of mortgage under Act No. 3135 as amended by R. A. No. 4118, at the expense of the plaintiff and the proceeds that may be realized therein shall be applied to the total amount due to plaintiff as stated in paragraph 2 hereof without prejudice to the right of the plaintiff to recover any deficiency thereof from the defendants in a separate action;
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> 4.) Ordering defendant Frian B. Lambo to pay plaintiff the sum of P50,000.00 representing the latter's attorney's fees; and,
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> 5.) For defendants to pay the cost of this suit.
>
> SO ORDERED.[24]

The RTC found that respondent had fully settled petitioner's outstanding HDMF loan in the amount of PHP 3,625,607.75, an act which prevented the foreclosure of the mortgaged property.[25] It further noted that petitioner admitted that she signed the Deed of Absolute Sale dated April 11, 2017, and returned the same to respondent—albeit leaving it unnotarized—

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[24] *Id.* at 38.
[25] *Id.* at 31.

and that respondent had indeed paid petitioner's HDMF loan.[26]

In determining the true nature of the transaction, the RTC held that the parties' intent was not to effect a transfer of ownership but merely to secure the repayment of the amount advanced by respondent. It anchored this finding on the following circumstances: (1) the gross inadequacy of the stated consideration in the Deed of Absolute Sale; (2) the continued possession of the property by petitioner and her immediate family; and (3) the admitted understanding between the parties that the deed was executed merely as security for the debt.[27]

Applying Article 1602[28] in relation to Article 1604[29] of the Civil Code, the RTC concluded that the transaction was presumed to be an equitable mortgage.[30]

Accordingly, the RTC ordered petitioner to pay respondent the amount of PHP 3,625,607.75 within 30 days from finality of judgment, with legal interest. The RTC denied the claims for moral and exemplary damages but awarded attorney's fees in the amount of PHP 50,000.00. The RTC denied all other claims and counterclaims.[31]

Aggrieved, petitioner filed an appeal before the CA.

The Ruling of the CA

In its Decision[32] dated January 26, 2023, the CA denied the appeal and affirmed the ruling of the RTC with modification. The dispositive portion of the Decision reads:

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26 *Id.* at 35.

27 *Id.* at 35–36.

28 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.

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.

29 Article 1604. The provisions of article 1602 shall also apply to a contract purporting to be an absolute sale. (n)

30 *Rollo*, pp. 37–38.

31 *Id.*

32 *Id.* at 40–51.

> WHEREFORE, premises considered, the appeal is DENIED. The Decision dated 15 January 2021 rendered by the Regional Trial Court, 09th Judicial Region, Branch 12, Zamboanga City in Civil Case No. 6957 is AFFIRMED with MODIFICATION that award of attorney's fees in the amount of P50,000.00 in favor of the plaintiff-appellee is hereby DELETED.
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> SO ORDERED.[33]

The CA agreed with the RTC's findings that the transaction between the parties was an equitable mortgage, holding that the RTC correctly appreciated the surrounding circumstances that serve as badges of equitable mortgage.[34]

The CA also rejected petitioner's argument regarding the lack of cause of action, ruling that the existence of a cause of action is determined from the allegations of the complaint and that the issue had already been resolved after trial on the merits. It deferred to the RTC's factual findings, holding that there was no showing that the trial court had overlooked, misunderstood, or misapplied facts of substance.[35]

However, it deleted the award of attorney's fees. It held that the RTC failed to state the factual and legal basis for such award, reiterating that attorney's fees may not be granted absent clear justification in the body of the decision.[36]

Petitioner filed a Motion for Reconsideration,[37] but the CA denied it in the assailed Resolution[38] dated July 7, 2023.

Hence, the present Petition.

Arguments of the Parties

Petitioner imputes error to the CA in affirming the RTC's ruling that the transaction constituted an equitable mortgage. She maintains that the courts *a quo* incorrectly inferred the existence of a contract even after finding that there was no valid sale.[39] Petitioner argues that the absence of a sale does not automatically give rise to an equitable mortgage, and that by ruling otherwise, the lower courts effectively created a contract for the parties.[40]

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33 *Id.* at 50–51.
34 *Id.* at 45–46.
35 *Id.* at 49–50.
36 *Id.* at 50.
37 CA *rollo*, pp. 125–132.
38 *Id.* at 53–54.
39 *Rollo*, pp. 16–18.
40 *Id.* at 17–20.

