



Republic of the Philippines
Supreme Court
Baguio City

SUPREME COURT OF THE PHILIPPINES
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SECOND DIVISION

SPOUSES JOHN T. SY AND LENY N.
SY, AND VALENTINO T. SY,

Petitioners,

G.R. No. 239088

Present:

- versus -

CARPIO, J., *Chairperson*,
PERLAS-BERNABE,
CAGUIOA,
J. REYES, JR.,* and
LAZARO-JAVIER, JJ.

MA. LOURDES DE VERA-
NAVARRO AND BENJAEMY HO
TAN LANDHOLDINGS, INC.,
HEREIN REPRESENTED BY
GRACE T. MOLINA, IN HER
CAPACITY AS CORPORATE
SECRETARY,

Respondents.

Promulgated:

03 APR 2019

MHCabalag

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DECISION

CAGUIOA, J.:

Before the Court is a Petition for Review on *Certiorari*¹ (Petition) under Rule 45 of the Rules of Court filed by petitioners Spouses John T. Sy (petitioner John) and Leny N. Sy (collectively, petitioners Sps. Sy), and Valentino T. Sy (petitioner Valentino), assailing the Decision² dated November 23, 2017 (assailed Decision) and Resolution³ dated April 20, 2018 (assailed Resolution) of the Court of Appeals – Cagayan de Oro City (CA) Special Twenty-Second Division, and Former Special Twenty-Second Division, respectively, in CA-G.R. CV No. 04016-MIN, which reversed the Decision⁴ dated October 8, 2014 issued by the Regional Trial Court of Zamboanga City, Branch 12 (RTC) in Civil Case No. 6333.

* On wellness leave.

¹ *Rollo*, pp. 3-21.

² *Id.* at 22-40; penned by Associate Justice Ronaldo B. Martin, with Associate Justices Romulo V. Borja and Tita Marilyn B. Payoyo-Villordon concurring.

³ *Id.* at 58-59; penned by Associate Justice Romulo V. Borja, with Associate Justices Oscar V. Badelles and Tita Marilyn B. Payoyo-Villordon concurring.

⁴ *Id.* at 88-103. Penned by Presiding Judge Gregorio V. Dela Peña III.

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The Facts and Antecedent Proceedings

As narrated by the CA in the assailed Decision, the essential facts and antecedent proceedings of the instant case are as follows:

This case stems from a Complaint filed by petitioners Sps. Sy against respondents Ma. Lourdes De Vera-Navarro (respondent De Vera-Navarro) and Benjaemy Ho Tan Landholdings, Inc. (respondent BHTLI) before the RTC for Declaration of Nullity of Deed of Absolute Sale, Cancellation of Transfer Certificate of Titles, Recovery of Ownership, and Damages, docketed as Civil Case No. 6333.

In their Complaint, it is alleged that petitioner John was one of the co-owners of a parcel of land and the four-storey building found therein situated at Rizal Street, Barangay Zone IV, Zamboanga City, covered by Transfer Certificate of Title No. (TCT) T-171,105 (subject property).⁵ Petitioners Sps. Sy alleged that the subject property has a market value of more than ₱40,000,000.00.

The controversy arose when on May 31, 2006, petitioner John, for himself and in representation of his co-owners, borrowed ₱3,720,000.00 from respondent De Vera-Navarro, secured by a **Real Estate Mortgage Contract** (Mortgage Contract) over the subject property. Such Mortgage Contract was annotated on TCT T-171,105 on June 2, 2006.⁶ Petitioners Sps. Sy then alleged that immediately after the execution of the Mortgage Contract, as per usual practice, respondent De Vera-Navarro asked petitioner John to execute an undated **Deed of Absolute Sale** with a stated consideration in the amount of ₱5,000,000.00, supposedly for the purpose of providing additional security for the loan.⁷ Petitioners Sps. Sy also claimed that petitioner John and respondent De Vera-Navarro verbally agreed that the mode of payment for the said loan would be respondent De Vera-Navarro's collection of rental payments from the tenants of the subject property in the total amount of ₱70,000.00 per month for five years.

