



Republic of the Philippines  
Supreme Court  
Manila

**THIRD DIVISION**

**DIOSCORO POLIÑO BACALA,**  
Substitute Judicial Guardian of  
**Incompetent AQUILINO O. POLIÑO,**  
*Petitioner,*

-versus-

**HEIRS OF SPOUSES JUAN POLIÑO  
AND CORAZON ROM, namely:  
RUBEN R. POLIÑO, BRENDY R.  
POLIÑO, CARLITO R. POLIÑO, and  
BANDY R. POLIÑO, represented by  
RUBEN R. POLIÑO,**

*Respondents.*

**G.R. No. 200608**

Present:

LEONEN, J.,  
*Chairperson,*  
HERNANDO,  
INTING,  
DELOS SANTOS, and  
LOPEZ, J. Y., J.J.

Promulgated:

February 10, 2021

Mis. DCBatt

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**DECISION**

**HERNANDO, J.:**

This Petition for Review on *Certiorari*<sup>1</sup> assails the March 10, 2011 Decision<sup>2</sup> and the February 3, 2012 Resolution<sup>3</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 79095-MIN.

**The Antecedents:**

The case stemmed from a complaint for nullity and/or annulment of sale, accounting, damages, and attorney's fees with prayer for injunctive reliefs<sup>4</sup> (complaint) filed by original plaintiff, Aproniana Poliño Balisalisa (Aproniana), as judicial guardian of Aquilino O. Poliño (Aquilino) and Ducepino O. Poliño

<sup>1</sup> *Rollo*, pp. 5-40.

<sup>2</sup> Id. at 42-57; penned by Associate Justice Rodrigo F. Lim, Jr. and concurred in by Associate Justices Angelita A. Gacutan and Nina G. Antonio-Valenzuela.

<sup>3</sup> Id. at 82-83.

<sup>4</sup> Records, pp. 1-9.

(Ducepino), against original defendants-spouses Juan Poliño (Juan) and Corazon Rom (Corazon) docketed as Civil Case No. 1863 before the Regional Trial Court (RTC), Branch 32 of Lupon, Davao Oriental.

Aproniana, Juan, and Anecito Poliño<sup>5</sup> (Anecito) were siblings. Anecito, married to Clara O. Poliño (Clara), was the father of Aquilino and Ducepino. Both sons were mentally incapacitated.<sup>6</sup>

Anecito and Clara were the registered owners of a parcel of land planted with coconuts located at Cocoron, Lupon, Davao Oriental (subject property).<sup>7</sup> It spanned an area of 80,003 square meters and covered by Transfer Certificate of Title (TCT) No. T-3353.<sup>8</sup> Anecito and Clara died<sup>9</sup> intestate on November 21, 1994 and November 18, 1987, respectively. They were survived by their sons and sole heirs, Aquilino and Ducepino.

A Deed of Sale<sup>10</sup> and an Agreement,<sup>11</sup> executed by and between Anecito and Juan on April 13, 1992, however surfaced and spawned a legal controversy among the family members. In the Deed of Sale, Anecito allegedly ceded unto Juan the subject property for a consideration of ₱15,000.00, while the Agreement stipulated that during Anecito's lifetime, Juan shall allow Anecito to enjoy the usufruct of the subject property, and that upon Anecito's death, Juan shall continue to support and provide financial assistance to Aquilino and Ducepino. The Agreement further provided that breach of its terms shall render the Deed of Sale non-effective and nugatory.

Aproniana applied for the issuance of letters of guardianship over Aquilino and Ducepino docketed as Special Proceedings No. 237 before the RTC, Branch 5 of Mati, Davao Oriental. Aproniana's petition was granted on June 6, 1996<sup>12</sup> upon filing a bond of ₱20,000.00. She took her oath of guardianship on August 7, 1996.<sup>13</sup>

While the guardianship proceedings were pending, Juan executed a Deed of Voluntary Transfer on February 23, 1996 conveying the subject property to his children.<sup>14</sup> On September 3, 1996, Aproniana instituted the instant Complaint against the spouses Juan and Corazon and in behalf of siblings Aquilino and Ducepino seeking the nullification of the April 13, 1992 Deed of Sale and Agreement, among other reliefs.

<sup>5</sup> Also referred to in some parts of the records as Aniceto Poliño.

<sup>6</sup> *Rollo*, p. 43.

<sup>7</sup> Records, p. 309.

<sup>8</sup> Folder of Exhibits, Exh. G.

<sup>9</sup> Records, pp. 15-16.

<sup>10</sup> Folder of Exhibits, Exh. I.

<sup>11</sup> *Id.*, Exh. J.

<sup>12</sup> Records, pp. 12-13.

<sup>13</sup> *Id.* at 11.

<sup>14</sup> *Id.* at 50-54.

