Supreme Court E-Library

SECOND DIVISION

[G.R. No. L-46573. November 13, 1986]

REV. FR. PABLO B. LOLA and MAXIMA B. LOLA, *petitioners, vs.* **THE HONORABLE COURT OF APPEALS and DOLORES SANTILLAN ZABALA,** *respondents.*

SYLLABUS

1. REMEDIAL LAW; EVIDENCE; PAROL EVIDENCE RULE; EXCEPTION THERETO, APPLIED IN CASE AT BAR.— The reasons relied upon by the appellate court in completely reversing its previous decision are based on the strict application of the parol evidence rule and sole reliance on what is written on the "Escritura de Venta Absolute". A closer look at the circumstances surrounding the execution of the deed of sale, however, gives a better understanding of what actually transpired between the parties and what was their real intention when they entered into the contract of sale. We are constrained to apply the exception to, rather than the general rule on parol evidence following the case of *Premiere Insurance & Surety Corporation vs. Intermediate Appellate Court* (141 SCRA 423, 434): "While it is a general rule that parol evidence is not admissible for the purpose of varying the terms of a contract, when an issue is squarely presented that a contract does not express the true intention of the parties, courts will, when a proper foundation is laid therefore, hear evidence for the purpose of ascertaining the true intention of the parties. Once the intent is clear, then it shall prevail over what on its face the document appears to be. (*Labasan vs. Lacuesta*, 86 SCRA 16, 22). The court does not reform the instrument. It remains as it was written. However, the court receives evidence to find out how the parties really bound themselves. The second exception to the parol evidence rule enables the court to ascertain the intent of the parties." In the case of *Sy vs. Court of Appeals* (131 SCRA 116, 124), we ruled: "It is a basic and fundamental rule in the interpretation of contracts that if the terms thereof are clear and leave no doubt as to the intention of the contracting parties, then the literal meaning of the stipulations shall control but when the

Supreme Court E-Library

words appear contrary to the evident intention of the parties, the latter shall prevail over the former, (*Labasan vs. Lacuesta, supra*). In order to judge the intention of the parties, their contemporaneous and subsequent acts shall be principally considered. Likewise in the case of *Philippine National Railways vs. CIR of Albay, Br. I*, (83 SCRA 569, 576) we ruled: "On the other hand, if the defendant set up the affirmative defense that the contract mentioned in the complaint does not express the true agreement of the parties, then parol evidence is admissible to prove the true agreement of the parties (*Enriquez vs. Ramos*, 116 Phil. 525, 531; and other cases cited)." We apply the above rulings to the case at bar.

2. **ID.; ID.; RESPONDENT'S CLAIM ON LOT OFFERED FOR SALE UNFOUNDED.**— The trial court also correctly found that the respondent's allegation that she confronted or tried to confront petitioner Fr. Lola in 1958 and 1966 is unfounded and unsubstantiated. To our mind, even assuming that the respondent really found that there was an encroachment on her lot *only* in 1958, it is highly improbable that she would let eight years pass before she would try to confront petitioner again in 1966 and two more years before she actually files an action for recovery of possession. Hence, the Court is led to the inevitable conclusion that what the respondent offered to sell and what the petitioners accepted are Lot Nos. 1156 and 1157.

3. **CIVIL LAW; LAND TITLES AND DEEDS; LACHES; PRINCIPLE APPLIED IN FAVOR OF POSSESSIOR FOR FAILURE OF TITLE HOLDER TO ASSERT OWNERSHIP FOR THIRTY TWO YEARS.**— Although the defense of prescription is unavailing to the petitioners because, admittedly, the title to Lot No. 5517 is still registered in the name of the respondent, still the petitioners have acquired title to it by virtue of the equitable principle of laches due to the respondent's failure to assert her claim and ownership for thirty two (32) years. There are precedents for this ruling. In the cases, of *Miguel vs. Catalino* (26 SCRA 234, 238, 239) and *Pabalete vs. Echarri, Jr.* (37 SCRA 518, 521, 522) we upheld the equitable defense of laches and ruled that the long inaction and delay of the title holder in asserting his right over the disputed lot bars him from recovering the same.

Supreme Court E-Library

APPEARANCES OF COUNSEL

Benito R. Cuesta I for petitioners.
Gerardo A. Pabello for respondents.