Petitioner further contends that there was no meeting of the minds between the parties. She emphasizes that she did not personally negotiate with respondent; rather, all the transactions were conducted by Edlin, who allegedly acted without authority to bind her or her property. On this basis, she asserts that no contractual relationship was formed between her and respondent.[41]

Moreover, petitioner underscores that the Deed of Absolute Sale and the SPA were never notarized. She maintains that her act of signing and subsequently returning the documents without notarization manifested her intent to repudiate any consent she may have inadvertently given. Thus, she argues that these documents cannot be relied upon to establish consent or support a finding of an equitable mortgage.[42]

Finally, petitioner insists that the complaint should have been dismissed for lack of cause of action, as respondent improperly sought specific performance despite the absence of a perfected contract, and that the courts below misapplied the presumptions under Article 1602 of the Civil Code.[43]

In her Comment[44] dated October 14, 2024, respondent seeks the dismissal of the Petition on procedural grounds.

Respondent avers that petitioner failed to serve a copy of the petition upon the adverse party, contrary to Section 3,[45] Rule 45 of the Rules of Court. Consequently, she argues that the Petition should be dismissed pursuant to Section 5[46] of the same Rule.

In refutation, petitioner, in her Reply,[47] asserts that copies of the Petition were furnished to both the CA and respondent via registered mail on September 11, 2023. She argues that the corresponding registry receipts attached to the Petition, as well as the copy of the Petition filed with her Compliance[48] dated October 14, 2025, prove proper service.

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41 *Id.*

42 *Id.* at 20–26.

43 *Id.* at 21–26.

44 *Id.* at 65–66.

45 Section 3. *Docket and other lawful fees; proof of service of petition.* – Unless he has theretofore done so, the petitioner shall pay the corresponding docket and other lawful fees to the clerk of court of the Supreme Court and deposit the amount of P500.00 for costs at the time of the filing of the petition. Proof of service of a copy thereof on the lower court concerned and on the adverse party shall be submitted together with the petition.

46 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.

The Supreme Court may on its own initiative deny the petition on the ground that the appeal is without merit, or is prosecuted manifestly for delay, or that the questions raised therein are too unsubstantial to require consideration. (3a)

47 *Rollo*, pp. 113–115.

48 *Id.* at 73–77.

In her Rejoinder,[49] respondent reiterates that neither she nor her counsel was served with copies of the Petition. She asserts that the address indicated in the Petition was incomplete or incorrect, resulting in her non-receipt of the pleading. She likewise alleges that her counsel was not furnished a copy of the Petition at the time of its filing, and that she only received a copy of the Petition when petitioner filed her Compliance.[50]

In addition, respondent assails the validity of the verification and certification against forum shopping attached to the Petition.[51] She points out that the SPA authorizing petitioner's counsel to sign the verification and certification was executed only after the Petition had already been filed.[52] Respondent contends that this defect renders the Petition an unsigned pleading which could not be cured by subsequent compliance.[53]

The Issue

The core issue for the Court's resolution is whether the CA erred in affirming the RTC's directive ordering petitioner to pay respondent the total amount of PHP 3,625,607.75 despite the finding that there was no valid sale.

The Ruling of the Court

I. Procedural Matters

The Court emphasizes that procedural rules are not mere technicalities that may be ignored at will.[54] They are designed to facilitate the orderly administration of justice and, as a rule, call for faithful and strict compliance.[55] However, litigation is not a game of technicalities, and courts are duty-bound to afford every litigant the amplest opportunity for the proper and just determination of one's cause.[56] The rules of procedure are tools intended to secure a just, speedy, and inexpensive disposition of every action and proceeding.[57] Where rigid adherence to technical rules would defeat rather than promote substantial justice, the Court has, in the exercise of sound discretion, relaxed their application.[58]

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49 *Id.* at 117–122.
50 *Id.* at 118–120.
51 *Id.* at 117–118.
52 *Id.* at 78–79.
53 *Id.* at 117–118.
54 *Magkakasama sa Sakahan, Kaunlaran (Magsasaka) Party-List v. Commission on Elections*, 954 Phil. 556, 571 (2024) [Per J. Marquez, *En Banc*].
55 *Del Monte Land Transport Bus Co. v. Abergos*, 891 Phil. 504, 513 (2020) [Per J. Caguioa, First Division].
56 *Spouses Edillo v. Spouses Dulpina*, 624 Phil. 587 (2010) [Per J. Brion, Second Division].
57 *Id.*
58 *Commissioner of Internal Revenue v. Filminera Resources Corp.*, 885 Phil. 515, (2020) [Per J. Lopez, First Division].

