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SECOND DIVISION

[G.R. No. 146222. January 15, 2004]

ERLINDA DELA CRUZ, PRISCILLA DE MESA, ZENAIDA LAMBERTO, FLORA DRISKELL and ANGELITO DELA CRUZ, *petitioners, vs.* **FORTUNATO DELA CRUZ, DIVINA GUTIERREZ and CLARK GUTIERREZ,** *respondents.*

SYNOPSIS

Paciencia dela Cruz, the original owner of the subject lot, allegedly executed a Deed of Sale conveying the property in favor of her son, Fortunato. Consequently, a TCT was issued in Fortunato's name and he declared the property for taxation purposes and paid realty taxes due thereon. Subsequently, Fortunato mortgaged the property three times to secure his loans. Thereafter, Fortunato executed a "*Kasulatan ng Bilihang Patuluyan*" in favor of Clark and Divina Gutierrez, the children of Claudio and Adoracion Gutierrez, to whom he earlier offered to sell the property. The sale was registered leading to the cancellation of the TCT in the name of Fortunato and a new TCT was issued in the name of Clark and Divina Gutierrez. Paciencia instituted an action for reconveyance of property with preliminary injunction. The trial court declared respondents Clark and Divina Gutierrez as the lawful owners of the property. On appeal, the Court of Appeals affirmed the decision of the trial court. Petitioners' motion for reconsideration was denied. Hence, this petition.

In denying the petition, the Supreme Court ruled that petitioners failed to produce evidence to prove that the Deed of Sale executed by Paciencia in favor of Fortunato did not reflect the true intention and agreement of the parties. As a rule, when the terms of a contract are clear and unambiguous as to the intention of the contracting parties, the literal meaning of its stipulations shall control.

The Court likewise ruled that tax receipts and declarations of ownership for taxation purposes are strong evidence of ownership. It has been ruled that although tax declarations or

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realty tax payments are not conclusive evidence of ownership, nevertheless, they are good indicia of possession in the concept of an owner for no one in his right mind will be paying taxes for a property that is not in his actual or constructive possession.

SYLLABUS

1. **CIVIL LAW; OBLIGATIONS AND CONTRACTS; THE REAL NATURE OF CONTRACTS MAY BE DETERMINED FROM THE EXPRESS TERMS OF THE AGREEMENT AND FROM THE CONTEMPORANEOUS AND SUBSEQUENT ACTS OF THE PARTIES THERETO.**—As a rule, when the terms of a contract are clear and unambiguous as to the intention of the contracting parties, the literal meaning of its stipulations shall control. It is only when the words appear to contravene the evident intention of the parties that the latter shall prevail over the former. The real nature of a contract may be determined from the express terms of the agreement and from the contemporaneous and subsequent acts of the parties thereto. When they have no intention to be bound at all, the purported contract is absolutely simulated and void. Hence, the parties may recover what they gave under the simulated contract. If, on the other hand, the parties state a false cause in the contract to conceal their real agreement, the contract is relatively simulated and the parties' real agreement may be held binding between them.

2. **ID.; PROPERTY; OWNERSHIP; TAX DECLARATIONS OR REALTY TAX PAYMENTS ARE GOOD INDICIA OF POSSESSION IN THE CONCEPT OF AN OWNER.**—Tax receipts and declaration of ownership for taxation purposes are strong evidence of ownership. It has been ruled that although tax declarations or realty tax payments are not conclusive evidence of ownership, nevertheless, they are good *indicia* of possession in the concept of owner for no one in his right mind will be paying taxes for a property that is not in his actual or constructive possession.

3. **REMEDIAL LAW; EVIDENCE; ADMISSIBILITY; A NOTARIZED DOCUMENT IS ADMISSIBLE IN EVIDENCE WITHOUT FURTHER PROOF OF ITS AUTHENTICITY AND IS ENTITLED TO FULL FAITH AND CREDIT UPON ITS FACE.**—The Deed of Absolute Sale dated September 25,

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1980 was duly acknowledged before a notary public. As a notarized document, it has in its favor the presumption of regularity and it carries the evidentiary weight conferred upon it with respect to its due execution. It is admissible in evidence without further proof of its authenticity and is entitled to full faith and credit upon its face.