Aproniana assailed the validity of both documents for being fictitious and without consideration. She claimed that it was incongruous for Anecito to sell the subject property for ₱15,000.00 when it had a market value of at least ₱150,000.00 at the time of sale. Moreover, Juan allegedly could not afford to pay the real value of the subject property as he had no known means of livelihood. She claimed that the transaction was in reality a donation *mortis causa*, and since it was not executed in accordance with the formalities of the law, it was null and void.<sup>15</sup>

Aproniana also claimed that while Juan knew that Aquilino and Ducepino were mentally incapacitated, the sale transpired without the two brothers being represented therein. Aproniana further averred that Juan and Corazon took possession of the property and arrogated unto themselves the full enjoyment thereof and its fruits to the detriment of Aquilino and Ducepino who had not been properly taken care of until she took them under her custody in 1996. Despite being the rightful heirs of the spouses Anecito and Clara, the incompetent siblings were deprived of their rights as owners of the subject property.<sup>16</sup>

In all, Aproniana, in behalf of Aquilino and Ducepino, sought to enjoin the spouses Juan and Corazon from further gathering the fruits of the subject property and to compel them to account for all the past harvests made thereon. Aproniana also prayed in her representative capacity that the spouses Juan and Corazon be ordered to pay Aquilino and Ducepino ₱200,000.00 for actual damages, ₱100,000.00 as moral damages, ₱20,000.00 as exemplary damages, ₱30,000.00 for litigation expenses, ₱100,000.00 as attorney's fees, and ₱1,000.00 for court appearance fees.<sup>17</sup>

The spouses Juan and Corazon denied the accusations against them. They averred that they have other means of income. Despite Aproniana's appointment as judicial guardian, they continued to provide for the material needs of Aquilino and Ducepino who remained under their custody since Aproniana was neglectful of her duties as the appointed guardian. By way of counterclaims, the spouses Juan and Corazon prayed that they be awarded the amounts of ₱10,000.00 as attorney's fees and ₱10,000.00 for litigation expenses.<sup>18</sup>

Trial proceeded.

Aproniana alone testified for the plaintiff's side.<sup>19</sup> Aside from her allegations in the complaint, she stated on the witness stand that Ducepino had passed away<sup>20</sup> and that Aquilino is residing at her house. After Anecito's death, Aproniana learned from Juan that Anecito sold him the subject property for

<sup>15</sup> Id. at 3-4.

<sup>16</sup> Id. at 4-5.

<sup>17</sup> Id. at 5.

<sup>18</sup> Id. at 31-33.

<sup>19</sup> TSN (Civil Case No. 1863), January 14, 1997, p. 4.

<sup>20</sup> Id. at 8.

₱15,000.00, although no money was actually paid. Clara was already deceased at the time of the sale. Despite the conditions imposed by Anecito in the Agreement, Juan neglected the incapacitated siblings which caused the death of Ducepino. Juan even tied both siblings up whenever he left them in the house.<sup>21</sup>

On cross-examination, Aproniana clarified that Aquilino and Ducepino lived with Juan after their father Anecito died in 1994. She took Aquilino into her custody in 1996, after the demise of Ducepino. Juan paid for Ducepino's funeral expenses. Aproniana filed the petition for letters of guardianship when she learned of Juan's intent to subdivide the subject property for his own children even if Juan never paid for the land. Aproniana also stated that while Anecito bought the subject property when he was not yet married, he acquired title thereto only after his marriage to Clara. Aproniana further disclosed that coconuts were being harvested from the subject property every three months, with ₱7,000.00 as her share.<sup>22</sup>

Juan was the sole witness for the respondents.<sup>23</sup> At the time of the taking of his testimony, Aproniana and original co-defendant Corazon had also passed away.<sup>24</sup> While no substitution was made for Aproniana, Corazon was substituted by Juan and their children, namely Carlito R. Poliño, Ruben R. Poliño, Brendo R. Poliño, and Randy R. Poliño (collectively, heirs of spouses Poliño).<sup>25</sup>

Juan testified during his direct examination that Aquilino was living with Teodulo Balisala, Sr. (Teodulo), Aproniana's husband. Juan maintained that Anecito sold the subject property to him; and that he has in his possession the title to the subject property but it has yet to be transferred to his name. Because Anecito was sickly, he and his sons stayed in Juan's house after the disputed sale transaction in 1992 until Anecito's death in 1994.<sup>26</sup>

On cross-examination, Juan stated that the Deed of Sale was executed in the Office of the Provincial Attorney. He and Anecito appeared before the notary public during its signing. The subject property was valued at ₱15,000.00 at the time. Anecito surrendered to him the title of the subject property. Juan also clarified that Anecito had bought the subject property in 1953 but the title was issued in his name only in 1972 when he was already married to Clara. Juan knew that Anecito had two incompetent children. He was also aware that the Agreement stated that Anecito will enjoy the fruits of the subject property and that after his death, the subject property will be turned over to Juan, who will provide financial assistance to Aquilino and Ducepino. Aproniana did not help in the maintenance of the subject property.<sup>27</sup>

<sup>21</sup> Records, p. 301.

<sup>22</sup> Id. at 301-302.

<sup>23</sup> TSN (Civil Case No. 1863), November 5, 1997.

<sup>24</sup> Records, pp. 83 & 91; per Aproniana and Corazon's Certificates of Death.

<sup>25</sup> Id. at 92.

<sup>26</sup> Id. at 302-303; TSN, November 5, 1997, pp. 5-20.

<sup>27</sup> TSN, November 5, 1997, pp. 20-25.