D E C I S I O N

GUTIERREZ, JR., *J.*:

This petition for review on *certiorari* asks us to set aside the resolution of the Court of Appeals which reversed its original decision and ruled that the land in dispute, Lot No. 5517 belongs to the private respondent as evidenced by the latter's original certificate of title over the said property.

In a complaint for recovery of real property and damages filed with the then Court of First Instance of Leyte, private respondent Dolores S. Zabala alleged that she is the registered owner of a parcel of land situated in Sto. Niño Street, Tacloban City, covered by Original Certificate of Title (OCT) No. 10782, and more particularly described as follows:

"Lot No. 5517 of the Cadastral Survey of Tacloban, with improvements situated in the municipality of Tacloban Bounded on the NE by Lot No. 4885; on the SE by Lots Nos. 5516 and 4884; on the SW by Lot No. 5519; and on the NW by Calle Sto. Niño containing 164 square meters, more or less."

that by virtue of "Escritura de Venta Absoluta" executed on June 29, 1936, the petitioners, Fr. Pablo B. Lola and his sister Maxima B. Lola, bought from her Lot No. 5516 containing 474 square meters and adjoining Lot 5517 to the East, which the petitioners immediately occupied upon consummation of the sale; that well aware of such alienation covering only Lot No. 5516, the petitioners, with deliberate bad faith, also occupied Lot No. 5517 fronting Sto. Niño Street by constructing a balcony and part of their main residential house thereon, depriving the respondent of the use and employment of rentals; that the petitioners with full knowledge that they bought only Lot No. 5516 from the respondent maliciously caused her to sign an affidavit of transfer of real property thereby unlawfully effecting

Supreme Court E-Library

the transfer of Tax Declaration No. 16187 which covered another parcel of land in the name of respondent to the petitioners alleging therein an occupation of "About four years ago" before said transfer, when in truth and in fact the sale took place barely one year six months and twenty-nine days earlier and that inspite of demands made by her, the petitioners have refused and still refuse to vacate Lot No. 5517.

In their answer, the petitioners denied specifically most of the allegations of the complaint and averred that when the respondent offered to petitioner Fr. Pablo B. Lola in writing the sale of the residential lot located at Sto. Niño Street, Tacloban City, she never mentioned any lot or lots; that when Lola asked for the particular description of the subject of the sale, respondent attached in her letter a sketch of the land being offered to him for sale; that from the sketch he understood the offer to include any lot or lots embodied in the sketch (which included Lot No. 5517); that he, therefore, accepted the offer and sent the money to the respondent through his notary public who ratified and acknowledged the document of sale; that when the document of sale was made and executed, only the respondent was present; that if the latter did not knowingly include Lot No. 5517 when it should have been included, she should be compelled to execute the proper deed of conveyance in favor of the petitioners; that more than thirty (30) years have elapsed since the document of sale was executed and petitioner Pablo B. Lola has been in possession thereof, as well as the land described in the respondent's complaint, which formed part of the latter's offer, peacefully, publicly, adversely, and in the concept of owner and that the respondent should be estopped from asserting any right or rights after she had slept on them for thirty (30) years.

After trial on the merits, the Court of First Instance of Leyte rendered a decision dismissing the respondents' complaint. The decision is based on the following findings of facts:

"On the witness stand, plaintiff Dolores Santillan Zabala declared that she owned Lots 5516 and 5517 along Santo Niño Street of this City; that through a deed of sale executed on June 29, 1936, Exhibit "A" she sold only Lot No. 5516 which is in the interior and this did