4. CIVIL LAW; OBLIGATIONS AND CONTRACTS; SALES; INNOCENT PURCHASER FOR VALUE, DEFINED.—A person dealing with registered land may safely rely upon the correctness of the certificate of title issued therefor and the law will in no way oblige him to go behind the certificate to determine the condition of the property. The law considers said person as an innocent purchaser for value. An innocent purchaser for value is one who buys the property of another, without notice that some other person has a right or interest in such property and pays the full price for the same, at the time of such purchase or before he has notice of the claims or interest of some other person in the property.

APPEARANCES OF COUNSEL

Mauricio Law Office for petitioners.
Ruperto J. Bustamante for respondents.

D E C I S I O N

QUISUMBING, *J.*:

This petition seeks to annul and set aside the decision[1] of the Court of Appeals, promulgated on September 14, 2000, in CA-G.R. CV No. 53679, affirming the decision[2] of the Regional Trial Court (RTC) of Malolos, Bulacan, Branch 17, dated December 14, 1995, in Civil Case No. 37-M-89. The trial court dismissed the complaint in Civil Case No. 37-M-89 and held

[1] *Rollo*, pp. 48-54. Penned by Associate Justice Martin S. Villarama, Jr., with Presiding Justice Salome A. Montoya and Associate Justice Romeo J. Callejo, Sr., *concurring*.

[2] *Id.* at 26-44.

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that herein respondents Clark and Divina Gutierrez are the lawful owners of the property in dispute. Petitioners also seek to annul the appellate court's resolution,[3] dated November 28, 2000, denying their motion for reconsideration.

As culled from the records, the following are the facts of the case:

Paciencia dela Cruz, the original plaintiff in Civil Case No. 37-M-89, was the owner of a parcel of land with an area of two (2) *ares*[4] and ninety (90) *centares*,[5] located at Lolomboy, Bocaue, Bulacan. Said parcel was registered in her name under Transfer Certificate of Title (TCT) No. T-14.585 (M). A flea market (*talipapa*) with fifty or so vendors was located on the property and Paciencia collected from them their daily stall rentals. Paciencia had six (6) children, namely Priscilla, Erlinda, Fortunato, Flora, Angelita and Zenaida, all surnamed dela Cruz.

On September 25, 1980, Paciencia allegedly executed a Deed of Sale whereby for and in consideration of ₱21,000, she conveyed said parcel in favor of her son, Fortunato dela Cruz.[6] On November 26, 1980, the Register of Deeds of Bulacan issued TCT No. T-34.723 (M) in Fortunato's name.[7] Fortunato declared the property for taxation purposes and paid realty taxes due thereon.[8] Sometime between August 1985 to September 1988, Fortunato mortgaged the property three (3) times to one Erlinda de Guzman for the sums of ₱25,000, ₱50,000 and ₱100,000.[9] Fortunato was unable to pay these loans.

On January 11, 1989, Fortunato executed a *"Kasulatan ng Bilihang Patuluyan"*[10] in favor of Clark and Divina Gutierrez,

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[3] *Id.* at 56.

[4] A unit of area equivalent to one hundred square meters.

[5] A unit of land measure equivalent to a square meter.

[6] Records, p. 396.

[7] Records, Vol. II, p. 1324.

[8] *Supra*, note 6 at 399-404.

[9] *Id.* at 407-409.

[10] *Supra*, note 7 at 1322-1323.

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the children of Claudio and Adoracion Gutierrez, to whom he earlier offered to sell the property. The *Kasulatan* alleged the purchase price to be ₱58,000 only but the amount actually paid by the Gutierrezes to Fortunato was ₱600,000 as evidenced by a receipt showing the true consideration for the sale.[11] That same day, the sale was registered, leading to the cancellation of TCT No. T-34.723 (M) in the name of Fortunato. Seven days later, a new certificate of title, TCT No. T-101011 (M) was issued in the name of Clark and Divina Gutierrez. Thereafter, the Gutierrezes took possession of the property, had the *talipapa* repaired, and collected the daily stall rentals from the vendors.