In this regard, the Court has repeatedly held that procedural lapses may be excused when there is substantial compliance with the Rules[59] or when strict application would result in manifest injustice.[60] In considering the strict application of procedural rules, the Court must consider not only the mere existence of a technical defect, but also whether the purpose or objective of the rule has been served[61] and whether the adverse party has been prejudiced thereby.[62]

In the present case, respondent points to defects in the Verification[63] and alleged absence or insufficiency of proof of service upon her counsel.[64] Specifically, respondent asserts that the Petition should be treated as an unsigned pleading and accordingly dismissed[65] because the SPA[66] authorizing petitioner's counsel to sign the Petition was executed more than a year after the filing of the Petition on September 11, 2023.

The contention does not persuade.

Verification is a formal, not jurisdictional, requirement intended merely to secure an assurance that the allegations in the pleading are made in good faith, are true and correct, and not the product of speculation.[67] Non-compliance with or defects in verification do not necessarily render a pleading fatally defective. As the Court held in *Joven v. Spouses Tulio*,[68] the court may order the submission or correction of a defective verification, or act on the pleading if the attending circumstances warrant a relaxation of the Rules in order that the ends of justice may be served.

This is precisely what transpired in the present case. In its Resolution[69] dated May 15, 2024, the Court required petitioner to submit the proper Verification and valid Certification of non-forum shopping, as well as proof of authority of petitioner's counsel to sign for and on her behalf. Petitioner thereafter complied.[70] The Court's directive and petitioner's subsequent submission negate any claim that the alleged defect was either ignored or left unaddressed. Under these circumstances, the defect in Verification does not

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59 *Spouses Lanaria v. Planta*, 563 Phil. 400 (2007) [Per J. Chico-Nazario, Third Division].
60 *Philippine Bank of Communications v. Court of Appeals*, 805 Phil. 964 (2017) [Per J. Caguioa, First Division].
61 *Ello v. Court of Appeals*, 499 Phil. 398 (2005) [Per J. Sandoval-Gutierrez, Third Division].
62 *Honda Cars Makati, Inc. v. Court of Appeals*, 580 Phil. 190 (2008) [Per J. Austria-Martinez, Third Division].
63 *Rollo*, pp.78–79.
64 *Id.* at 118–120.
65 *Id.* at 117–118.
66 *Id.* at 79.
67 *Innodata Knowledge Services, Inc. v. Inting*, 822 Phil. 314 (2017) [Per J. Gaerlan, Second Division].
68 909 Phil. 478 (2021).
69 *Rollo*, pp. 56–57.
70 *Id.* at 73–77.

warrant the dismissal of the Petition.

Respondent likewise assails the Petition for alleged defects in its service, denying receipt thereof[71] and pointing to purported deficiencies in the affidavit and proof of service. She contends that these lapses warrant the outright dismissal of the Petition.[72]

The records show, however, that while respondent initially denied receipt of the Petition, she later admitted in her Rejoinder that she received a copy of the Petition attached to petitioner's Compliance.[73] By then, respondent was able to file responsive pleadings and articulate her procedural objections, even filing her Rejoinder.

The Court has held that technical defects in proof of service do not warrant dismissal when the adverse party has in fact been notified and has participated in the proceedings, achieving the purpose of the rule.[74] Here, respondent's eventual receipt of the Petition, coupled with her participation thereafter, demonstrates that the ends sought by the rules on service were achieved. Absent any showing of prejudice or denial of due process, the alleged defects in proof of service do not justify the dismissal of the Petition on such grounds.

II. Substantive Issues

On the merits, the Petition must fail.

A petition for review on *certiorari* under Rule 45 is confined to questions of law.[75] As a rule, the Court does not review factual findings nor re-examine the evidence presented before the trial court. When the factual findings of the RTC are affirmed by the CA, such findings are accorded respect and finality,[76] absent any showing that the case falls under the recognized exceptions.[77]

The issues raised by petitioner—challenging the existence of the contract, the authority of her brother, and the intent of the parties—are essentially factual in nature. These matters necessarily require a re-evaluation of the evidence on record and a reassessment of the parties' conduct—tasks that are beyond the province of a Rule 45 petition.[78]

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71 *Id.* at 113–115.
72 *Id.* at 118–120.
73 *Id.* at 120.
74 *Lisondra v. Megacraft International Corp.*, 775 Phil. 310, 318 (2015) [Per J. Carpio, Second Division].
75 *Lopez v. Saludo, Jr.*, 910 Phil. 600, 606 (2021) [Per J. Hernando, Second Division], *citing Miro v. Vda. de Erederos*, 721 Phil. 772, 785–787 (2013) [Per J. Brion, Second Division].
76 *Carganillo v. People*, 743 Phil. 543, 550 (2014) [Per J. Brion, Second Division].
77 *Spouses Miano v. Manila Electric Co.*, 800 Phil. 118, 123 (2016) [Per J. Leonen, Second Division], *citing Medina v. Asistio, Jr.*, 269 Phil. 225, 232 (1990) [Per J. Bidin, Third Division].
78 *People v. Olpindo y Reyes*, 919 Phil. 1024, 1041 (2022) [Per C.J. Gesmundo, *En Banc*].