Supreme Court E-Library

not include Lot No. 5517 which adjoins Santo Niño Street; that Lot No. 5517 is covered by O.C.T No. 1078 issued in her name by the Register of Deed of Leyte on April 9, 1934, Exhibit "B"; that Lot No. 5516 has an area of 474 square meters while Lot No. 5517 has an area of only 164 square meters; that after the execution of the deed of sale, Exhibit "A", defendant Fr. Lola took possession of Lot No. 5516 while she (plaintiff) stopped living in Santo Niño Street, Tacloban City, and transferred to Cebu City; that Lot No. 5517 was left to the care of her brother; that her brother notified her that a house was constructed on Lot No. 5517 by defendant Fr. Lola; that, because of this information, she came to Tacloban City in 1958 and she discovered that defendant Fr. Lola was occupying Lot No. 5517; that she saw said defendant regarding the matter but the latter merely said: `You will not build a house, never mind, because I will have to pay you for the rental,' that she did not agree to said proposition, and instead, said, `I will have to stay here in Tacloban;' that she thereafter went back to Cebu and, because she was very busy with her business in Cebu, she did not anymore bother about her lot in Tacloban City; that in 1966, she came again to Tacloban, but she was not able to see defendant Fr. Lola as there was nobody in his house and she did not know where he was transferred; that she went back to Cebu and came again to Tacloban in 1968 to see her lot and that she could no longer insist on getting back Lot No. 5517 from defendants so she decided to file the present action.

"On the other hand, defendant Fr. Lola testified that in 1936 while he was the parish priest of Balangiga, Samar (now Eastern Samar), he requested Atty. Joaquin Hacbang, his lawyer and cousin, to look for him a residential lot in this city; that Atty. Hacbang wired back to him that there was an offer of plaintiff for the sale of her lot along Santo Niño Street of this city; that he received two letters from plaintiff offering the sale of a lot along Santo Niño, the first being dated May 20, 1936 and the second one dated July 8, 1936 (Exhibits "1", "1-A", "4" and "4-A" English translations, Exhibits "1-B" and "4-B"); that attached to the first letter was the sketch, Exhibit "1-A", showing that the land offered for sale was along Santo Niño Street on the North; that upon receiving these letters, he sent by telegraphic transfer to Atty. Hacbang the amount of P600.00 for the purchase of the land; that it was only after plaintiff had filed the present case that he discovered that the parcel of land of plaintiff along Santo Niño Street as described in the sketch sent to him by her, Exhibit "1-A", involves two lots, Nos. 5516 and 5517; that as offered to him by plaintiff in her letters, he was of the impression that there was only one lot of

Supreme Court E-Library

the plaintiff along Santo Niño Street; that after the execution by plaintiff of the deed of sale in 1936, Exhibit "A", he introduced improvements therein by starting to construct a house in May, 1938 and this was completed in December of the same year; that the balcony of the house as well as a portion of the main house itself is constructed on lot 5517; and that since after the execution of the deed of sale in 1936 until the filing of the present complaint plaintiff had never disturbed him in his possession of the parcel of land in question along Santo Niño Street of this City.

"It would seem from the pleadings and the evidence submitted by the parties that the principal issue involved in this case is whether or not Lot No. 5517 was deemed to have been sold by plaintiff to defendant Fr. Lola when the former executed on June 29, 1936, the deed of sale in favor of the latter, Exhibit "A".

x x x x x x x x x

x x x x x x x x x

"In this connection it would appear to the Court that whether she herself or somebody else in her stead had written the letters, the fact remains that plaintiff sent to defendant Fr. Lola the letter dated May 20, 1936, offering to sell the parcel of land located at 17 Sto. Niño Street, this city, Exhibits "4" and "4-A" (English translation, Exhibit "4-B") and this was followed up by another letter, Exhibit "1" (English translation, Exhibit "1-B") which was accompanied by a sketch indicating that the land offered for sale was along Santo Niño Street of this City, Exhibit "1-A".

"This is the observation of the Court from an examination of the letters which are wanting of any indication of having been falsified by defendant or probably made by them for self-serving reasons. And now there seems to be no clear explanation from either side why the deed of sale executed by the plaintiff on July 29, 1936, Exhibit "A", mentions only Lot 5516. However, considering that the sketch, Exhibit "1-A", had earlier been sent by the plaintiff to defendant Fr. Lola, it would seem safe to conclude that both plaintiff and defendant Fr. Lola were uniformly under the impression that what was being sold by her to the latter was her lot which was directly adjoining Santo Niño Street.

"The Court considers as a belated afterthought plaintiff's protestation that what she really intended to sell to defendant Fr. Lola was only the interior portion of her land for this is belied not

Supreme Court E-Library

only by the sketch she sent to said defendant, Exhibit "1-A", but also by her subsequent inaction regarding Lot No. 5517 after the execution of the deed of sale, despite the fact that defendant Fr. Lola had constructed a house extending up to said lot along Santo Niño Street of this City. Precisely the court fails to see any reason why defendant Fr. Lola would have been satisfied to acquire only the interior portion of the plaintiff's property and not that one along Santo Niño Street.