On January 20, 1989, Paciencia instituted an action for reconveyance of property with preliminary injunction against Fortunato and the spouses Claudio and Adoracion Gutierrez, before the RTC of Malolos, Bulacan, which docketed the complaint as Civil Case No. 37-M-89.

On February 8, 1989, the Complaint was amended to implead Clark and Divina Gutierrez, the children of spouses Claudio and Adoracion Gutierrez, as defendants who had the subject property titled in their names.

In her Complaint, Paciencia alleged that sometime in 1980, her son Fortunato, took advantage of his close ties with her to induce her to sign an instrument which appeared to be a Deed of Sale. Paciencia alleged that Fortunato assured her that she would remain the owner thereof while Fortunato would hold the property in trust for her and upon her death, all her children would share in the property. Fortunato allegedly did not pay her any consideration for such sale. She also claimed that she continued to collect the daily stall rentals from the *talipapa* tenants until sometime in 1986 when she fell ill and had to be hospitalized. As a result, Fortunato took over the collection of the rentals. After Paciencia had recovered, she sought to resume collecting the daily rentals but upon the plea of Fortunato who had no means of income at that time, Paciencia allowed him to

[11] *Id.* at 1321.

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continue collecting the stall rentals. Fortunato, however, was remiss in remitting the daily collections to Paciencia.

Sometime in December 1988, Paciencia was shocked to learn that Fortunato was offering the property for sale. She then demanded that the property be reconveyed to her but Fortunato refused to do so. Meanwhile upon learning that Fortunato was negotiating the sale of the land with the Gutierrez spouses, Paciencia sent her daughter, Erlinda dela Cruz, to warn them that Paciencia owned the property, and not Fortunato. However, the Gutierrez couple insisted on buying the property and registered the same in favor of their children, Divina and Clark Gutierrez. Consequently, the Gutierrezes took over the collection of stall rentals from the tenants of the subject property.

In sum, Paciencia alleged that the sale of the property to the Gutierrezes was null and void and fraudulently made as Fortunato had neither right nor authority from her to sell or convey the subject property, as, he only held it in trust for her.

In his Answer, Fortunato averred that he lawfully acquired the subject property from Paciencia, who absolutely conveyed the same to him, delivered to him the owner's duplicate of the title, and upon her instructions, caused the registration of the property in his name.

For their part, Clark and Divina Gutierrez alleged that: (1) the subject property was titled in the name of Fortunato dela Cruz; (2) Fortunato was also the one collecting the daily rentals from the market vendors; (3) Fortunato feared he would lose the property due to his inability to pay his mortgage indebtedness to Erlinda de Guzman; and (4) he pleaded with them to help him, as a result of which they turned to their parents who withdrew their lifetime savings just to be able to buy the property. Clark and Divina likewise alleged that Fortunato disclosed to them that Paciencia herself did not like this instant suit as she had already given to all her children her properties through similar transfers.

On December 14, 1995, the trial court decided Civil Case No. 37-M-89 in this wise:

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WHEREFORE, premises considered, judgment is hereby rendered:

1) dismissing the case and declaring defendants Clark and Divina Gutierrez as the lawful owners of the property now covered by TCT No. T-101011(M);

2) ordering the plaintiff to pay defendant Fortunato dela Cruz litigation expenses of ₱2,000.00 and to pay the costs of the suit;

3) dismissing the counterclaim of defendants Gutierrezes for moral damages and attorney's fees.

SO ORDERED.[12]

Paciencia then moved for reconsideration, but the trial court denied the motion. She then interposed an appeal with the Court of Appeals, docketed as CA-G.R. CV No. 53679.