As held in *Ruby Shelter Builders and Realty Development Corp. v. Tan*,[79] questions that require the Court to look into contractual stipulations, and the intent of the parties are questions of fact, beyond the ambit of a Rule 45 petition. This holds especially true where, as here, the trial court's findings were affirmed by the CA.

Even if the Court were to examine the records, the CA committed no reversible error.

Petitioner argues that no contract was perfected and that Edlin lacked the authority to bind her. She further insists that her act of returning the Deed of Absolute Sale to respondent without notarization signified a repudiation of consent.[80]

These contentions are untenable.

First, the records belie petitioner's contention of Edlin's lack of authority.

It bears emphasis that the courts below found that Edlin acted on behalf of petitioner in his dealings with respondent. The records show that Edlin negotiated with respondent, accepted the amount paid to settle petitioner's HDMF obligation, and issued an Acknowledgment Receipt for the same.[81] Notwithstanding petitioner's assertion that Edlin lacked authority to bind her, petitioner herself testified that she affixed her signature to the documents upon Edlin's instructions and transmitted them to respondent despite having been informed by the Philippine Consulate that the documents included a deed of sale.[82] By affixing her signature and delivering the documents, petitioner effectively ratified Edlin's acts.

In view of the foregoing, petitioner is estopped from denying the existence of contract. Under the doctrine of estoppel, a party is precluded from repudiating an obligation voluntarily assumed after having accepted benefits therefrom.[83] Petitioner cannot benefit from respondent's payment of her debt amounting PHP 3,625,607.75, effectively averting the foreclosure of petitioner's property, and simultaneously deny the authority of the person who facilitated the payment.

Second, petitioner's argument that she signified her intent to repudiate her consent by returning the Deed of Absolute Sale without notarization is specious.

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79 957 Phil. 1, 12 (2024) [Per C.J. Gesmundo, First Division].
80 *Rollo*, pp. 20–26.
81 *Id.* at 40–43.
82 Records, pp. 147–150.
83 *Escueta v. Lim*, 541 Phil. 395, 409 (2007) [Per J. Ascuna, First Division].

Here, petitioner's consent was clearly manifested when she affixed her signature to the Deed of Absolute Sale and the SPA. Her subsequent act of transmitting these signed documents to respondent constitutes an unequivocal acceptance of the arrangement. Petitioner's argument that the lack of notarization operated as a repudiation is contrary to human experience and logic. If petitioner had truly changed her mind, she would have withheld the documents entirely. By transmitting the signed Deed of Absolute Sale to respondent, she induced the latter to rely on this document and proceed with the payment of the HDMF loan. She cannot now claim that her intent to withdraw—manifested only by the omission of a notarial seal—invalidates her overt acts of acceptance.

Third, notarization is not an essential element for the validity of a contract. As the Court explained in *Spouses Pontigon v. Heirs of Sanchez*,[84] the absence or defect of notarization does not render a contract void nor negate the consent of the contracting parties. It merely converts the document from a public instrument into a private one, affecting only its admissibility and binding effect on third persons.[85] As between the parties to the contract, however, the agreement remains valid and binding.

In sum, the lack of notarization does not effectively repudiate petitioner's consent nor does the same operate to relieve her of the juridical consequences of her voluntary acts. Petitioner's belated attempt to withdraw consent through invoking the absence of notarization does not overturn this conclusion.

Fourth, even assuming *arguendo* that the contract was defective or that petitioner's consent was indeed vitiated, she would still be liable to reimburse respondent under the principle of *solutio indebiti*.

When a third party pays the debt of another when no formal contract exists between the debtor and third party, the law creates a creditor-debtor relationship under a quasi-contract of *solutio indebiti* to ensure fairness.[86] Under Article 1236 of the Civil Code, "[w]hoever pays for another may demand from the debtor what he has paid, except that if he paid without the knowledge or against the will of the debtor, he can recover only insofar as the payment has been beneficial to the debtor."

