



Republic of the Philippines
Supreme Court
 Manila

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Wynne L. Llanera
 WILSON GOV. LACRAN
 Division Clerk of Court
 Third Division
 SEP 19 2016

THIRD DIVISION

DESIDERIO RANARA, JR.,
 Petitioner,

G.R. No. 200765

Present:

VELASCO, JR., J.,
Chairperson,
 PERALTA,
 PEREZ,
 REYES, and
 JARDELEZA, JJ.

- versus -

ZACARIAS DE LOS ANGELES,
JR.,
 Respondent.

Promulgated:

August 8, 2016

Wynne L. Llanera

X-----X

RESOLUTION

REYES, J.:

Before the Court is a petition for review on *certiorari*¹ under Rule 45 of the Rules of Court assailing the Decision² dated September 15, 2011 and Resolution³ dated February 6, 2012 of the Court of Appeals (CA) in CA-G.R. CV No. 90099, which affirmed the Decision⁴ dated June 27, 2007 of the Regional Trial Court (RTC) of Naga City, Branch 62, in Civil Case No. RTC 2001-0345, insofar as it denied Desiderio Ranara, Jr.'s (petitioner) reimbursement for the purchase price and improvements on the land from Zacarias de los Angeles, Jr. (respondent).

¹ *Rollo*, pp. 8-21.

² Penned by Associate Justice Franchito N. Diamante, with Associate Justices Josefina Guevara-Salonga and Ramon R. Garcia, concurring; id. at 25-38.

³ Id. at 39-40.

⁴ Rendered by Judge Antonio C. A. Ayo, Jr.; id. at 89-93.

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Antecedent Facts

Sometime in October 1989, Leonor Parada (Parada) loaned from Zacarias de los Angeles, Sr. (Zacarias, Sr.) money amounting to ₱60,000.00 to finance her migration to Canada. It was agreed that the loan would be payable within a period of 10 years. At the same time, Zacarias, Sr. informed Parada that the money came from his son, the respondent. As security, Parada mortgaged a parcel of agricultural land which would eventually be covered by Original Certificate of Title (OCT) No. 10020. It was stipulated that the respondent would take possession of and farm the land as payment for the loan interest. Parada, thus, executed a Deed of Sale with Right to Repurchase dated October 26, 1989, during which time the OCT had not yet been issued.⁵

The respondent took possession of the land, paid taxes due and converted the forested portion into irrigated land, without objection from Parada.⁶

In 1991, OCT No. 10020 was issued in the name of Parada, who brought with her to Canada the original owner's duplicate copy when she left in 1992. Later, Parada gave the owner's duplicate to Zacarias Sr. upon reports that someone attempted to enter the land. Parada also requested her tenant from another parcel of land, Salvador Romero, to remit to the respondent her share of the harvest for the years 1992 to 1994. She also sent \$250.00 and ₱20,000.00.⁷

When Zacarias, Sr. fell sick in 2001, the respondent pleaded with Noel Parada (Noel), Parada's son, to repurchase the property to finance his father's hospital and medical bills. The respondent later wrote a letter to Parada demanding that she repurchase the property. Parada paid ₱40,000.00 delivered personally to Zacarias Sr. by Noel at the hospital. The respondent found the amount unacceptable and returned the ₱40,000.00 and along with ₱10,000.00⁸ to Parada.⁹

On February 16, 2001, the respondent sold the land to the petitioner for ₱300,000.00. Two documents of sale were executed: 1) for the actual sale price of ₱300,000.00; and 2) for ₱130,000.00 to be used as basis for the computation of taxes, registration of the deed and transfer of ownership. The respondent then sent Parada a letter dated July 17, 2001, enforcing the Deed of Sale with Right of Repurchase giving her 15 days to repurchase the

⁵ Id. at 26-27.

⁶ Id. at 27.

⁷ Id.

⁸ Half of the additional ₱20,000.00 Parada gave to Zacarias Sr. for his son's wedding.

⁹ *Rollo*, pp. 27-28.

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property. The Deed of Absolute Sale with the purchase price of ₱150,000.00 between the petitioner and the respondent was signed on December 10, 2001.¹⁰

Parada insisted, in her response to the letter dated July 17, 2001, that there was no *pacto de retro* sale and then tendered ₱60,000.00 as payment for the loan, but it was refused by the respondent. She also learned that the respondent fraudulently registered with the Register of Deeds of Camarines Sur the Deed of Sale with Right to Repurchase, falsified the Affidavit of Seller/Transferor and that the respondent sold the property to the petitioner.¹¹

After exerting all efforts to settle and to no avail, Parada filed a Complaint¹² against the petitioner and the respondent for Reformation of Instrument, Consignation, Recovery of Possession with a Prayer for a Writ of Preliminary Mandatory Injunction and Damages.