On re-direct examination, Juan declared that he had already started subdividing the subject property. Aquilino and Ducepino will not share in the subdivision of the subject property but they will be given support during their lifetime. Juan reiterated that he was in actual physical possession of the property and that he was obligated to take care of the two incompetent children upon the demise of Anecito.<sup>28</sup>

Teodulo, Aproniana's husband, died during the proceedings.<sup>29</sup> While records do not show that the RTC had expressly ordered for their substitution, the case was allowed to proceed with Dioscoro Poliño Bacala (Dioscoro), Aproniana's nephew, as the representative for the plaintiff.<sup>30</sup>

### Ruling of the Regional Trial Court:

On February 18, 2002,<sup>31</sup> the RTC decided in favor of Aproniana. It gave credit to her testimony that the supposed sale between Anecito and Juan involved no money and was not truly paid for. Juan never rebutted this in his testimony or otherwise. He neither said that he had paid the purchase price of ₱15,000.00, nor did he testify that he had the financial capacity to pay the said amount. There being no cause or consideration, the RTC voided the Deed of Sale.

The RTC also found as illogical for any person to sell his property for ₱15,000.00 when the market value per the 1993 tax declaration was ₱119,893.00. The trial court likewise considered as beyond common sense and logic the fact that the subject property was earning ₱7,000.00 every 3 months but was sold for only ₱15,000.00. It held that the Deed of Sale was null and void for lack of cause or consideration and for being fictitious and simulated pursuant to Articles 1409, 1352, and 1346 of the Civil Code. The Agreement was also declared to be a nullity as its terms and conditions were derived from the Deed of Sale that was likewise null and void.<sup>32</sup>

Even if the Deed of Sale and the Agreement would be deemed as a donation, the RTC held the same to be null and void for failure to comply with the formalities of a donation as prescribed under Article 749 of the Civil Code.<sup>33</sup>

Moreover, the trial court found that Juan failed to prove that Anecito enjoyed the usufruct of the subject property. It was also determined that Juan did not take care of or provide financial support to the siblings after Anecito's

<sup>28</sup> Id. at 25-27.

<sup>29</sup> Records, p. 144; per Teodulo's Certificate of Death.

<sup>30</sup> It was also manifested in petitioner Dioscoro's Motion for the Issuance of a Writ of Preliminary Mandatory Injunction (*id.* at 172) and Memorandum for the Plaintiff (*id.* at 217) filed before the RTC that an Order had been issued in Special Proceedings No. 237 appointing him as Aquilino's substitute guardian and that he took his oath as such upon the filing of a bond.

<sup>31</sup> Records, pp. 286-331; penned by Judge Pelagio S. Paguican.

<sup>32</sup> Id. at 320-324.

<sup>33</sup> Id. at 324.

death in 1994, which neglect resulted in the death of Ducepino. Thus, the trial court concluded that Juan failed to comply with his obligations under the Agreement, leading to the nullity of the Deed of Sale.<sup>34</sup>

The dispositive portion of the February 18, 2002 RTC Decision<sup>35</sup> reads as follows:

1. Declaring as NULL and VOID the Deed of Sale dated April 13, 1992;
2. Ordering defendants to reconvey and/or return the possession of the parcel of land subject of this case covered by TCT No. T-3353 to herein surviving Incompetent Aquilino Poliño through his substituted Guardian Dioscoro Poliño Bacala;
3. Declaring as Null and Void the Agreement dated April 23, 1992;
4. Declaring as Null and Void the Deed of Voluntary Transfer;
5. Ordering Defendants to pay the amount of ₱28,000.00 per year as income of the land starting September 3, 1996 the date of the filing of this case or the sum of ₱147,000.00 as of December 31, 2001 plus ₱7,000.00 every three months thereafter until this case is decided with finality and the land shall have been reconveyed and/or returned to Plaintiff Aquilino Poliño through his substituted legal guardian Dioscoro Poliño Bacala; and
6. Ordering Defendants to pay ₱20,000.00 as attorney's fees and appearance fees.

SO ORDERED.<sup>36</sup> (Citations omitted.)

The heirs of the spouses Poliño appealed to the CA.

### **Ruling of the Court of Appeals:**

The CA reversed the RTC. Citing Article 1354 of the Civil Code and the best evidence rule, the appellate court presumed the existence of a cause and consideration in the Deed of Sale in question. Aproniana had failed to prove that the amount of ₱15,000.00 was grossly inadequate and her arguments were hearsay. Thus, the CA declared the Deed of Sale and Agreement between Anecito and Juan valid. Likewise, the appellate court upheld the validity of the Agreement and the Deed of Voluntary Land Transfer as their terms and conditions were derived from the validity of the Deed of Sale.<sup>37</sup>

It was also held in the CA Decision that even if the Agreement was to be considered as a donation, the same is still valid since it is an onerous donation that required Juan to take care of Anecito's children after his death. According to the CA, onerous donations are governed by the rules on contracts, and thus,

<sup>34</sup> Id. at 325-326.

<sup>35</sup> Id. at 286-331.

<sup>36</sup> Id. at 330-331.