Afterwards, on March 22, 2011, to the surprise of petitioner John, he was informed by respondent BHTLI through a letter from its representative that the ownership of the subject property had been transferred to respondent De Vera-Navarro; that a TCT, *i.e.*, TCT T-199,288,⁸ was issued in favor of respondent De Vera-Navarro; and that respondent BHTLI was demanding that the petitioners Sps. Sy vacate the subject property.

Upon learning this, on March 24, 2011, one of the co-owners, petitioner Valentino, caused the annotation of an adverse claim on TCT T-199,288.⁹

⁵ Id. at 60-67.

⁶ Id. at 68-70.

⁷ Id. at 71-74.

⁸ Id. at 75-80.

⁹ Id. at 79.



Such annotation of adverse claim was carried over to TCT T-129-2011001530.¹⁰

Thereafter, on March 30, 2011, a Deed of Absolute Sale was executed by respondent De Vera-Navarro in favor of respondent BHTLI. The records reveal that on July 21, 2011, a new title, *i.e.*, TCT T-129-2011001530,¹¹ was issued in favor of respondent BHTLI.

In the main, petitioners Sps. Sy claimed that they are the rightful owners of the subject property since the undated Deed of Absolute Sale executed purportedly between petitioner John and respondent De Vera-Navarro is allegedly null and void, and that, despite the execution of the Deed of Absolute Sale dated March 30, 2011 by respondent De Vera-Navarro in favor of respondent BHTLI, the latter has no right to own the property as it was allegedly not a buyer in good faith.

On the other hand, respondent De Vera-Navarro, while admitting the existence of the Mortgage Contract to secure the ₱3,720,000.00 loan agreement with petitioners Sps. Sy, alleged that the amount remained unpaid and that John even obtained additional loans reaching more or less ₱10,500,000.00. Further, respondent De Vera-Navarro claimed that on February 6, 2007, petitioner John sold to her the subject property by virtue of the undated Deed of Absolute Sale. It must be noted that this is the same undated Deed of Absolute Sale identified by petitioners Sps. Sy, the difference being that respondent De Vera-Navarro claimed that the said Deed was executed only on February 6, 2007 and not immediately after the execution of the Mortgage Contract on May 31, 2006, as alleged by petitioners Sps. Sy. Respondent De Vera-Navarro also alleged that the undated Deed of Absolute Sale is, for all intents and purposes, a legitimate contract of sale, while petitioners Sps. Sy alleged that there was no real contract of sale between the parties and that the said Deed was merely intended to provide added security to the Mortgage Contract.

For its part, respondent BHTLI alleged that it is a buyer in good faith since the sale between it and respondent De Vera-Navarro over the subject property was supposedly consummated on March 14, 2011, or 10 days prior to the annotation of the adverse claim on March 24, 2011. Since it was supposedly not aware of any infirmity involving the subject property, respondent BHTLI alleged that it should be treated as a buyer in good faith.

The Ruling of the RTC

On October 8, 2014, the RTC issued a Decision¹² declaring the purported Deed of Absolute Sale between petitioner John and respondent De

¹⁰ Id. at 83.

¹¹ Id. at 81-84.

¹² Id. at 88-103.



Vera-Navarro an **equitable mortgage** and thus **null and void**. The dispositive portion of the said Decision reads as follows:

WHEREFORE, all the foregoing premises considered, judgment is hereby rendered in favor of the plaintiffs as against the defendants, in the following manner:

1. Declaring the Deed of Absolute Sale dated February 6, 2007 between the plaintiff John T. Sy and defendant Ma. Lourdes De Vera-Navarro as an equitable mortgage and not a document of sale;
2. Directing the plaintiffs to pay defendant Navarro the sum of P5,000,000.00 representing their unpaid loan to said defendant within 30 days from the date the herein judgment becomes final and executory with 6% interest per annum compounded until full payment is made to be reckoned from February 6, 2007, otherwise, the ownership of the property covered under TCT No. T-199,288 shall be vested finally on the defendant Navarro for all intents and purposes;
3. Directing the Register of Deeds for the City of Zamboanga, upon full payment of the sum of P5,000,000.00 plus interest by plaintiffs to defendant Navarro as above directed, to cancel TCT No. T-199,288 in the name of defendant Ma. Lourdes De Vera-Navarro and to restore TCT No. T-171-105 in the names of the plaintiffs;
4. Declaring the Deed of Absolute Sale dated March 30, 2011 executed by defendant Navarro in favor of defendant Benjaemy Ho Tan Landholdings, Inc., as null and void and directing the Register of Deeds of the City of Zamboanga to cause the immediate cancellation of the resulting title thereof in the name of defendant Benjaemy under TCT No. T-129-2011001530;
5. Ordering defendant Ma. Lourdes De Vera-Navarro to return to defendant Benjaemy the purchase price of P13,000,000.00 plus the sum of P1,800,000.00 in reimbursements for the expenses of the transfer of the title in the name of said defendant;
6. Ordering defendant Navarro to pay plaintiffs the sum of P50,000.00 representing moral damages; P50,000.00 in exemplary damages; P20,000.00 in attorney's fees plus P2,000.00 per appearance of plaintiff's counsels in court; and, P30,000.00 in litigation expenses;
7. Ordering defendants to jointly and severally pay the costs of this suit.



SO ORDERED.¹³

In the main, the RTC held that there was really no intention on the part of the parties to enter into a contract of sale over the subject property and that the undated Deed of Absolute Sale was merely an additional security for the loan obtained by petitioner John from respondent De Vera-Navarro.¹⁴ Further, the RTC pointed out that, instead of a valid contract of sale, what transpired between the parties was an **equitable mortgage** due to the existence of certain circumstances which jurisprudence identifies as badges of an equitable mortgage, *i.e.*, (1) the Deed of Absolute Sale is not dated; (2) the consideration of ₱5,000,000.00 is grossly inadequate; and (3) petitioners Sps. Sy continue to be in actual possession of the subject property despite the supposed sale.¹⁵

Furthermore, the RTC held that respondent BHTLI cannot be considered a buyer in good faith because there was a notice of adverse claim and because petitioners Sps. Sy were still in the possession of the subject property which should have alerted respondent BHTLI to inquire and investigate regarding the possible defects in the title of the seller of the subject property.¹⁶

Respondents De Vera-Navarro and BHTLI filed their respective Motions for Reconsideration on October 22, 2014 and October 26, 2014, respectively. On October 28, 2014, petitioners Sps. Sy filed their Comment/Opposition to respondents De Vera-Navarro and BHTLI's Motions for Reconsideration with Partial Motion for Reconsideration.¹⁷ In an Order¹⁸ dated November 24, 2014, the RTC denied the Motions for Reconsideration of respondents De Vera-Navarro and BHTLI, and the Partial Motion for Reconsideration of the petitioners Sps. Sy.

On December 11, 2014, petitioners Sps. Sy filed an appeal with the CA. Respondent BHTLI likewise filed an appeal with the CA. In its Resolution¹⁹ dated May 19, 2016, respondent De Vera-Navarro's appeal was deemed abandoned and dismissed for failure to file an appellant's brief within the prescribed period.

The Ruling of the CA

In the assailed Decision²⁰ dated November 23, 2017, the CA reversed the rulings of the RTC and denied the appeal of petitioners Sps. Sy, while granting the appeal of respondent BHTLI. The dispositive portion of the said Decision reads:

WHEREFORE, premises considered, the appeal of the Spouses John and Leny Sy is **DENIED** while the appeal of Benjaemy Ho Tan

¹³ Id. at 102-103.

¹⁴ Id. at 99-100.

¹⁵ Id. at 100.

¹⁶ Id. at 100-101.

¹⁷ Id. at 104-106.

¹⁸ Id. at 107.

¹⁹ Id. at 134.

²⁰ Id. at 22-40.



Landholdings is **GRANTED**. The Decision dated October 8, 2014 of the Regional Trial Court, Branch 12, Zamboanga City in Civil Case No. 6333 is **SET ASIDE**. Perforce, another Judgment is hereby rendered **DISMISSING** the Complaint of Spouses John T. Sy and Leny N. Sy against Ma. Lourdes De Vera-Navarro and Benjaemy Ho Tan Landholdings, Inc. in Civil Case No. 6333 for lack of merit. No pronouncement as to costs.