On January 22, 1997, Paciencia dela Cruz died and was substituted by her children, namely: petitioners Erlinda dela Cruz, Priscilla de Mesa *y* dela Cruz, Zenaida Lamberto *y* dela Cruz, Flora Driskell *y* dela Cruz and Angelita dela Cruz.

On September 14, 2000, the Court of Appeals affirmed the trial court's decision, thus:

WHEREFORE, premises considered, the appealed decision in Civil Case No. 37-M-89 is hereby AFFIRMED. No costs.

SO ORDERED.[13]

Herein petitioners then moved for reconsideration, but it was denied by the appellate court.

Hence, this instant petition grounded on the following issues:

1. WHETHER OR NOT THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE DECEASED PACIENCIA DELA CRUZ VOLUNTARILY EXECUTED THE DEED OF ABSOLUTE SALE IN FAVOR OF RESPONDENT DELA CRUZ.

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[12] *Rollo*. pp. 43-44.

[13] *Id*. at 54.

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2. WHETHER OR NOT THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE RESPONDENTS GUTIERREZES ARE BUYERS IN GOOD FAITH.

3. WHETHER OR NOT THE EVIDENCE ON RECORD SUPPORTS THE DECISION OF THE HONORABLE COURT OF APPEALS SUBJECT MATTER OF THE INSTANT PETITION FOR REVIEW.[14]

Simply put, we find that the core issue in this case is whether the Deed of Absolute Sale executed by the mother, Paciencia dela Cruz, in favor of her son — respondent Fortunato dela Cruz — is simulated and must be declared void.

Petitioners contend that the Court of Appeals erred in holding that Paciencia dela Cruz, now deceased, had voluntarily executed the Deed of Absolute Sale in favor of her son, Fortunato. They fault the court *a quo* for failing to appreciate the fact that the Deed was entirely and completely written in English, a language neither known nor understood by his mother, Paciencia. Hence, the appellate court went against the dictates of Articles 1330 and 1332 of the Civil Code.[15] Petitioners stress that there is no showing that the terms of the Deed had been fully explained to Paciencia who allegedly executed the document.

Petitioners also contend that respondents Clark and Divina Gutierrez are not buyers in good faith. A buyer in good faith is one who buys a thing for value and is not aware of any defect in the title of the seller. Their father, Claudio Gutierrez, was the actual buyer of the subject property, and was aware of the defect in the title of Fortunato. Hence, Claudio could not be a buyer in good faith. Neither could his children — respondents Clark and Divina Gutierrez — qualify and be deemed as buyers

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[14] *Id.* at 11.

[15] Art. 1330. A contract where consent is given through mistake, violence, intimidation, undue influence, or fraud is voidable.

Art. 1332. When one of the parties is unable to read, or if the contract is in a language not understood by him, and mistake or fraud is alleged, the person enforcing the contract must show that the terms thereof have been fully explained to the former.

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in good faith, since the said property was actually bought by their father, who then caused the registration of the property in their names.

Respondents, for their part, maintain that the Court of Appeals did not err in affirming the trial court's ruling that Paciencia dela Cruz voluntarily executed the Deed of Sale in Fortunato's favor. They aver there was nothing amiss in said Deed. The Gutierrezes were innocent purchasers in good faith entitled to the full protection of the law. In order that the purchaser of land with a Torrens title may be considered in good faith, according to respondents, it is enough that he examined the latest certificate of title, which was issued in the name of the immediate transferor. This the Gutierrezes did. Moreover, they had reason to believe that respondent Fortunato dela Cruz's title was free from flaws and defects upon learning that the latter was the one collecting the daily stall rentals from the tenants and the fact that respondent Fortunato had mortgaged the said property three (3) times and was then selling the property to pay off his loans.