<sup>37</sup> *Rollo*, pp. 51-53.

the formalities of a donation are not necessary for the Deed of Sale and the Agreement to be valid.<sup>38</sup>

The CA also found the RTC incautious for relying on the plain accusations of Aproniana in attributing grave negligence against Juan. The RTC should have exerted more effort in ascertaining the veracity of said assertions and not just accept the same at face value without receiving further evidence just because the defendants failed to refute them.<sup>39</sup>

In its March 10, 2011 Decision, the CA disposed of the appeal in the following manner:

WHEREFORE, premises considered, the appeal is hereby **GRANTED** and the assailed Decision dated February 18, 2002 of the court *a quo* is hereby **REVERSED and SET ASIDE.**

SO ORDERED.<sup>40</sup>

In its February 3, 2012 Resolution,<sup>41</sup> the CA denied the Motion for Reconsideration<sup>42</sup> of its March 10, 2011 Decision.

Thus, this Petition by Dioscoro, as Aproniana's substitute and Aquilino's representative.

### Issues

#### I

IN RESOLVING THE ISSUE ON NULLITY OF A DEED OF SALE THE STATED PRICE OF WHICH IS GROSSLY INADEQUATE COMPARED TO THE MARKET VALUE OF THE LAND INVOLVED, WHICH RULE SHALL APPLY – IS IT THE ADMISSION BY SILENCE OF THE VENDEE THAT THE SAID DEED OF SALE WAS WITHOUT CONSIDERATION OR IS IT THE BEST EVIDENCE RULE?

#### II

WILL GROSS INADEQUACY OF THE PRICE STATED IN THE DEED OF SALE VIS-À-VIS THE MARKET VALUE OF THE LAND INVOLVED NECESSITATE INTERVENTION OF THE HONORABLE SUPREME COURT ON GROUNDS OF EQUITY?

#### III

ARE THE AGREEMENT AND THE DEED OF SALE EXECUTED BY THE PARTIES ON THE SAME DAY BE READ AND CONSTRUED TOGETHER TO DETERMINE THE REAL INTENTION OF THE PARTIES UNDER THE

<sup>38</sup> Id. at 54-55.

<sup>39</sup> Id. at 55.

<sup>40</sup> Id. at 56.

<sup>41</sup> Id. at 82-83.

<sup>42</sup> Id. at 58-80.

COMPLEMENTARY CONTRACTS CLOSELY CONSTRUED TOGETHER  
DOCTRINE?<sup>43</sup>

The Court restructures these questions:

- (1) Will gross inadequacy of the price nullify the contract between Anecito and Juan?
- (2) What was the contract between Anecito and Juan?
- (3) Was the contract between Anecito and Juan valid?

**Our Ruling**

We affirm the CA's ruling validating the Deed of Sale and the Agreement. However, there being conflicting findings of facts by the trial court and the appellate court, the Court plows through the records and evidence to clarify these, deviating from the general rule that only errors of law may be entertained in a Rule 45 petition.<sup>44</sup>

**Gross inadequacy of the price did  
not invalidate the subject  
contract.**

Petitioner insists on the nullity of the Deed of Sale and the Agreement for lack of consideration. He anchors this claim upon the following testimony of Aproniana that Juan allegedly did not rebut:

- Q        Before the death of [Anecito] do you have the knowledge that [Anecito] sold the land to the defendants?  
A        Yes.
- Q        When did you first know [of] the sale of the property, was it during his lifetime or after his death?  
A        After his death.
- Q        When did you come to know [of] the said sale?  
A        I went to the house of my brother and he told me, my brother [Anecito] executed a deed of sale in the amount of P15,000.00 but without any money involved as payment of the land.<sup>45</sup>

Petitioner is mistaken. Two presumptions find relevance in this case.

*First*, a contract enjoys the presumption that it is supported by an existing

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<sup>43</sup> *Id.* at 10-11.

<sup>44</sup> *Gatan v. Vinarao*, 820 Phil. 257, 267 (2017).

<sup>45</sup> *Rollo*, p. 12. See also TSN (Civil Case NO. 1863), January 14, 1997, pp. 8-9.

and lawful cause or consideration.<sup>46</sup> This presumption is disputable<sup>47</sup> and may be overthrown by preponderance of evidence to the contrary.<sup>48</sup> *Preponderance of evidence* is the weight, credit, and value of the aggregate evidence on either side and is usually considered to be synonymous with the term “greater weight of evidence” or “greater weight of credible evidence.”<sup>49</sup>

*Second*, notarized documents, being public in nature, require no further proof of their authenticity and due execution. They are entitled to full faith and credit on its face and are *prima facie* evidence of the facts stated therein.<sup>50</sup> To overturn this presumption of regularity, *clear and convincing proof* is required.<sup>51</sup>

The Deed of Sale states in plain terms that the subject property is being sold for ₱15,000.00. Anecito had expressly acknowledged in the Deed of Sale his receipt of the said amount as consideration of the contract. No further issue on the regularity of the notarization was raised on appeal. To debunk the existence of consideration in the Deed of Sale, there must be more than mere preponderant evidence showing that Anecito did not truly execute the disputed document or that the parties had not truly intended a contract of sale.

However, whether preponderant, clear, or convincing, petitioner never submitted any controverting evidence. Aproniana only stated that Anecito had told her that the sale was simulated and that no consideration was paid.<sup>52</sup> Aside from what Aproniana stated, nothing else was presented in support of the claim that the amount of ₱15,000.00 was fabricated or actually unpaid. Settled is the rule that bare allegations have no probative value.

