Supreme Court E-Library

THIRD DIVISION

[G.R. No. 115033. July 11, 1997]

PONCIANO T. MATANGUIHAN, and EUSTAQUIA M. MATANGUIHAN, *petitioners, vs.* **COURT OF APPEALS, HERMINIO PARAN, substituted by REYNALDO, JOSEPH, RONNIE, all surnamed PARAN; ERLINDA PARAN-GONZALES, FLORA PARAN-LESCANO, represented by REYNALDO PARAN,** *respondents.*

SYNOPSIS

This case is an action for recovery of possession of a house and lot and damages with a prayer for a writ of preliminary mandatory injunction filed by petitioner spouses Matanguihan against Herminia Paran, as vendor *a retro* under *Kasulatan ng Bilihang Lupang Mabibili Muli*, to repurchase the property within the stipulated period. The RTC of Lipa City, Branch 12 rendered a decision in favor of Petitioners. However, on appeal, respondent Court of Appeals reversed the trial court declaring the sale with right to repurchase as an equitable mortgage and not a legitimate sale. Their motion for reconsideration having been denied, petitioners appealed this case under Rule 45 of the Rules of Court.

The Supreme Court ruled that the facts and evidence show that the true intention of the parties was decidedly to secure the payment of the loan, and not to convey ownership over the property. Henceforth, the Court of Appeals then committed no reversible error in its challenged decision.

SYLLABUS

1. **CIVIL LAW; OBLIGATIONS AND CONTRACTS; CONTRACTS; INTENTION OF CONTRACTING PARTIES DETERMINED BY THEIR CONTEMPORANEOUS AND SUBSEQUENT ACTS.—** Our law on contracts provides *inter alia* that in order to judge the intention of the contracting parties, their contemporaneous and subsequent

Supreme Court E-Library

acts shall be principally considered. Accordingly, there are instances where the form and stipulations of a contract must give way to reflect the true intention of the parties.

2. **ID.; ID.; EQUITABLE MORTGAGE; WHEN PRESUMED.**— This is best illustrated in the instances where contracts of sale, whether absolute, or one where the vendor reserves the right to repurchase the thing sold or a sale *pacto de retro,* are presumed to be an *equitable mortgage.* These instances are governed by Articles 1602, 1603 and 1604 of the Civil Code. The *contract* referred to in Article 1602 is a contract of sale with right of repurchase where the *conventional redemption* provided for in Article 1601 shall take place.

3. **ID.; ID.; ID.; DEFINED.**— An equitable mortage is defined as one which although lacking in some formality, or form or words, or other requisites demanded by a statute, nevertheless reveals the intention of the parties to charge real property as security for a debt, and contains nothing impossible or contrary to law. Its essential requisites are: 1. That the parties entered into a contract denominated as a contract of sale; and 2. That their intention was to secure an existing debt by way of a mortgage.

4. **ID.; ID.; ID.; ARTICLES 1602-1604, DESIGNED TO PREVENT CIRCUMVENTION OF USURY LAW.**— Articles 1602, 1603 and 1604 were designed to prevent circumvention of the laws on usury and the prohibition against the creditor appropriating the mortgaged property. Courts have taken judicial notice of the well-known fact that contracts of sale with right of repurchase have been frequently used to conceal the true nature of a contract, that is a loan secured by a mortgage. The wisdom of the provisions cannot be ignored nor doubted considering that in many cases unlettered persons or even those of average intelligence invariably find themselves in no position whatsoever to bargain with the creditor. Besides, it is a fact that in times of grave financial distress which render persons hard-pressed to meet even their basic needs or answer an emergency, such persons would have no choice but to sign a deed of absolute sale of property or a sale thereof with *pacto de retro* if only to obtain a much-needed loan from unscrupulous money lenders.