In his Answer with Cross-Claim and Counterclaim,¹³ the petitioner denied any knowledge of any defect in the title of the property since the respondent was in the possession of and cultivating the land. The petitioner claimed that he is an innocent purchaser for value. The petitioner also claimed that aside from paying the purchase price of ₱300,000.00, he had introduced permanent improvements on the property amounting to ₱150,000.00 consisting of deep-well irrigation facilities and another ₱150,000.00 for levelling portions of the property and converting the same to rice land. The petitioner prayed that if the case be resolved in favor of Parada, he be reimbursed by the respondent for his actual expenses plus the legal rate of interest.

For his part, the respondent insisted that the contract he entered with Parada was one of sale. He claimed that he introduced the improvements in the property and sought reimbursement for the same. Moreover, the respondent claimed that the petitioner failed to pay the full purchase price of the property and still owed him a balance of ₱50,000.00 and took advantage of his lack of education and dire need of money.¹⁴

¹⁰ Id. at 45.

¹¹ Id. at 28-29.

¹² Id. at 46-51.

¹³ Id. at 54-58.

¹⁴ Id. at 59-64.

Ruling of the RTC

In its Decision¹⁵ dated June 27, 2007, the RTC ruled in favor of Parada. It found that Parada and the respondent entered into an equitable mortgage pursuant to Article 1602(6)¹⁶ of the Civil Code. It denied the petitioner and the respondent's claim for reimbursement from Parada. Moreover, the RTC ruled that the petitioner did not have any privity of contract between Parada and the respondent. Article 1616 of the Civil Code specifically provides that the vendor a retro's obligation to reimburse useful and necessary expenses only pertains to the vendee a retro.¹⁷

With respect to the counterclaim and cross-claim of the petitioner, the RTC dismissed the same. It stated that when the petitioner purchased the land from the respondent, he knew of the property's status. He knew that he was dealing with a registered land and the fact that title to the land reflected Parada as the owner. The petitioner knew of the risks involved but continued with the sale. The RTC stated that "[h]e who comes to Court must have clean hands. Each of the parties must bear his own loss."¹⁸ It denied the petitioner's claim of reimbursement for the improvements he had allegedly introduced in the land because he acquired the property in bad faith.¹⁹

Ruling of the CA

In its Decision²⁰ dated September 15, 2011, the CA affirmed the RTC's decision respecting the denial of the petitioner's counterclaim and cross-claim. It, thus, affirmed that the petitioner was a buyer in bad faith and was not entitled to reimbursement since the water pump that he introduced was a useful expense. Under Article 546²¹ of the Civil Code, only possessors in good faith are entitled to reimbursement of useful expenses. In addition, there were no receipts shown to substantiate the claim for the other improvements he

¹⁵ Id. at 89-93.

¹⁶ Art. 1602. The contract shall be presumed to be an equitable mortgage, in any of the following cases:

x x x x

(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.

¹⁷ *Rollo*, p. 92.

¹⁸ Id.

¹⁹ Id.

²⁰ Id. at 25-38.

²¹ Art. 546. Necessary expenses shall be refunded to every possessor; but only the possessor in good faith may retain the thing until he has been reimbursed therefor.

Useful expenses shall be refunded only to the possessor in good faith with the same right of retention, the person who has defeated him in the possession having the option of refunding the amount of the expenses or of paying the increase in value which the thing may have acquired by reason thereof.



allegedly introduced to the land. With respect to the reimbursement of the purchase price, the CA agreed with the RTC when it stated that the petitioner did not come to the court with clean hands and, thus, must bear his own loss and as such is not entitled to reimbursement of the purchase price.²²

Hence, the petitioner filed the present petition asserting that the CA committed an error and claiming that he is entitled to reimbursement from the respondent.²³ He reiterates that he was an innocent purchaser for value. He entered into the contract of sale fully believing that the respondent was the actual owner of the property and had the legal capacity to dispose of the property.²⁴ Even assuming that he was in bad faith, the respondent was equally in bad faith when he sold the property to him, thus as between them, they should be construed to be in good faith and under the principle of *in pari delicto*. The petitioner argues that the respondent should be made to reimburse the purchase price and the value of the improvements he had introduced to the land.²⁵

Ruling of the Court

The Court denies the petition.

Generally, the question of whether a person is a purchaser in good faith is a factual matter that generally will not be delved into by the Court as it is not a trier of facts.²⁶ Factual findings of the trial court on the matter, especially if affirmed by the appellate court, are binding and conclusive upon the Court save for specific instances.²⁷ However, none of the exceptions apply to the instant case.

Here, both the RTC and CA have ruled that the petitioner and the respondent are both in bad faith and such finding is binding on the Court since none of the exceptions warranting the Court's review are availing.

In any event, the Court agrees with the courts *a quo* that the petitioner was in bad faith in purchasing the land since it was his duty to investigate. A purchaser of land that is in the actual possession of the seller must make some inquiry in the rights of the

²² *Rollo*, p. 32-33.