Consequently, the burden of evidence never shifted to Juan. The legal presumptions of the existence of a valid consideration and regularity of execution of contract still stand in favor of the Deed of Sale. Juan’s supposed silence cannot be taken against him. The Court thus rejects petitioner’s theory that the disputed transaction is void for lack of consideration or for being simulated.

### **The Contract between Anecito and Juan was a sale subject to a resolutory condition.**

Petitioner advances the alternative theory that the transaction between Anecito and Juan was in fact a donation *mortis causa* due to the following circumstances: (1) the gross inadequacy of the price; (2) the stipulation that

<sup>46</sup> Article 1354, Civil Code.

<sup>47</sup> Section 3 (r), Rule 131, Rules of Court.

<sup>48</sup> Section 1, Rule 133, Rules of Court.

<sup>49</sup> *Ogawa v. Meginishi*, 690 Phil. 359, 367 (2012).

<sup>50</sup> Id.

<sup>51</sup> Id.

<sup>52</sup> TSN (Civil Case No. 1863), January 14, 1997, p. 9.

Anecito shall continue to enjoy the usufruct of the subject property during his lifetime; (3) the condition that Juan shall provide financial support to Aquilino and Ducepino after Anecito's death; and (4) the withholding of the delivery of the subject property to Juan until Anecito's death and upon the suspensive condition for Juan to provide the said financial assistance to Anecito's children. Petitioner points to the following provision of the Civil Code:

Art. 728. Donations which are to take effect upon the death of the donor partake of the nature of testamentary provisions, and shall be governed by the rules established in the Title of Succession.

Petitioner goes on to conclude that this transaction between Anecito and Juan that was actually a donation *mortis causa* did not comply with the formalities of a will under Articles 804,<sup>53</sup> 805,<sup>54</sup> and 806.<sup>55</sup> Hence, even if the Deed of Sale and the Agreement would be construed as a donation, they remain null and void.

The Court dismisses this theory.

Gross inadequacy or simulation of price neither affects nor invalidates a sale, but it can be shown that the parties may have really intended a donation or some other act or contract.<sup>56</sup> The burden of proof weighs on the party making the allegation against these presumptions.

The obtaining circumstances, however, do not lead to a correct conclusion that the transaction between Anecito and Juan was a donation.

Article 725 of the Civil Code describes *donation* as follows:

Article 725. Donation is an act of liberality whereby a person disposes gratuitously of a thing or right in favor of another, who accepts it.

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<sup>53</sup> Article 804. Every will must be in writing and executed in a language or dialect known to the testator.

<sup>54</sup> Article 805. Every will, other than a holographic will, must be subscribed at the end thereof by the testator himself or by the testator's name written by some other person in his presence, and by his express direction, and attested and subscribed by three or more credible witnesses in the presence of the testator and of one another.

The testator or the person requested by him to write his name and the instrumental witnesses of the will, shall also sign, as aforesaid, each and every page thereof, except the last, on the left margin, and all the pages shall be numbered correlative in letters placed on the upper part of each page.

The attestation shall state the number of pages used upon which the will is written, and the fact that the testator signed the will and every page thereof, or caused some other person to write his name, under his express direction, in the presence of the instrumental witnesses, and that the latter witnessed and signed the will and all the pages thereof in the presence of the testator and of one another.

If the attestation clause is in a language not known to the witnesses, it shall be interpreted to them.

<sup>55</sup> Article 806. Every will must be acknowledged before a notary public by the testator and the witnesses. The notary public shall not be required to retain a copy of the will, or file another with the office of the Clerk of Court.

<sup>56</sup> Articles 1470 and 1471, Civil Code.

Donation has three indispensable elements: (1) the reduction of the patrimony of the donor; (2) the increase in the patrimony of the donee; and (3) the intent to do an act of liberality or *animus donandi*.<sup>57</sup> Not all three are present. While Anecito's patrimony may have decreased with the correlative increase in that of Juan by virtue of the Deed of Sale and Agreement, it does not appear that this was impelled by liberality on the part of Anecito. Had *animus donandi* really been the true motive for the transfer of the subject property, Anecito and Juan would have so stated in the documents that they executed. However, the Deed of Sale clearly states that the conveyance was for a consideration of the amount of ₱15,000.00. Again, petitioner was remiss in her evidentiary duty to prove otherwise. There was just a dearth of evidence to show that Juan and Anecito actually intended a donation *mortis causa* or some contract other than a sale.

It was further alleged by Aproniana in the original Complaint and reiterated by Dioscoro in the Petition that "the Deed of Sale clearly appears to be null and void for being fictitious and without consideration as it purports that Aniceto D. Poliño sold the entire property for a stated consideration of ₱15,000.00[,] when the said property at the time of the sale in 1992 had a market value of approximately ₱300,000.00 and per said Tax Declaration, the stated market value of the land and improvements is ₱150,000.00, more or less[.]"<sup>58</sup>

However, one cannot question a contract of sale for being simulated and at the same time assail the same for having a grossly inadequate consideration. The Court has declared in *Sta. Fe Realty, Inc. v. Sison*<sup>59</sup> that the two grounds are incompatible, since "[i]f there exists an actual consideration for transfer evidenced by the alleged act of sale, no matter how inadequate it be, the transaction could not be a simulated sale."<sup>60</sup>

The CA determined that Anecito and Juan entered into a valid contract of sale. The Court agrees, but with qualifications.