5. **REMEDIAL LAW; EVIDENCE; PAROL EVIDENCE; ADMISSIBLE TO PROVE THAT INSTRUMENT**

Supreme Court E-Library

PURPORTING TO BE A DEED OF SALE WITH RIGHT TO REPURCHASE IS MERELY A SECURITY FOR PAYMENT OF A LOAN.— Under the wise, just and equitable presumption in Article 1602, a document which appears on its face to be a sale — absolute or with *pacto de retro* — may be proven by the vendor or vendor-*a-retro* to be one of a loan with mortgage. In this case, parol evidence becomes competent and admissible to prove that the instrument was in truth and in fact given merely as a security, the court will enforce the agreement or understanding in consonance with the true intent of the parties at the time of the execution of the contract. Sales with a right to repurchase are not favored. As before, instruments shall not be construed to be sales with a right to repurchase, with the stringent and onerous effects which follow, unless the terms of the document and the surrounding circumstances so require. Whenever, under the terms of the writing, any other construction can be fairly and reasonably inferred, such construction will be adopted and the contract construed as a mere loan unless the court sees that, if enforced according to its terms, it is not an unconscionable pact.

6. **CIVIL LAW; OBLIGATIONS AND CONTRACTS; EQUITABLE MORTGAGE; CASE AT BAR.**— The facts and evidence here show that the true intention of the parties was decidedly to secure the payment of loan, and not to convey ownership over the property. The transaction was replete with verifiable badges of an equitable mortgage, catalogued as follows: Sometime in October 1983, Reynaldo Paran, son of the deceased Herminio Paran, was strapped for cash, needing the amount of P100,000.00 to answer for the following: First, P30,000.00 to be used for his subdivision; P20,000.00 to repay an indebtedness; and P50,000.00 for the renovation of his house erected on his father's lot covered by Tax Declaration No. 0391. He was advised by his late father to mortgage the lot in order to secure the needed amount. Second, it is undisputed that the alleged vendors and their successors-in-interest remained in actual physical possession of the disputed property as if they were still the absolute owners thereof, without an agreement for maintenance expenses, much less, rental payments. Third, petitioners declared the property in their names for taxation purposes only on 13 November 1985, and paid the taxes thereon only on 7 May 1986. Fourth, petitioners allowed various "extensions" of the redemption period. These extensions of the redemption period

Supreme Court E-Library

are indicative of an equitable mortgage, as expressly enumerated in Article 1602(3) of the Civil Code. Fifth, petitioners failed to consolidate their title over the disputed property that was allegedly sold even after the expiration of the period to redeem. Sixth, a judicious scrutiny of the circumstances attendant to the execution of the deed of sale readily reveals that respondents' predecessors-in-interest had no intention to sell and that petitioners themselves had no intention to buy. Most revealing of the want of intention to sell is the fact that the money proceeds of the alleged sale was partly used for the construction of the very house purportedly sold. On the other hand, petitioner Ponciano Matanguihan's declaration that he never entered the premises of the disputed property in order to inspect it, unequivocally revealed an absence of intent to buy. A buyer of sound mind would not purchase anything without first inspecting the thing to be bought.

APPEARANCES OF COUNSEL

Jose P. Malabanan for petitioners.
Jose R. Dimayuga for private respondents.

D E C I S I O N

DAVIDE, JR., *J.*:

Their motion for reconsideration having been denied, petitioners brought this appeal under Rule 45 of the Rules of Court to set aside the decision of 26 March 1993 of respondent Court of Appeals[1] in CA-G.R. CV No. 34158, which reversed the decision of the Regional Trial Court (RTC) of Lipa City, Branch 12, of 17 May 1991[2] in Civil Case No. 3004 in favor of petitioners.

Civil Case No. 3004 was an action for recovery of possession of a house and lot and damages with a prayer for a writ of

---

[1] *Rollo*, 24-29. Per Galvez, R., *J.*, with Isnani, A. and Martin, Jr., F., *JJ.*, concurring.

[2] Annex "C" of Petition, *Rollo*, 30-33. Per Judge Delia H. Panganiban.