We find for respondents. Petitioners' arguments are less than persuasive, to say the least. As a rule, when the terms of a contract are clear and unambiguous as to the intention of the contracting parties, the literal meaning of its stipulations shall control. It is only when the words appear to contravene the evident intention of the parties that the latter shall prevail over the former. The real nature of a contract may be determined from the express terms of the agreement and from the contemporaneous and subsequent acts of the parties thereto.[16] When they have no intention to be bound at all, the purported contract is absolutely simulated and void. Hence, the parties may recover what they gave under the simulated contract. If, on the other hand, the parties state a false cause in the contract to conceal their real agreement, the contract is relatively simulated and the parties' real agreement may be held binding between them.[17]

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[16] *Cruz v. Bancom Finance Corporation*, G.R. No. 147788, 19 March 2002, pp. 6-7.

[17] *Velasquez v. CA*, G.R. No. 136857, 22 November 2000, 345 SCRA 468, 473.

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In the present case, it is not disputed that Paciencia dela Cruz executed a Deed of Sale in favor of her son, respondent Fortunato dela Cruz. However, petitioners insist that the said document does not reflect the true intention and agreement of the parties. According to petitioners, Fortunato was to merely hold the property in trust for their mother and that ownership thereof would remain with the mother. Petitioners, however, failed to produce even one credible witness who could categorically testify that such was the intent of Paciencia and Fortunato. There is nothing on record to support sufficiently petitioners' contention. Instead, the evidence is unclear on whether Paciencia in her lifetime, or later the petitioners themselves, actually asserted or attempted to assert rights of ownership over the subject property after the alleged sale thereof to Fortunato. The lot in dispute was thrice mortgaged by Fortunato with nary a protest or complaint from petitioners. When they learned that Fortunato mortgaged the property to Erlinda de Guzman on three occasions: August 26, 1985, April 6, 1987 and September 7, 1988, they refused to redeem the property. They reasoned that if they would redeem the property and pay the debts of Fortunato, the property would merely return to him.[18] Indeed, how could Fortunato have thrice obtained a mortgage over the property, without having dominion over it? Fortunato declared the property in his name for taxation purposes and paid the realty taxes, without any protest from Paciencia or petitioners. His actions are contrary to petitioners' allegation that the parties never intended to be bound by the assailed contract. Tax receipts and declaration of ownership for taxation purposes are strong evidence of ownership. It has been ruled that although tax declarations or realty tax payments are not conclusive evidence of ownership, nevertheless, they are good *indicia* of possession in the concept of owner for no one in his right mind will be paying taxes for a property that is not in his actual or constructive possession.[19]

As the Court of Appeals well observed, for nine (9) years, Pacencia allowed Fortunato to benefit from the property. It

[18] Records, Vol. II, pp. 785-788.

[19] *Sps. Alcaraz v. Tangga-an*, G.R. No. 128568, 9 April 2003, pp. 9-10.

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was only when she learned of its impending sale to the Gutierrez spouses, that she took action to forestall the transfer of the property to a third person. She then caused the annotation of her adverse claim on the certificate of title on the same day the deed in favor of the Gutierrez children was registered. This was rather belated, for the deed was already done.

Petitioners harp on the fact that the assailed Deed was in English and that it was not explained to Pacencia. But we find that the petitioners failed to prove their allegation that Pacencia could not speak, read, or understand English. Moreover, Paciencia's bare testimony[20] on this point is uncorroborated. For Article 1332 to apply, it must first be convincingly established that the illiterate or disadvantaged party could not read or understand the language in which the contract was written, [21] or that the contract was left unexplained to said party. Petitioners failed to discharge this burden.

The Deed of Absolute Sale dated September 25, 1980 was duly acknowledged before a notary public. As a notarized document, it has in its favor the presumption of regularity and it carries the evidentiary weight conferred upon it with respect to its due execution. It is admissible in evidence without further proof of its authenticity and is entitled to full faith and credit upon its face.[22]

Coming now to whether the Gutierrezes were buyers in good faith, we note that both the trial and appellate courts found that when Fortunato executed the *"Kasulatan ng Bilihang Patuluyan"* on January 11, 1989 in favor of respondents Clark and Divina Gutierrez, the name of the registered owner appearing in the certificate of title was that of Fortunato dela Cruz. This *Kasulatan* was duly executed and acknowledged before a notary public. At the time of its execution, there was no annotation on Fortunato's

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[20] Records, Vol. II, p. 845.