"It is significant to note that on cross-examination, plaintiff's brother Ramon Santillan admitted that at the time of the sale, defendant Fr. Lola did not ask for a right of way to Santo Niño Street. This is an indication that said vendee understood all the time that what he was offered for sale and what he had purchased was plaintiff's Street. On the other hand, the Court is of the opinion that the preponderance of evidence indicates that, contrary to her claim that she tried to approach defendant Fr. Lola in 1958 and 1966 and complained about the encroachment of her land by said defendant, plaintiff did not do anything at all regarding the lot in question until she filed the present action last year.

"As a matter of fact, from January 28, 1938, or almost two years after the execution of the deed of sale Exhibit "A," plaintiff executed a transferor's affidavit of the parcel of land in question in favor of defendant Fr. Lola as covered by tax declaration No. 16187, Exhibit "2", and from an examination thereof, it is clear that the land involved was declared in plaintiff's name and is the one located in Santo Niño Street of this city as it is bounded on the West by said street. This, in the mind of the Court, was tantamount to a signification by plaintiff that what she had sold to defendant Fr. Lola was her land along Santo Niño Street.

x x x x x x x x x

Respondent Zabala appealed to the Court of Appeals. The appellate court initially affirmed the decision of the trial court with the further modification that the respondent was ordered to execute the necessary deed of conveyance covering Lot No. 5517 in favor of petitioner Fr. Pablo B. Lola. The appellate court ruled that while it is true that the land in dispute is still registered in the name of the respondent and title thereto may not be acquired by the petitioners against the former as registered

Supreme Court E-Library

owner, the equitable defense of laches, in lieu of prescription, should be applied in their case.

The respondent filed a motion for reconsideration.

The appellate court reversed itself and held the respondent to be the absolute owner of Lot No. 5517, covered by Original Certificate of Title No. 10782. It ordered the petitioners to vacate the disputed premises and demolish whatever improvements may have encroached on it. The reversal was based on the following conclusions: (1) There was no encumbrance on the title of the disputed lot; (2) The deed of absolute sale, "Escritura de Venta Absoluta" should be the sole repository of the terms and conditions of the agreement between petitioners and respondent with the sketch relied upon by the petitioner being merely evidence of "an offer to sell," (3) The deed was prepared by Atty. Hacbang, the lawyer of petitioners; (4) It is improbable for the petitioners not to have examined the deed of sale; and (5) The Transferor's affidavit contains inaccurate statements.

The petitioners filed a motion for reconsideration but it was denied. Hence, this petition.

The petitioners maintain that the appellate court should have considered as evidence of the sale, the fact that the said sale was perfected by a written offer, and the written offer which was accepted by petitioner Fr. Lola never mentioned any lot or lots; and the fact that the respondent sent another letter with a sketch map showing the subject matter of the sale to be only one single lot abutting Sto. Niño Street, Tacloban City. Furthermore, the petitioners allege that the true intention of the parties to the "Escritura de Venta Absoluta" can be seen not only from the aforementioned exhibits but also from the contemporaneous acts of the respondent after the sale. Finally, the petitioners invoke the doctrine of laches because of the unexplained delay, inaction, and neglect on the part of the respondent to assert her claim over the disputed lot for over thirty (30) years.

Supreme Court E-Library

We agree with the petitioners and affirm the findings of the trial court as well as the initial decision of the Court of Appeals.

The reasons relied upon by the appellate court in completely reversing its previous decision are based on the strict application of the parol evidence rule and sole reliance on what is written on the "*Escritura de Venta Absoluta.*" A closer look at the circumstances surrounding the execution of the deed of sale, however, gives a better understanding of what actually transpired between the parties and what was their real intention when they entered into the contract of sale. We are constrained to apply the exception to, rather than the general rule to parol evidence following the case of *Premiere Insurance & Surety Corporation v. Intermediate Appellate Court* (141 SCRA 423, 434) where we ruled:

"While it is a general rule that parol evidence is not admissible for the purpose of varying the terms of a contract, when an issue is squarely presented that a contract does not express the true intention of the parties, courts will, when a proper foundation is laid there fore, hear evidence for the purpose of ascertaining the true intention of the parties. Once the intent is clear, then it shall prevail over what on its face the document appears to be. (*Labasan v. Lacuesta*, 86 SCRA 16, 22). The court does not reform the instrument. It remains as it was written. However, the court receives evidence to find out how the parties really bound themselves. The second exception to the parol evidence rule enables the court to ascertain the intent of the parties."