The Deed of Sale stated:

WHEREAS, [Anecito] is the owner in fee simple of a parcel of land, situated at Cocoron, Lupon, Davao Oriental, covered by Transfer Certificate of Title No. T-3353 of the Register of Deeds of Davao Oriental xxx containing an area of EIGHTY THOUSAND AND THREE (80,003) SQUARE METERS xxx.

That for and in consideration of the sum of **FIFTEEN THOUSAND (₱15,000.00) PESOS**, receipt of which is hereby confessed and acknowledged to the satisfaction of [Anecito], [Anecito] by these presents do hereby SELL, TRANSFER and CONVEY, forever and irrevocable unto [Juan], his heirs and assigns, the above-described property together with all the improvements found and existing thereon, free from all liens and encumbrances and charges

<sup>57</sup> *Heirs of Florencio v. Heirs of De Leon*, 469 Phil. 459, 474 (2004).

<sup>58</sup> *Rollo*, p. 21.

<sup>59</sup> 794 Phil. 180 (2016).

<sup>60</sup> *Id.* at 189; citing *Alina v. Heirs of Angelica A. Lorenzo*, 578 Phil. 698, 711 (2008).

whatsoever.<sup>61</sup> (Emphasis supplied.)

Article 1458 of the Civil Code defines a contract of sale:

By the contract of sale, one of the contracting parties obligates himself to transfer the ownership of and to deliver a determinate thing, and the other to pay therefor a price certain in money or its equivalent. x x x

The elements of a contract of sale are: (1) consent or meeting of the minds, that is, consent to transfer ownership in exchange for the price; (2) determinate subject matter; and (3) price certain in money or its equivalent.<sup>62</sup>

The Deed of Sale contains all the three basic requisites of a contract of sale. All three elements were established, since no issue was raised as to any vice tainting Anecito's and Juan's consent to the transaction conveying ownership over the subject property. The price therefor, the third element, was also stated as the consideration in the Deed of Sale. As earlier discussed, the gross inadequacy of the purchase price did not invalidate the Deed of Sale and the Agreement.

Contrary to the findings of the CA, the contract of sale between Anecito and Juan is not an absolute sale. The Agreement that was appended to and executed simultaneously with the Deed of Sale was worded in this manner:

That [Juan] is a VENDEE from [Anecito] of a certain parcel of land with improvements consisting of fruit bearing coconuts situated at Cocoron, Lupon, Davao Oriental, which land is covered by Transfer Certificate of Title No. T-3353 of the Register of Deeds of Davao Oriental, with an area of 80,003 square meters, more or less;

That [Juan] and [Anecito] after the execution of the Deed of Sale involving the said parcel of land agreed and stipulated among other things that **during the lifetime of [Anecito] he shall still enjoy in usufruct the fruits** of the above-described property, **and in case of his death [Juan] likewise agree[d] to support and give financial assistance to the two children** who are mentally incapacitated;

That the parties to this Agreement likewise agree and stipulate that they will abide with the terms and conditions therein set forth and **that in case of breach thereof then the Deed of Sale shall be rendered non-effective and nugatory.**<sup>63</sup> (Emphasis supplied.)

A resolutory condition extinguishes a transaction that, for a time, existed and discharges the obligations created thereunder.<sup>64</sup> It was stipulated in the Agreement that Anecito shall enjoy the usufruct of the subject property, and that upon Anecito's death, Juan shall support and give financial assistance to Aquilino and Ducepino. These stipulations in the Agreement are resolutory as

<sup>61</sup> Folder of Exhibits, Exh. I.

<sup>62</sup> Article 1318, Civil Code.

<sup>63</sup> Folder of Exhibits, Exh. I.

<sup>64</sup> Following *Soliva v. Intestate Estate of Villalba*, 462 Phil. 761 (2003).

Anecito and Juan also agreed that breach of the terms and conditions of the Agreement shall render the Deed of Sale non-effective and nugatory.

Petitioner even imposes upon this Court the evidential superiority of Juan's alleged admission by silence over the terms of the contract as reinforced by the "best evidence rule" applied by the CA. The said rule is embodied in Section 3, Rule 130 of the Rules of Court:

**Section 3. Original document must be produced** x x x — When the subject of inquiry is the contents of a document, no evidence shall be admissible other than the original document itself x x x

Rather than the "best evidence rule" that was apparently mis-cited by the appellate court, the *parol evidence rule* appears more apt in this case. Section 10, Rule 130 of the Rules of Court defines this rule:

**Section 10. Evidence of written agreements.** — When the terms of an agreement have been reduced to writing, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors in interest, no evidence of such terms other than the contents of the written agreement.

x x x x (Emphasis supplied.)