[21] *Heirs of Enrique Zambales v. CA,* No. L-54070, 28 February 1983, 120 SCRA 897, 904.

[22] *Mendezona v. Ozamiz*, G.R. No. 143370, 6 February 2002, 376 SCRA 482, 496.

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certificate of title to indicate any adverse claim of any third person. Only two cautionary entries regarding Section 4,[23] Rule 74 of the Rules of Court appear thereon. Nothing more substantial appears in the certificate of title to indicate a scintilla of flaw or defect in Fortunato's title. Hence, we cannot fairly rule that in relying upon said title, the respondent Gutierrezes were in bad faith. A person dealing with registered land may safely rely upon the correctness of the certificate of title issued therefor and the law will in no way oblige him to go behind the certificate to determine the condition of the property. The law considers said person as an innocent purchaser for value. An innocent purchaser for value is one who buys the property of another, without notice that some other person has a right or interest in such property and pays the full price for the same, at the time of such purchase or before he has notice of the claims or interest of some other person in the property.[24]

We note, furthermore, that the Gutierrezes did not simply rely upon the face of Fortunato's Certificate of Title to the property. They also employed the services of counsel Atty.

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[23] SEC. 4. *Liability of distributees and estate.* — If it shall appear at any time within two (2) years after the settlement and distribution of an estate in accordance with the provisions of either of the first two sections of this rule, that an heir or other person has been unduly deprived of his lawful participation in the estate, such heir or such other person may compel the settlement of the estate in the courts in the manner hereinafter provided for the purpose of satisfying such lawful participation. And if within the same time of two (2) years, it shall appear that there are debts outstanding against the estate which have not been paid, or that an heir or other person has been unduly deprived of his lawful participation payable in money, the court having jurisdiction of the estate may, by order for that purpose, after hearing, settle the amount of such debts or lawful participation and order how much and in what manner each distributee shall contribute in the payment thereof, and may issue execution, if circumstances require, against the bond provided in the preceding section or against the real estate belonging to the deceased, or both. Such bond and such real estate shall remain charged with a liability to creditors, heirs, or other persons for the full period of two (2) years after such distribution, notwithstanding any transfers of real estate that may have been made.

[24] *Chu, Sr. v. Benelda Estate Development Corporation.* G.R. No. 142313, 1 March 2001, 353 SCRA 424, 430.

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Crisanta Abarrientos, who verified the title with the Registry of Deeds. Thus, they took all the necessary precautions to ascertain the true ownership of the property, even engaging the services of legal counsel for that specific purpose, and it was only after said counsel assured them that everything was in order did they finalize the arrangements to purchase the property. Hence, we entertain no doubt that the respondent Gutierrezes were purchasers for value and in good faith.[25]

WHEREFORE, the instant petition is *DENIED* for lack of merit. The assailed decision dated September 14, 2000 of the Court of Appeals in CA-G.R. CV No. 53679, which sustained the decision of the Regional Trial Court of Malolos, Bulacan, Branch 17, dated December 14, 1995, in Civil Case No. 37-M-89, as well as the appellate court's resolution of November 28, 2000, is *AFFIRMED*. Costs against petitioners.

SO ORDERED.

Puno, Austria-Martinez and *Tinga, JJ.*, concur.

Callejo, Sr., J., took no part.

EN BANC

[G.R. No. 147201. January 15, 2004]

PEOPLE OF THE PHILIPPINES, *appellee, vs.* **BENJAMIN SAYABOC *y* SEGUBA, PATRICIO ESCORPISO *y* VALDEZ, MARLON BUENVIAJE *y* PINEDA, and MIGUEL BUENVIAJE *y* FLORES**, *appellants*.

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[25] See *Heirs of Sps. Benito v. CA*, 353 Phil. 686, 696–699 (1998).