Supreme Court E-Library

preliminary mandatory injunction filed by petitioners Ponciano T. Matanguihan and Eustaquia A. Matanguihan against Herminio Paran. Their cause of action in their complaint[3] was primarily based on the failure of defendant Herminio Paran, as vendor-*a-retro*-under a *Kasulatan ng Bilihang Lupang Mabibili Muli* (hereafter, KASULATAN), to repurchase the property within the period stipulated therein.

In his answer with counterclaim,[4] Herminio Paran admitted the execution of the *KASULATAN*, but set up the following special and affirmative defenses:

1. The complaint states no cause of action;

2. The . . . "Kasulatan ng Bilihang Lupang Mabibiling Muli" is not a sale in *pacto de retro* but an equitable mortgage to guarantee the payment of the principal loan of P100,000.00 and its interest for three months of P18,000.00;

3. The monthly interest of P6,000.00 is highly unconscionable, oppressive and immoral;

4. He never intended to sell the property; as a matter of fact the house and lot is the place where he and his family reside and part of the proceeds of the loan he had obtained from plaintiffs were utilized for the further construction of the house; and

5. The consideration appearing in the deed of sale is unusually and grossly inadequate, the allowance of various extensions of the period of redemption, and the added fact that the plaintiffs did not ever attempt to consolidate their title after the lapse of the period of redemption is more in keeping with the intention of the parties that the deed of sale be treated as an equitable mortgage.

As summarized by the trial court and adopted by respondent Court of Appeals, the following are the antecedents of this case:

This is a complaint filed on February 5, 1987 by spouses Ponciano T. Matanguihan and Eustaquia Matanguihan against Herminio Paran to recover possession of a residential house and lot located at Poblacion

---

[3] Original Record (OR), 1-6.

[4] OR, 16-21.

Supreme Court E-Library

Mataas na Kahoy with an area of 1,130 square meters covered by Tax Declaration No. 0473.

The defendant Herminio Paran died on December 11, 1987 during the pendency of the case. The complaint was amended to substitute the heirs of Herminio Paran, namely Reynaldo Paran, Erlinda Paran-Gonzales, Flora Paran-Lescano, Joseph Paran and Ronnie Paran. Reynaldo Paran was named the representative of the heirs for the purpose of this suit.

It is not disputed that on October 13, 1983, spouses Ponciano Matanguihan and Eustaquia Matanguihan and spouses Herminio and Fortunata Paran entered into an agreement denominated as "Kasulatan ng Bilihang Lupang Mabibiling Muli (*Pacto de Retro*)" covering a residential house and lot owned by spouses Herminio and Fortunata Paran located at poblacion Mataas na Kahoy for the sum of P118,000.00 paid by spouses Ponciano and Eustaquia Matanguihan. Said agreement is a public document having been notarized by Notary Public, Calixto P. Luna. The aforesaid agreement contains a stipulation which reads:

"Na ang kasulatang ito ay tatagal lamang ng hanggang TATLONG (3) buwan na magkakasunod upang ito ay mabiling muli namin sa mag-asawang Ponciano Matanguihan at kung dumating ang takdang panahon at ito ay hindi namin matubos sa nasabing mag-asawang Ponciano Matanguihan at Eustaquia Matanguihan ay ang kasulatang ito ay magiging ganap, lubos at bilihang lampasan."

The three-month period stipulated in the agreement lapsed without the defendant being able to repurchase the property. Plaintiffs, upon requests of defendant, granted the latter, not only one but several extensions. Defendants still failed to repurchase the property. Thereafter, plaintiffs demanded from defendant possession of the property which the latter refused. The plaintiff caused the transfer of the Tax Declaration No. 0473 (Exh. B and B-1). The plaintiffs also caused the registration of the said property in the primary entry of the Register of Deeds of Batangas on June 3, 1985. On June 9, 1986, plaintiffs brought the case before the Barangay pursuant to PD No. 1508. There being no amicable settlement reached at the Barangay, the plaintiff filed the case before this court on February 5, 1987.