In the present case, the petitioners specifically raise the issue that the subject of the deed of sale which was finally drafted on the basis of the title which respondent presented to petitioners did not embody the whole lot which the parties previously agreed upon on the basis of the written offer and acceptance by the parties, but only a portion thereof. The petitioner's contention is substantiated by the two letters of the respondent to petitioner Fr. Lola which clearly show that what the respondent offered comprised not only Lot No. 5516 but Lot No. 5517 as well, the latter being the exterior portion of the whole land and which lot abuts Sto. Niño Street.

Supreme Court E-Library

Aside from the respondent's two letters the authenticity of which she did not even try to impugn, the circumstances after the sale also clearly indicate that the respondent sold the whole parcel of land, unmindful at that time of the fact that the lot was covered by two titles. Again, in the case of *Sy v. Court of Appeals* (31 SCRA 116, 124), we ruled:

"It is a basic and fundamental rule in the interpretation of contracts that if the terms thereof are clear and leave no doubt as to the intention of the contracting parties, then the literal meaning of the stipulations shall control but when the words appear contrary to the evident intention of the parties, the latter shall prevail over the former. (*Labasan v. Lacuesta, supra*). In order to judge the intention of the parties, their contemporaneous and subsequent acts shall be principally considered.

Likewise in the case of *Philippine National Railways v. CIR of Albay, Br. I,* (83 SCRA 569, 576) we ruled:

"On the other hand, if the defendant set up the affirmative defense that the contract mentioned in the complaint does not express the true agreement of the parties, then parol evidence is admissible to prove the true agreement of the parties (*Enriquez v. Ramos*, 116 Phil. 525, 531; *Philippine Sugar E. D. Co. v. Philippines,* 62 L. Ed. 1177, 247 U.S. 385; *Heirs of De la Rama v. Talisay-Silay Milling Co.*, 54 Phil. 580, 588; *Land Settlement and Dev. Corp. v. Garcia Plantation Co., Inc.*, 117 Phil. 761, 765)."

We apply the above rulings to the case at bar. As stated earlier, aside from the letters which embody the true intention of the parties, the records also show that after the consummation of the sale, the respondent executed a transferor's affidavit which included the lot in dispute. More important, the respondent moved to Cebu City, leaving the petitioners in continuous, open, adverse, and peaceful occupation of the disputed lot for thirty-two (32) years. In all of these 32 years, the petitioners paid the taxes on the entire property.

In the case of *Samson v. Court of Appeals* (141 SCRA 194, 205), we ruled:

"The tax receipts accompanied by actual and continuous possession of the subject parcels of land by the respondents and their parents

Supreme Court E-Library

before them for more than thirty years qualify them to register title to the said subject parcels of land. We ruled in the case of *Republic v. Court of Appeals*, (131 SCRA 533) that:

"'While it is true that by themselves tax receipts and declarations of ownership for taxation purposes are not incontrovertible evidence of ownership they become strong evidence of ownership acquired by prescription when accompanied by proof of actual possession of the property.'"

The trial court also correctly found that the respondent's allegation that she confronted or tried to confront petitioner Fr. Lola in 1958 and 1966 is unfounded and unsubstantiated. To our mind, even assuming that the respondent really found that there was an encroachment on her lot only in 1958, it is highly improbable that she would let eight years pass before she would try to confront petitioner again in 1966 and two more years before she actually files an action for recovery of possession. Hence, the Court is lead to the inevitable conclusion that what the respondent offered to sell and what the petitioners accepted are Lot Nos. 1156 and 1157.

We also agree with the petitioners that laches effectively bars the respondent from recovering the lot in dispute.

Although the defense of prescription is unavailing to the petitioners because, admittedly, the title to Lot No. 5517 is still registered in the name of the respondent, still the petitioners have acquired title to it by virtue of the equitable principle of laches due to the respondent's failure to assert her claims and ownership for thirty two (32) years.