SO ORDERED.²¹

Contrary to the findings of the RTC, the CA held that the undated Deed of Absolute Sale between petitioner John and respondent De Vera-Navarro was indeed a contract of sale because the records are supposedly bereft of any evidence indicative that there was an equitable mortgage.²² Further, the CA posited that the transaction involved in the instant case is in fact a *dacion en pago*.²³ Lastly, the CA also held that respondent BHTLI was a buyer in good faith as there was supposedly no showing that respondent BHTLI was aware of any irregularity as to the title covering the subject property.²⁴

On December 21, 2017, the petitioners Sps. Sy filed their Motion for Reconsideration²⁵ dated December 18, 2017, which was subsequently denied by the CA in the assailed Resolution²⁶ dated April 20, 2018.

Hence, the instant appeal *via* Petition for Review on *Certiorari* under Rule 45 of the Rules of Court.²⁷

On June 13, 2018, respondent BHTLI filed its Comment/Opposition²⁸ to the instant Petition, to which petitioners Sps. Sy filed their Reply to Respondents' Comments/Opposition²⁹ dated October 8, 2018.

Issue

Stripped to its core, the critical question to be resolved by the Court is whether the CA erred when it held in the assailed Decision dated November 23, 2017 and assailed Resolution dated April 20, 2018 that the transaction between petitioner John and respondent De Vera-Navarro was a valid contract of sale and not an equitable mortgage, and that respondent BHTLI was a buyer in good faith, reversing the previous ruling of the RTC.

The Court's Ruling

The instant Petition is meritorious.

The purported contract of sale between petitioner John and respondent De Vera-

²¹ Id. at 39.

²² Id. at 32-34.

²³ Id. at 34-37.

²⁴ Id. at 38-39.

²⁵ Id. at 41-57.

²⁶ Id. at 58-59.

²⁷ Id. at 3-21.

²⁸ Id. at 137-143.

²⁹ Id. at 148-151.



Navarro is an equitable mortgage and not a legitimate contract of sale.

At the heart of the assailed CA Decision is the view that petitioners Sps. Sy failed to provide sufficient evidence that an equitable mortgage exists in the instant case.

The applicable law, jurisprudence, and the evidence on record clearly belie the CA's conclusion.

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 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.**³⁰

Article 1602 of the Civil Code states that a contract shall be presumed to be an equitable mortgage, in any of the following cases:

- (1) When the price of a 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.

Article 1604 of the Civil Code, in turn, provides that the abovementioned badges of an equitable mortgage apply to a contract purporting to be an absolute sale, such as in the instant case.

³⁰ *Matanguihan v. Court of Appeals*, 341 Phil. 379, 389-390 (1997).



At this juncture, it must be stressed that the RTC, after an exhaustive trial and appreciation of the evidence presented by the parties, concluded that the supposed contract of sale entered between petitioner John and respondent De Vera-Navarro is in fact an equitable mortgage.

The factual findings of the trial court, its calibration of the testimonies of the witnesses, and its assessment of their probative weight are given high respect, if not conclusive effect, unless the trial court ignored, misconstrued, misunderstood or misinterpreted cogent facts and circumstances of substance, which, if considered, will alter the outcome of the case. The trial court is in the best position to ascertain and measure the sincerity and spontaneity of witnesses through its actual observation of the witnesses' manner of testifying, demeanor and behavior while in the witness box.

Upon examination of the records of the instant case, the Court finds that there was no reason for the CA to reverse the RTC's correct finding that an equitable mortgage exists in the instant case.

Jurisprudence consistently shows that the presence of *even one* of the circumstances enumerated in Article 1602 suffices to convert a purported contract of sale into an equitable mortgage.³¹ The existence of any of the circumstances defined in Article 1602 of the New Civil Code, not the concurrence nor an overwhelming number of such circumstances, is sufficient for a contract of sale to be presumed an equitable mortgage.³²

In fact, the Court has previously ruled that when in doubt, courts are generally inclined to construe a transaction purporting to be a sale as an equitable mortgage, which involves a lesser transmission of rights and interests over the property in controversy.³³

Applying the foregoing to the instant case, the Court finds that the presence of at least four badges of an equitable mortgage creates a very strong presumption that the purported contract of sale entered between petitioner John and respondent De Vera-Navarro is an equitable mortgage.