Plaintiffs now seek to enforce the aforesaid agreement.

The defendant, substituted by his heirs, opposes the complaint and claims that the subject agreement entitled "Kasulatan ng Bilihang

Supreme Court E-Library

Mabibiling Muli (*Pacto de Retro*)" is intended by the parties to be an equitable mortgage." (Decision, Records, pp. 149-150).[5]

After due proceedings the trial court rendered on 17 May 1991 its decision in favor of petitioners and decreed as follows:

WHEREFORE, judgment is hereby rendered ordering the defendants, the heirs of Herminio Paran, namely Reynaldo Paran, Erlinda Paran-Gonzales; Flora Paran Lescano, Joseph Paran to vacate and deliver possession of subject property (house and lot) to plaintiffs Ponciano Matanguihan and Eustaquia Matanguihan, and to pay plaintiffs damages by way of unearned rentals on subject property from June 3, 1985 (when they registered the property with the Register of Deeds of Batangas) until the defendants shall have vacated the premises. In this connection a monthly rental of P1,000.00 is deemed reasonable.

The defendants are likewise ordered to pay the plaintiffs the amount of P25,000.00 as moral damages; P10,000.00 as attorney's fees, and to pay the costs of suit.

SO ORDERED.[6]

The trial court anchored its judgment on the following findings:

The contract entered into by the parties is clear, definite and precise as to its nature and character.

It is entitled "Kasulatan ng Bilihang Lupang Mabibiling Muli (*Pacto de Retro*)" and it contains the provision that in case the vendor *a retro* fails to repurchase the property, the sale shall be considered an absolute sale. There is no ambiguity in the contract which can create an occasion for interpretation. The agreement is written in Pilipino language spoken by the parties. Further, Reynaldo Paran, one of the substituted defendants admitted during the trial that he fully understood the agreement to be *Pacto de Retro*; that he had misgivings about the contract but nonetheless he allowed his parents to sign the agreement. Reynaldo Paran is a law graduate and a real estate broker (TSN, pp. 7-8, May 25, 1990; TSN, pp. 6-9, Aug. 2, 1990).

---

[5] OR, 149-150.

[6] *Rollo*, 32-33.

Supreme Court E-Library

The contract having been reduced into writing, the terms of which are clear and unequivocal, it is to be considered as containing all such terms and there can be, between the parties and their successors in interest, no evidence of the terms of the agreement other than the contents of the writing. (Rule 130, Sec. 7, Rules of Court). The circumstances attendant to defendants in this case, which are adverted to in the preceding paragraph, do not allow us to consider the exceptions provided in said Rule 130.[7]

Before the Court of Appeals, private respondents alleged that the trial court erred:

1. . . . IN NOT APPLYING THE EXCEPTIONS TO THE PAROL EVIDENCE RULE IN RESOLVING THE ISSUES RAISED IN THE PLEADINGS;
2. . . . IN NOT APPLYING THE PROVISIONS OF ARTICLE 1602 OF THE CIVIL CODE OF THE PHILIPPINES;
3. . . . IN NOT DECLARING THE "KASULATAN NG BILIHANG LUPANG MABIBILING MULI" AS AN EQUITABLE MORTGAGE.[8]

On 26 March 1993, respondent Court of Appeals rendered its challenged decision[9] reversing the decision of the trial court, and disposing as follows:

WHEREFORE, the decision of the court *a quo* is hereby REVERSED and a new one entered declaring the sale with right to repurchase between the parties as an EQUITABLE MORTGAGE and declaring appellants entitled to redeem the mortgaged property which shall be effected upon payment of their mortgage debt to appellees in the amount of P100,000.00 (one hundred thousand pesos) with legal rate of interest from January 7, 1984, the time the loan matured until it is fully paid.

SO ORDERED.[10]

---

[7] *Id.*, 31-32.