It is undisputed that respondent paid the substantial amount of PHP 3,625,607.75 to settle petitioner's delinquent HDMF loan, thereby extinguishing her obligation and saving her property from foreclosure. This payment was undeniably beneficial to petitioner. To allow petitioner to retain the benefits of respondent's payment while refusing to reimburse her would contravene the basic principle against unjust enrichment. No person should be

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84 801 Phil. 1042, 1064 (2016) [Per J. Perez, First Division].
85 *Id.*
86 *See Siga-an v. Villanueva*, 596 Phil. 760, 772–773 (2009) [Per J. Chico-Nazario, Third Division].

allowed to enrich themselves at the expense of another.[87] Consequently, regardless of the validity of the Deed of Absolute Sale or Edlin's authority, petitioner has a clear legal obligation to return the amount advanced by respondent.

Finally, the courts a quo correctly characterized the transaction as an equitable mortgage.

Under Article 1602[88] of the Civil Code, a contract, regardless of its form, is presumed to be an equitable mortgage when any of the circumstances enumerated therein are present, including when the price is unusually inadequate, when the vendor remains in possession of the property, or when it may be fairly inferred that the real intention of the parties was to secure the payment of a debt or the performance of an obligation. The presence of any one of the circumstances enumerated under Article 1602 is sufficient to give rise to the presumption of an equitable mortgage.[89]

As held in *Spouses Reyes v. Court of Appeals*,[90] the decisive factor in determining whether a transaction is an equitable mortgage is the intention of the parties, as shown not by the nomenclature of the document executed, but by their contemporaneous and subsequent acts and the surrounding circumstances.

Applying these principles, the CA correctly found that the transaction between the parties bore the badges of an equitable mortgage. Petitioner and her family remained in possession of the property in the concept of owner; the consideration of PHP 1,000,000.00 stated in the purported Deed of Absolute Sale was grossly inadequate in relation to the PHP 3,625,607.75 advanced by respondent; and the circumstances regarding the negotiations between Edlin and respondent clearly showed that the Deed of Absolute Sale was intended merely to secure the payment of petitioner's obligation.

These factual findings fully support the conclusion that the parties' true intention was not an absolute conveyance, but a loan secured by real property. The gross inadequacy of the consideration, petitioners' continued possession of the property, and the execution of the sale documents merely as security all

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87 *Loria v. Muñoz, Jr*, 745 Phil. 506, 508 (2014) [Per J. Leonen, Second Division].

88 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.
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. (n)

89 *Cando v. Solis*, 936 Phil. 1069, 1081 (2023) [Per J. Inting, Third Division].

90 393 Phil. 479, 489 (2000) [Per J. Bellosillo, Second Division].

point to an equitable mortgage.

Lastly, in case of doubt, the law favors a construction that treats the transaction as an equitable mortgage, as it involves a lesser transmission of rights and interests over the property in controversy.[91]

It is a fundamental principle in civil law that a mortgage, being an accessory contract, cannot exist independently of a principal obligation.[92] By characterizing the purported Deed of Absolute Sale as an equitable mortgage, the courts *a quo* essentially determined that the Deed of Absolute Sale served merely as security for the PHP 3,625,607.75 advanced by respondent, which constitutes the principal loan. Consequently, the directive for petitioner to reimburse said amount is not only a logical result of the finding that no absolute sale occurred, but also a necessary enforcement of the principal obligation secured by the mortgage.

All told, the Court finds that the CA correctly affirmed the Decision of the RTC. The evidence on record supports the finding that the transaction between the parties was not an absolute sale but was intended merely to secure the payment of a debt. The characterization of the transaction as an equitable mortgage is thus in accord with law and jurisprudence.

FOR THESE REASONS, the present Petition for Review on *Certiorari* is **DENIED**. The Decision dated January 26, 2023, and Resolution dated July 7, 2023, of the Court of Appeals in CA-G.R. CV No. 06124-MIN are **AFFIRMED**.

SO ORDERED."

HENRI JEAN PAUL B. INTING
Associate Justice

WE CONCUR:

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

SAMUEL H. GAERLAN
Associate Justice

JAPAR B. DIMAAMPAO
Associate Justice

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91 *Id.*

92 *Marquez v. Elisan Credit Corporation*, 757 Phil. 401, 422 (2015)

MARIA FILOMENA D. SINGH
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.

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Chairperson, Third Division

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.

ALEXANDER G. GESMUNDO
Chief Justice