First, it is not disputed by any party that the supposed vendor of the subject property, petitioner John, remains to be in possession of the subject property despite purportedly selling the latter to respondent De Vera-Navarro. It is uncanny for a supposed buyer to desist from taking possession over property which he/she has already purchased.

Second, the purchase price of the purported sale indicated in the undated Deed of Absolute Sale is inadequate.

³¹ *Vda. de Delfin v. Dellota*, 566 Phil. 389, 394 (2008).

³² *Spouses Salonga v. Spouses Concepcion*, 507 Phil. 287, 303 (2005).

³³ *Id.* at 304.



According to the Rules of Court, Rule 129, Section 2, a court may take judicial notice of matters which are of public knowledge. In fact, the Court has previously held that trial courts can take judicial notice of the general increase in rentals of real estate especially of the business establishments.³⁴

In the instant case, the RTC took judicial notice of the public knowledge that similar establishments located at the commercial center of Zamboanga City have a value of around ₱20,000,000.00. Thus, the ₱5,000,000.00 purchase price supposedly agreed upon by the parties is grossly inadequate.³⁵

The inadequacy of the purchase price is even confirmed by the acts of respondent De Vera-Navarro herself. As noted by the RTC, respondent De Vera-Navarro was able to mortgage the subject property with Landbank of the Philippines for an amount of ₱13,000,000.00. Respondent De Vera-Navarro also sold the subject property to respondent BHTLI for the same amount of ₱13,000,000.00.³⁶

Hence, the Court cannot accept the CA's finding that the inadequacy of the purchase price is not supported by any evidence on record.

Third, the evidence on record shows that respondent De Vera-Navarro retained for herself the supposed purchase price. Aside from the testimony of petitioner John that no consideration was paid at all for the supposed contract of sale, the RTC also noted that no proof was presented by respondent De Vera-Navarro that she actually parted with the sum of ₱5,000,000.00 in favor of petitioner John pursuant to the undated Deed of Absolute Sale.

Fourth, from the evidence presented by petitioners Sps. Sy, it is established that the real intention of the parties is for the purported contract of sale to merely secure the payment of their debt owing to respondent De Vera-Navarro.

According to testimonies of petitioners Sps. Sy given under oath in open court, during the execution of the Mortgage Contract in favor of respondent De Vera-Navarro on May 31, 2006, petitioner John, right then and there, was immediately asked to sign an undated Deed of Absolute Sale in favor of respondent De Vera-Navarro as it was agreed upon that such Deed was to be used as mere additional security to the Mortgage Contract.³⁷

The CA's hesitance in accepting the foregoing testimonies just because they are parol evidence and that the undated Deed of Absolute Sale is unequivocal on paper in stating that a sale was intended by the parties is misplaced. As the Court previously held,

³⁴ *Sia v. Court of Appeals, et al.*, 338 Phil. 652, 670 (1997), citing *Manila Bay Club Corp. v. Court of Appeals*, 315 Phil. 805 (1995).

³⁵ *Rollo*, p. 99.

³⁶ *Id.*

³⁷ *Id.* at 94-96.



x x x a document which appears on its face to be a sale—absolute x x x may be proven by the vendor x x x 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 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. Sales with a right to repurchase are not favored.³⁸

It must also be stressed that the nomenclature given by the parties to the contract is not conclusive of the nature and legal effects thereof. Even if a document appears on its face to be a sale, the owner of the property may prove that the contract is really a loan with mortgage, and that the document does not express the true intent of the parties.³⁹

Hence, bearing in mind the jurisprudential rule that the courts are generally inclined to construe a transaction purporting to be a sale as an equitable mortgage, it was incumbent upon respondent De Vera-Navarro to rebut the petitioners Sps. Sy's testimonies and substantiate the claim that there was indeed a legitimate contract of sale between the parties.