There are precedents for this ruling. In the following cases, we upheld the equitable defense of laches and ruled that the long inaction and delay of the title holder in asserting his right over the disputed lot bars him from recovering the same.

Miguel v. Catalino (26 SCRA 234, 238, 239) states:

"Appellants are likewise correct in claiming that the sale of the land in 1928 by Bacaquio to Catalino Agyapao, defendant's father, is null and void *ab initio*, for lack of executive approval (*Mangayao, et al. v. Lasud, et al.*, L-19252, 29 May 1964). x x x

x x x x x x x x x

Supreme Court E-Library

"Since the 1928 sale is technically invalid, Bacaquio remained, in law, the owner of the land until his death in 1943, when his title passed on, by the law on succession, to his heirs, the plaintiffs-appellants.

"Notwithstanding the errors aforementioned in the appealed decision, we are of the opinion that the judgment in favor of defendant-appellee Florendo Catalino must be sustained. For despite the invalidity of his sale to Catalino Agyapao, father of defendant-appellee, the vendor Bacaquio suffered the latter to enter, possess and enjoy the land in question without protest, from 1928 to 1943, when the seller died; and the appellants, in turn, while succeeding the deceased, also remained inactive, without taking any step to rein-vindicate the lot from 1944 to 1962, when the present suit was commenced in court. Even granting appellants' proposition that no prescription lies against their father's recorded title, their passivity and inaction for more than 34 years (1928-1962) justifies the defendant-appellee in setting up the equitable defense of laches in his own behalf. As a result, the action of plaintiffs-appellants must be considered barred and the Court below correctly so held. Courts can not look with favor at parties who, by their silence, delay and inaction, knowingly induce another to spend time, effort and expense in cultivating the land, paying taxes and making improvements thereon for 30 long years, only to spring from ambush and claim title when the possessor's efforts and the rise of land values offer an opportunity to make easy profit at his expense." x x x

Pabalete v. Echarri Jr. (37 SCRA 518, 521, 522) states:

"Upon a careful consideration of the facts and circumstances, we are constrained to find, however, that while no legal defense to the action lies, an equitable one lies in favor of the defendant and that is, the equitable defense of laches. We hold that the defense of prescription or adverse possession in derogation of the title of the registered owner Domingo Mejia does not lie, but that of the equitable defense of laches. Otherwise stated, we hold that while defendant may not be considered as having acquired title by virtue of his and his predecessor's long continued possession for 37 years, the original owner's right to recover back the possession of the property and the title thereto from the defendant has, by the long period of 37 years and by patentee's inaction and neglect been converted into a stale demand." (Quoting *Mejia de Lucas v. Gamponia*, 100 Phil. 277).

x x x x x x x x x

Supreme Court E-Library

"This defense is an equitable one and does not concern itself with the character of the defendant's title, but only with whether or not by reason of the plaintiff's long inaction or inexcusable neglect he should be barred from asserting this claim at all, because to allow him to do so would be inequitable and unjust to the defendant. x x x"

WHEREFORE, the petition is hereby GRANTED. The questioned resolution of the Court of Appeals is REVERSED and SET ASIDE and a NEW ONE is ENTERED ordering the respondent to execute the necessary deed of conveyance covering Lot No. 5517 in favor of the petitioners. The temporary restraining order issued in this case is made PERMANENT.

SO ORDERED.

Feria (Chairman), Fernan, Alampay, and *Paras, JJ.*, concur.

EN BANC

[G.R. Nos. 55033-34. November 13, 1986]

THE PEOPLE OF THE PHILIPPINES, *plaintiff-appellee, vs.* **RENATO ALDEMITA y MALIHAN,** *defendant-appellant.*

SYLLABUS

CRIMINAL LAW; MURDER AND FRUSTRATED MURDER; EXEMPTING CIRCUMSTANCE; PLEA OF INSANITY; MAY BE CONSIDERED AS A DEFENSE.— The Trial Court adjudged the appellant sane at the time he committed the acts charged, and the record discloses no good or sufficient reason to disturb that finding. In considering the plea of insanity as a defense in a prosecution for crime, the starting premise is that the law presumes all persons to be of sound mind or otherwise stated, the law presumes all acts to be voluntary, and that it is