[8] *Rollo*, 26.

[9] *Supra*, note 1.

[10] *Rollo*, 28-29.

Supreme Court E-Library

The appellate court's reversal was based on the following findings:

The only issue involved herein is whether the contract denominated as "Kasulatan ng Bilihang Lupang Mabibiling Muli" (Exh. A, Records, p. 110) is an equitable mortgage or a *pacto de retro* sale.

The reason behind the execution of Exhibit A was testified to by appellant Reynaldo Paran that "he needed, the amount of P30,000.00 for my subdivision and I owed Mr. Mariano Gutierrez the amount of P20,000.00 and the remaining amount I used in the renovation of my house, sir." (TSN, May 25, 1990, p. 5). Appellee Ponciano Matanguihan himself admitted on cross-examination that appellant used the money for the latter's subdivision (TSN, August 24, 1989, p. 10). While it is true that appellant Reynaldo Paran informed his parents that the document was a *pacto de retro* sale while their intention was merely to mortgage their property (TSN, August 2, 1990, p. 7) and yet his parents signed the document knowing that said document did not express their real intention, they did so due to the *urgent necessity of obtaining the funds*. . . .

x x x x x x x x x

There are, however, other circumstances which will support the presumption that the transaction between the parties herein was one of the equitable mortgage.

Appellees admitted that from the time of the execution of the questioned contract up to the time that appellee Ponciano Matanguihan testified, defendant Herminio Paran and his family and appellant Reynaldo Paran and his family were in possession of the subject property (TSN, June 22, 1989, p. 5; TSN, August 24, 1989, p. 10 and TSN, February 6, 1990, pp. 3-4). The second paragraph of Article 1602 of the New Civil Code provides that when the vendor remains in possession as lessee or otherwise, the contract shall be construed as an equitable mortgage (Labasan *vs.* Lacuesta, 86 SCRA 16; Bundalian *vs.* Court of Appeals, *supra*). Said presumption is bolstered by the fact that appellee Ponciano Matanguihan testified that he has not entered/inspected the house he allegedly bought under a *pacto de retro* sale (TSN, August 24, 1989 p. 11 and February 6, 1990, p. 3).

Appellees did not, after entering into the agreement on October 7, 1983 pay the taxes thereon. It was only on May 7, 1986 or nearly three (3) years thereafter that they started paying the real property

Supreme Court E-Library

tax (See De Bayquen *vs.* Balaoro, 143 SCRA 412). The fifth paragraph of Article 1602 provides that when the vendor (appellants herein) pays the taxes on the thing sold, the presumption is that the transaction is an equitable mortgage.

We need not dwell on the fact that appellees granted appellants several extensions of the period of redemption which were merely verbal although the third paragraph of Article 1602 requires that it be in another instrument . . . or built in the same instrument . . . because the preceding disquisition suffices to sustain Our finding that the transaction is an equitable mortgage and not a *pacto de retro* sale as it purports to be.

In its resolution of 13 April 1994,[11] respondent Court of Appeals denied petitioners' motion for reconsideration of the decision.

Petitioners then filed this petition for review with a lone assignment of error:

THE RESPONDENT COURT ERRED IN RULING THAT THE "KASULATAN NG BILIHANG MULI (*PACTO DE RETRO*)" IS AN EQUITABLE MORTGAGE.

Petitioners insist that the transaction in question is a contract of sale with right of repurchase as clearly shown in the KASULATAN. In stark contrast, private respondents assert in their comment that the contract is, in reality, an equitable mortgage.

The pivotal issue then is whether the parties intended the KASULATAN as a *bona fide pacto de retro* sale or merely an equitable mortgage. Our law on contracts provides *inter alia* that in order to judge the intention of the contracting parties, their contemporaneous and subsequent acts shall be principally considered.[12] Accordingly, there are instances where the form and stipulations of a contract must give way to reflect the true intention of the parties.