In this regard, it must be emphasized that all the documentary evidence of respondent De Vera-Navarro supporting her claims were *not* admitted into evidence; the Formal Offer of Evidence of De Vera-Navarro was ordered *expunged* by the RTC in its Order⁴⁰ dated April 11, 2014. According to the Rules of Court⁴¹ and jurisprudence,⁴² evidence not formally offered has no probative value and must be excluded by the court. Thus, the expunction of the evidence presented by respondent De Vera-Navarro completely negates the CA's finding that respondent De Vera-Navarro was able to present evidence that the parties really intended to enter into a contract of sale covering the subject property.

In any case, even if the documentary evidence presented by respondent De Vera-Navarro were considered, her contention of a valid contract of sale still fails to convince. The evidence presented by respondent De Vera-Navarro center mainly on the fact that the UNDATED Deed of Absolute Sale was properly notarized. However, as held previously by the Court, the notarization of a document does not guarantee its validity because it is not the function of the notary public to validate an instrument that was never intended by the parties to have any binding legal effect on them. Neither is the notarization of a document conclusive of the nature of the transaction conferred by the said document, nor is it conclusive of the true agreement of the parties thereto.⁴³

³⁸ *Matanguihan v. Court of Appeals*, supra note 30 at 390-391.

³⁹ *Spouses Salonga v. Spouses Concepcion*, supra note 32 at 303.

⁴⁰ *Rollo*, p. 86.

⁴¹ RULES OF COURT, Rule 132, Sec 34.

⁴² *Republic of the Philippines v. Gimenez, et al.*, 776 Phil. 233, 254 (2016).

⁴³ *Spouses Salonga v. Spouses Concepcion*, supra note 32 at 304.

Therefore, to reiterate, established jurisprudence provides that the presence of *even one* of the circumstances enumerated in Article 1602 suffices to convert a purported contract of sale into an equitable mortgage,⁴⁴ and that courts are inclined to construe a transaction purporting to be a sale as an equitable mortgage, as it involves a lesser transmission of rights and interests over the subject property.⁴⁵ Bearing that in mind, the concurrence of four badges of equitable mortgage, which in fact is a majority of the six circumstances identified under Article 1602 of the Civil Code, creates the very strong presumption of the existence of an equitable mortgage in the instant case.

With respondent De Vera-Navarro miserably failing to controvert this presumption, especially considering the expunction of her evidence from the records of the case, the Court indubitably finds that the purported contract of sale entered into by petitioner John and respondent De Vera-Navarro is in truth and in fact an equitable mortgage. Hence, with the undated Deed of Absolute Sale being null and void, as it is in fact an equitable mortgage, the prevailing agreement governing petitioner John and respondent De Vera-Navarro is the loan agreement secured by the Mortgage Contract entered into by the parties.

Respondent BHTLI is NOT a buyer in good faith.

Consequently, since the purported contract of sale between petitioner John and respondent De Vera-Navarro was in fact an equitable mortgage, the sale of the subject property to respondent BHTLI by respondent De Vera-Navarro was correctly adjudged by the RTC to be null and void, considering that the latter had absolutely no right and capacity to sell the subject property.

Respondent BHTLI contends that since it is an innocent purchaser for value, supposedly having no knowledge on any infirmity on the sale at the time of its transaction with respondent De Vera-Navarro, the sale should still be upheld with respect to respondent BHTLI.

Respondent BHTLI's contention lacks merit.

Jurisprudence holds that he who alleges that he is a purchaser of registered land is burdened to prove such statement. Such burden is not discharged by simply invoking the ordinary presumption of good faith.⁴⁶ In the instant case, the Court finds that respondent BHTLI failed to discharge such burden. Instead of showing good faith on the part of respondent BHTLI, the incontrovertible facts establish respondent BHTLI's status as a buyer in bad faith.

⁴⁴ *Vda. de Delfin v. Dellota*, supra note 31.

⁴⁵ See *Spouses Salonga v. Spouses Concepcion*, supra note 32 at 302.

⁴⁶ *Id.* at 310.