The *parol evidence rule* forbids any addition to or contradiction of the terms of a written instrument by testimony or other evidence purporting to show that, at or before the execution of the parties' written agreement, other or different terms were agreed upon by the parties, varying the purport of the written contract.<sup>65</sup> Related to this is the *plain meaning rule* and the *four corners rule*, densely explained by the Court in *Norton Resources and Development Corporation v. All Asia Bank Corporation*,<sup>66</sup> viz.:

Our ruling in *Benguet Corporation, et al. v. Cesar Cabildo* is instructive:

The cardinal rule in the interpretation of contracts is embodied in the first paragraph of Article 1370 of the Civil Code: "[i]f the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control." This provision is akin to the "plain meaning rule" applied by Pennsylvania courts, which assumes that **the intent of the parties to an instrument is "embodied in the writing itself, and when the words are clear and unambiguous the intent is to be discovered only from the express language of the agreement."** It also resembles the "four corners" rule, a principle which allows courts in some cases to search beneath the semantic surface for clues to meaning. A court's purpose in examining a contract is to interpret the intent of the contracting parties, as objectively manifested by them. The process of interpreting a contract requires the court to make a preliminary inquiry as to whether the contract before it is ambiguous.

<sup>65</sup> *Norton Resources and Development Corporation v. All Asia Bank Corporation*, 620 Phil. 381, 389 (2009).

<sup>66</sup> Id.

A contract provision is ambiguous if it is susceptible of two reasonable alternative interpretations. **Where the written terms of the contract are not ambiguous and can only be read one way, the court will interpret the contract as a matter of law.** If the contract is determined to be ambiguous, then the interpretation of the contract is left to the court, to resolve the ambiguity in the light of the intrinsic evidence.

In our jurisdiction, the rule is thoroughly discussed in *Bautista v. Court of Appeals*:

The rule is that where the language of a contract is plain and unambiguous, its meaning should be determined without reference to extrinsic facts or aids. The intention of the parties must be gathered from that language, and from that language alone. Stated differently, **where the language of a written contract is clear and unambiguous, the contract must be taken to mean that which, on its face, it purports to mean, unless some good reason can be assigned to show that the words should be understood in a different sense.** Courts cannot make for the parties better or more equitable agreements than they themselves have been satisfied to make, or rewrite contracts because they operate harshly or inequitably as to one of the parties, or alter them for the benefit of one party and to the detriment of the other, or by construction, relieve one of the parties from the terms which he voluntarily consented to, or impose on him those which he did not.<sup>67</sup> (Emphasis supplied and citations omitted.)

A contract is the law between the parties<sup>68</sup> and the best evidence of their intention. To preserve the constitutional liberties of contract, the courts ordinarily desist from interfering with the prerogatives of the consenting parties. This rule is not set in stone – in case of fraud, mistake, or any other vice vitiating consent by either or both of the parties, or if any or all contractual stipulations would be shown to be contrary to law, morals, good customs, public order, or public policy,<sup>69</sup> the courts may step in to consider all the prevailing circumstances and evidence to unmask the true intent behind the written word. No such vice of consent or illegalities were proven to taint the Deed of Sale and Agreement. Necessarily, there is no reason to look beyond the plain import of the parties' contractual stipulations.

Petitioner continues to insist on the application of the "complementary contracts construed together" doctrine and considerations of equity to determine the real intent of the parties behind the Deed of Sale and the Agreement. To use this doctrine in this case, however, militates against petitioner's position.

The "complementary contracts construed together" doctrine incarnates the spirit of Art. 1374 of the Civil Code,<sup>70</sup> which states that:

<sup>67</sup> Id. at 388-389.

<sup>68</sup> *Spouses Mallari v. Prudential Bank*, 710 Phil. 490, 497 (2013).

<sup>69</sup> Id.; citing Article 1306, Civil Code.

<sup>70</sup> *Velasquez v. Court of Appeals*, 368 Phil. 863, 870 (1999).

Art. 1374. The various stipulations of a contract shall be interpreted together, attributing **to the doubtful ones** that sense which may result from all of them taken jointly. (Emphasis supplied.)

On the other hand, equity is applied as a means of resolving justiciable cases only in the absence of statutory law or rules of procedure.<sup>71</sup> Such class of jurisdiction is rooted in Article 9 of the Civil Code, which expressly mandates the courts to make a ruling despite the “silence, obscurity or insufficiency of the laws”<sup>72</sup> to “fill the open spaces in the law.”<sup>73</sup>

Doubtful stipulations must obtain for the doctrine to aid the courts in construing related contracts. The stipulations in the Deed of Sale and Agreement at hand are too clear for the doctrine to operate thereon. Even if the case necessitates the application of the doctrine, the contracts already state in uncertain terms that Anecito bound himself to sell the subject property to Juan for the price of ₱15,000.00, under the conditions that Anecito shall retain enjoyment of the fruits of the subject property and that Juan shall support Aquilino and Ducepino after Anecito’s death. In the same vein, the Court desists from exercising its equity jurisdiction as a means of determining the nature of the Deed of Sale and Agreement. Suffice it to state that the Court finds no such open space in the law within which to exercise its equity jurisdiction.

### **The Deed of Sale and the Agreement remain valid.**

Substantial breaches of contract are fundamental violations as would defeat the very object of the parties in making the agreement.<sup>74</sup> The happening of a resolutory condition is a substantial breach that may give either party thereto the option to bring an action to rescind the contract and/or seek damages. Article 1191 of the Civil Code provides:

Art. 1191. The power to rescind obligations is implied in reciprocal ones, **in case one of the obligors should not comply with what is incumbent upon him.**

The injured party may choose between the fulfillment and the rescission of the obligation, with the payment of damages in either case. He may also seek rescission, even after he has chosen fulfillment, if the latter should become impossible.