²³ *Id.* at 16.

²⁴ *Id.* at 17.

²⁵ *Id.* at 19.

²⁶ *Sigaya v. Mayuga*, 504 Phil. 600, 611 (2005).

²⁷ *Id.*



possessor of the land. The rule of *caveat emptor* requires the purchaser to be aware of the supposed title of the vendor and one who buys without checking the vendor’s title takes all the risks and losses consequent to such failure.²⁸

Likewise, the question of whether the parties are *in pari delicto* is a factual question and is generally not within the scope of a Rule 45 petition.²⁹ Further, the Court had elaborated on the applicability of the doctrine particularly in the case of *Constantino, et al. v. Heirs of Pedro Constantino, Jr.*³⁰ where it stated:

Latin for “in equal fault,” *in pari delicto* connotes that two or more people are at fault or are guilty of a crime. Neither courts of law nor equity will interpose to grant relief to the parties, when an illegal agreement has been made, and both parties stand *in pari delicto*. Under the *in pari delicto* doctrine, the parties to a controversy are equally culpable or guilty, they shall have no action against each other, and it shall leave the parties where it finds them. This doctrine finds expression in the maxims “*ex dolo malo non oritur actio*” and “*in pari delicto potior est conditione defendentis.*”

x x x x

As a doctrine in civil law, the rule on *in pari delicto* is principally governed by Articles 1411 and 1412 of the Civil Code, which state that:

Article 1411. When the nullity proceeds from the illegality of the cause or object of the contract, and the act constitutes a criminal offense, both parties being *in pari delicto*, they shall have no action against each other, and both shall be prosecuted.

x x x x

Article 1412. If the act in which the unlawful or forbidden cause consists does not constitute a criminal offense, the following rules shall be observed:

x x x x

1. When the fault is on the part of both contracting parties, neither may recover what he has given by virtue of the contract, or demand the performance of the other’s undertaking;

x x x x

²⁸ *Dacasin v. CA*, 170 Phil. 175, 182-183 (1977).
²⁹ *Menchavez v. Teves, Jr.*, 490 Phil. 268, 281 (2005).
³⁰ 718 Phil. 575 (2013).

The petition at bench does not speak of an illegal cause of contract constituting a criminal offense under Article 1411. Neither can it be said that Article 1412 finds application although such provision which is part of Title II, Book IV of the Civil Code speaks of contracts in general, as well as contracts which are null and void *ab initio* pursuant to Article 1409 of the Civil Code – such as the subject contracts, which as claimed, are violative of the mandatory provision of the law on legitimes.

X X X X


Finding the inapplicability of the *in pari delicto* doctrine, We find occasion to stress that **Article 1412 of the Civil Code that breathes life to the doctrine speaks of the rights and obligations of the parties to the contract with an illegal cause or object which does not constitute a criminal offense.** It applies to contracts which are void for illegality of subject matter and not to contracts rendered void for being simulated, or those in which the parties do not really intend to be bound thereby. Specifically, *in pari delicto* situations involve the parties in one contract who are both at fault, such that neither can recover nor have any action against each other.³¹ (Citations omitted and emphasis ours)

Here, there is neither an illegal cause nor unlawful cause which would necessitate the application of Articles 1411 and 1412 of the Civil Code. The petitioner is mistaken in the application of the doctrine of *in pari delicto*.

The Court agrees with the courts *a quo* that the petitioner cannot claim reimbursement for any expense incurred in the improvements on the lot.

WHEREFORE, the petition is **DENIED**. The Decision dated September 15, 2011 and Resolution dated February 6, 2012 of the Court of Appeals, in CA-G.R. CV No. 90099, are **AFFIRMED**.


SO ORDERED.


BIENVENIDO L. REYES
Associate Justice

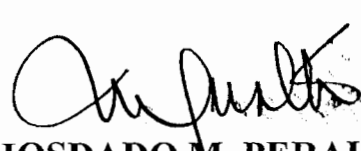
³¹

Id. at 584-587.

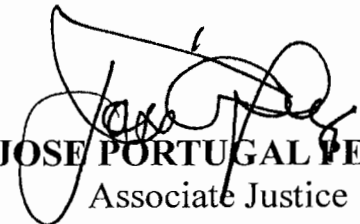
WE CONCUR:




PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson



DIOSDADO M. PERALTA
Associate Justice




JOSE PORTUGAL PEREZ
Associate Justice



FRANCIS H. JARDELEZA
Associate Justice

ATTESTATION

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



PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson



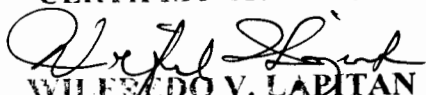
CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO
Chief Justice

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WILFREDO V. LAPITAN
Division Clerk of Court
Third Division

SEP 19 2016