---

[11] *Rollo*, 22.

[12] Javier *v.* Court of Appeals, 183 SCRA 171, 179 [1990].

Supreme Court E-Library

This is best illustrated in the instances where contracts of sale, whether absolute, or one where the vendor reserves the right to repurchase the thing sold or a sale *pacto de retro*, are presumed to be an *equitable mortgage*. These instances are governed by Articles 1602, 1603 and 1604 of the Civil Code, which provide as follows:

ART. 1602. The contract shall be presumed to be an equitable mortgage, in any of the following cases;

1. When the price of the 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.

ART. 1603. In case of doubt, a contract purporting to be a sale with right to repurchase shall be construed as an equitable mortgage.

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

The *contract* referred to in Article 1602 is a contract of sale with right of repurchase where the *conventional redemption* provided for in Article 1601 shall take place.

An equitable mortgage is defined as one which although lacking in some formality, or form or words, or other requisites demanded by a statute, nevertheless reveals the intention of

Supreme Court E-Library

the parties to charge real property as security for a debt, and contains nothing impossible or contrary to law.[13] Its essential requisites are:

1. That the parties entered into a contract denominated as a contract of sale; and
2. That their intention was to secure an existing debt by way of a mortgage.

The foregoing Articles 1602, 1603 and 1604 were designed to prevent circumvention of the laws on usury and the prohibition against the creditor appropriating the mortgaged property. Courts have taken judicial notice of the well-known fact that contracts of sale with right of repurchase have been frequently used to conceal the true nature of a contract, that is a loan secured by a mortgage.[14] The wisdom of the provisions cannot be ignored nor doubted considering that in many cases unlettered persons or even those of average intelligence invariably find themselves in no position whatsoever to bargain with the creditor.[15] Besides, it is a fact that in times of grave financial distress which render persons hard-pressed to meet even their basic needs or answer an emergency, such persons would have no choice but to sign a deed of absolute sale of property or a sale thereof with *pacto de retro* if only to obtain a much - needed loan from unscrupulous money lenders.

Under the wise, just and equitable presumption in Article 1602, a document which appears on its face to be a sale — absolute or with *pacto de retro* — may be proven by the vendor or vendor-*a-retro* to be one of a loan with mortgage. In this case, parol evidence becomes competent and admissible to prove that the instrument was in truth and in fact given merely as a

---

[13] 14 C.J. *Mortgages* 51 (1926).

[14] See Capulong *vs.* Court of Appeals, 130 SCRA 245, 251 [1984]; Ramos *v.* Court of Appeals, 180 SCRA 635, 649-650 [1989]; 5 ARTURO M. TOLENTINO, COMMENTS AND JURISPRUDENCE ON THE CIVIL CODE OF THE PHILIPPINES, 155-156 (1992).

[15] TOLENTINO, op cit., 156.

Supreme Court E-Library

security for the payment of a loan. And upon proof of the truth of such allegations, the court will enforce the agreement or understanding in consonance with the true intent of the parties at the time of the execution of the contract.[16] Sales with a right to repurchase are not favored. As before, instruments shall not be construed to be sales with a right to repurchase, with the stringent and onerous effects which follow, unless the terms of the document and the surrounding circumstances so require. Whenever, under the terms of the writing, any other construction can be fairly and *reasonably* inferred, such construction will be adopted and the contract construed as a mere loan unless the court sees that, if enforced according to its terms, it is not an unconscionable pact.[17]

The facts and evidence here show that the true intention of the parties was decidedly to secure the payment of the loan, and not to convey ownership over the property. The transaction was replete with verifiable badges of an equitable mortgage, catalogued as follows:

First. Sometime in October 1983, Reynaldo Paran, son of the deceased Herminio Paran, was strapped for cash, needing the amount of P100,000.00 to answer for the following: P30,000.00 to be used for his subdivision; P20,000.00 to repay an indebtedness; and P50,000.00 for the renovation of his house erected on his father's lot covered by Tax Declaration No. 0391. He was advised by his late father to mortgage the lot in order to secure the needed amount. Thus, petitioners extended to Herminio Paran the loan of P100,000.00 payable within three months. Thereafter, on 7 October 1983, a deed of sale covering the lot and residential house erected thereon was executed. The consideration appearing in the deed amounted to P118,000.00 representing the principal of P100,000.00 and the interest of P18,000.00 at the rate of 6% per month. Due to his pressing

---

[16] Lustan *v.* Court of Appeals, G.R. No. 111924, 27 January 1997, citing Olea *v.* Court of Appeals, 247 SCRA 274 [1995].

[17] See Ramos *v.* Court of Appeals, *supra*, note 14; Camus *v.* Court of Appeals, 222 SCRA 612, 629 [1993]; Olea *v.* Court of Appeals, *supra*, note 16, at 282.

Supreme Court E-Library

need to obtain funds, Reynaldo allowed his parents to sign the deed knowing fully well that it did not reflect the real intention of the parties.[18]

Second. It is undisputed that the alleged vendors and their successors-in-interest remained in actual physical possession of the disputed property as if they were still the absolute owners thereof, without an agreement for maintenance expenses, much less, rental payments.

Third. Petitioners declared the property in their names for taxation purposes only on 13 November 1985, as evidenced by Tax Declaration No. 0473,[19] and paid the taxes thereon as evidenced by Realty Tax Receipt No. 157998,[20] only on 7 May 1986.

Fourth. Petitioners allowed various "extensions" of the redemption period. These extensions of the redemption period are indicative of an equitable mortgage, as expressly enumerated in Article 1602(3) of the Civil Code.[21]

Fifth. Petitioners failed to consolidate their title over the disputed property that was allegedly sold even after the expiration of the period to redeem. This further eroded their claim of title over the disputed property.[22]

Sixth. A judicious scrutiny of the circumstances attendant to the execution of the deed of sale readily reveals that respondents' predecessors-in-interest had no intention to sell and that petitioners themselves had no intention to buy. Most revealing of the want of intention to sell is the fact that the money proceeds of the alleged sale was partly used for the construction of the very house purportedly sold. On the other

---

[18] TSN, 25 May 1990, 4-8.

[19] Exhibit "B".

[20] Exhibit "B-1".

[21] See Labasan *v.* Lacuesta, 86 SCRA 16, 23 [1978]; Olea *v.* Court of Appeals, *supra*, note 17.

[22] Labasan *v.* Lacuesta, 86 SCRA 16, 14 [1978].

Supreme Court E-Library

hand, petitioner Ponciano Matanguihan's declaration that he never entered the premises of the disputed property in order to inspect it, unequivocally revealed an absence of intent to buy. A buyer of sound mind would not purchase anything without first inspecting the thing to be bought.

The Court of Appeals then committed no reversible error in its challenged decision.

WHEREFORE, the instant petition is hereby DENIED and the challenged decision of 26 March 1993 of the Court of Appeals in CA-G.R. CV No. 34158 is AFFIRMED.

Costs against petitioners.

SO ORDERED.

Narvasa, C.J. (Chairman), Melo, Francisco, and *Panganiban, JJ.,* concur.

THIRD DIVISION

[G.R. No. 123204. July 11, 1997]

NATIONWIDE SECURITY AND ALLIED SERVICES, INC. and/or PRESIDENT/GENERAL MANAGER, *petitioners, vs.* **NATIONAL LABOR RELATIONS COMMISSION and JUNJIE B. SUICON,** *respondents.*

SYNOPSIS

This is a special civil action for *certiorari* to nullify and set aside the Order of the NLRC denying petitioners' motion to reduce the appeal bond in connection with their appeal from the Decision of the Labor Arbiter in favor of private respondent who filed a complaint for underpayment of wages; non-payment of overtime, premium, holiday, service incentive leave, thirteenth