**The court shall decree the rescission claimed,** unless there be just cause authorizing the fixing of a period.

<sup>71</sup> *Reyes v. Lim*, 456 Phil. 1, 9-10 (2003).

<sup>72</sup> Article 9 of the Civil Code provides: “No judge or court shall decline to render judgment by reason of the silence, obscurity or insufficiency of the laws.”

<sup>73</sup> *Reyes v. Lim*, supra 10

<sup>74</sup> Following *Golden Valley Exploration, Inc. v. Pinkian Mining Company and Copper Valley, Inc.*, 736 Phil. 230, 236-237 (2014).

x x x x

As a general rule, the power to rescind an obligation must be invoked judicially and cannot be exercised solely on a party's own judgment that the other has committed a breach of the obligation.<sup>75</sup> As an exception, an injured party need not resort to court action in order to rescind a contract when the contract itself provides that it may be revoked or cancelled upon violation of its terms and conditions.<sup>76</sup> The exception appears to hold in this case, as the Agreement clearly directed as follows:

That the parties to this Agreement likewise agree and stipulate that they will abide with the terms and conditions therein set forth and that in case of breach thereof then the Deed of Sale shall be rendered non-effective and nugatory.<sup>77</sup> (Emphasis supplied.)

The Agreement already provided a self-terminating clause upon a breach of the conditions therein. Nonetheless, the Court is still left to decide whether the said conditions have indeed been met to warrant the dissolution of the Deed of Sale.

Since the inception of this case, Aproniana had always insisted on the ineffectivity of the Deed of Sale and the Agreement due to Juan's failure to comply with the twin conditions therein. The necessity of proving, however, lies with the person who sues.<sup>78</sup> Aproniana had never adduced any concrete evidence that Anecito, during his lifetime, had never received any income produced by the subject property. Nothing on record also shows that Juan truly left Aquilino and Ducepino to fend on their own after the death of Anecito, or that Juan's neglect caused Ducepino's death as Aproniana had insinuated.

While courts are in constant pursuit of the truth, judgments are rendered only upon application of the law on facts, and facts are ordinarily established by tangible evidence. It is not all the time that judicial admissions, the parties' stipulations, or legal presumptions are available or potent to dispense with the requirement of proof. Lamentably, this long-standing controversy is but a "he said, she said" situation at best. However sympathetic the courts may be to the plight of a party, one cannot simply claim what one fails to prove before the courts. Basic fairness impels this rule.

**WHEREFORE**, the Petition is **DENIED**. The April 13, 1992 Deed of Sale and Agreement and the Deed of Voluntary Transfer are declared **VALID**. The March 10, 2011 Decision and the February 3, 2012 Resolution of the Court of Appeals in CA-G.R. CV No. 79095-MIN are **AFFIRMED**. Costs on petitioners.

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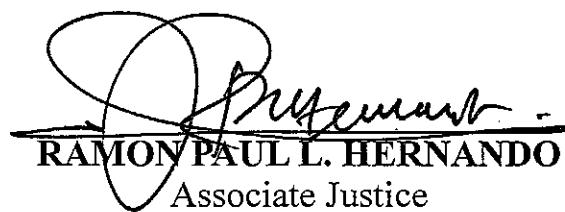
<sup>75</sup> Id. at 236.

<sup>76</sup> Id. at 237.

<sup>77</sup> Folder of Exhibits, Exh. J.

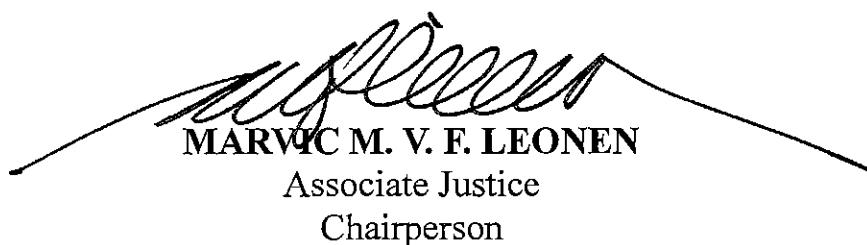
<sup>78</sup> *MOF Company, Inc., v. Shin Yang Brokerage Corporation*, 623 Phil. 424 (2009).

**SO ORDERED.**



**RAMON PAUL L. HERNANDO**  
Associate Justice

WE CONCUR:



**MARVIC M. V. F. LEONEN**  
Associate Justice  
Chairperson



**HENRI JEAN PAUL B. INTING**  
Associate Justice



**EDGARDO L. DELOS SANTOS**  
Associate Justice



**JHOSEP Y. LOPEZ**  
Associate Justice

**ATTESTATION**

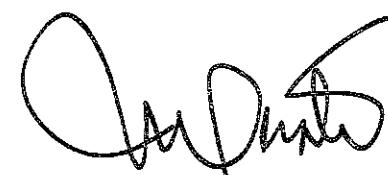
I attest that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARVIC M. V. F. LEONEN  
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 Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



DIOSDADO M. PERALTA  
Chief Justice