The Court has held that actual lack of knowledge of the flaw in title by one's transferor is not enough to constitute a buyer in good faith where there are circumstances that should put a party on guard, such as the presence of occupants in the subject property.⁴⁷ **Again, it is not disputed that petitioners Sps. Sy have been in continuing possession of the subject property.** Yet, this fact did not prompt respondent BHTLI to investigate further as to the contract of sale it entered with respondent De Vera-Navarro.

Further, respondent BHTLI cannot seriously feign ignorance of any infirmity, considering that prior to its entering into the Deed of Absolute Sale dated March 30, 2011 with respondent De Vera-Navarro, petitioner Valentino had already caused on March 24, 2011 the annotation of an adverse claim on TCT T-199,288.

Therefore, contrary to the CA's findings in its assailed Decision, respondent BHTLI is not a buyer in good faith.

All in all, with the Court's finding that the purported contract of sale between petitioner John and respondent De Vera-Navarro is an equitable mortgage and not a legitimate contract of sale, and that respondent BHTLI is not a buyer in good faith, the Court finds merit in the instant Petition.

WHEREFORE, the appeal is hereby **GRANTED**. The Decision dated November 23, 2017 and Resolution dated April 20, 2018 of the Court of Appeals in CA-G.R. CV No. 04016-MIN are **REVERSED**. Accordingly, the Decision dated October 8, 2014 issued by the Regional Trial Court of Zamboanga City, Branch 12 in Civil Case No. 6333 is **REINSTATED WITH MODIFICATIONS**, to be read as follows:

WHEREFORE, all the foregoing premises considered, judgment is hereby rendered in favor of the plaintiffs as against the defendants, in the following manner:

1. Declaring the Deed of Absolute Sale dated February 6, 2007 between plaintiff John T. Sy and defendant Ma. Lourdes De Vera-Navarro as an equitable mortgage and not a document of sale;
2. Declaring the Deed of Absolute Sale dated March 30, 2011 executed by defendant Ma. Lourdes De Vera-Navarro in favor of defendant Benjaemy Ho Tan Landholdings, Inc. as null and void and directing the Register of Deeds of the City of Zamboanga to cause the immediate cancellation of the resulting title thereof in the name of Benjaemy Ho Tan Landholdings, Inc. under TCT No. T-129-2011001530;
3. Directing the Register of Deeds for the City of Zamboanga to cancel TCT No. T-199,288 in the

⁴⁷ See *Heirs of de Leon Vda. De Roxas v. Court of Appeals*, 466 Phil. 697, 715 (2004).



name of defendant Ma. Lourdes De Vera-Navarro and to restore TCT No. T-171-105 in the names of the plaintiffs with all its original annotations prior to the annotation of the sale to defendant Ma. Lourdes De Vera-Navarro and the cancellation of TCT No. T-171-105;

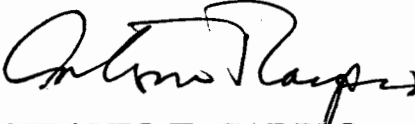
4. Ordering defendant Ma. Lourdes De Vera-Navarro to return to defendant Benjaemy Ho Tan Landholdings, Inc. the purchase price of P13,000,000.00 plus the sum of P1,800,000.00 in reimbursements for the expenses of the transfer of the title in the name of said defendant;
5. Ordering defendant Ma. Lourdes De Vera-Navarro to pay plaintiffs the sum of P50,000.00 representing moral damages; P50,000.00 in exemplary damages; P20,000.00 in attorney's fees plus P2,000.00 per appearance of plaintiff's counsel in court; and P30,000.00 in litigation expenses;
6. Ordering defendants to jointly and severally pay the costs of this suit.

SO ORDERED.




ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

WE CONCUR:



ANTONIO T. CARPIO
Associate Justice
Chairperson



ESTELA M. PERLAS-BERNABE
Associate Justice

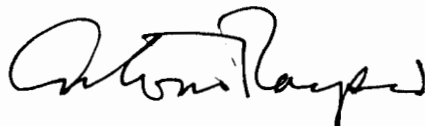
(On wellness leave)
JOSE C. REYES, JR.
Associate Justice



AMY C. LAZARO-JAVIER
Associate Justice

ATTESTATION


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



ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

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 had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



LUCAS P. BERSAMIN
Chief Justice

