



REPUBLIC OF THE PHILIPPINES
SUPREME COURT
Manila

SECOND DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated **04 March 2020** which reads as follows:*

“G.R. No. 233461 (*Vicente Atlas R. Catalan and Maryrose T. Diaz vs. Cristina B. Bombaes*). — This Petition for Review filed by Vicente Atlas R. Catalan (Catalan) and Maryrose T. Diaz (petitioners) under Rule 45 of the Rules on Civil Procedure seeks to set aside the Amended Decision¹ of the Court of Appeals (CA) in CA-G.R. No. CV No. 04775, dated January 20, 2017 which amended its earlier Decision² dated May 31, 2016 and found that the Deed of Absolute Sale between the petitioners and respondent Cristina Bombaes (Bombaes) is void for being simulated. The decretal portion of the decision reads:

WHEREFORE, Plaintiff-Appellant Cristina B. Bombaes' motion for reconsideration is GRANTED. The Decision of the Regional Trial Court of Roxas City dated October 24, 2012 dismissing Bombaes' complaint is REVERSED and a new JUDGMENT in Civil Case No. V-56-10 is hereby RENDERED as follows:

1. The Deed of Absolute Sale is hereby declared VOID for being absolutely simulated; and
2. The Register of Deeds of Roxas City is ordered to CANCEL TCT No. T-58922 in the name of Vicente Atlas R. Catalan, and TCT No. 097-2010000326 in the name of Ma. Kristel B. Aguirre.

SO ORDERED.³

The facts show that Bombaes is the registered owner of a parcel of land known as Lot No. 782 located at Banghang Street, Inza Amaldo Village, Roxas City, containing an area of 136 square meters, more or less, and particularly described in and covered by Transfer Certificate of Title

¹ Penned by Associate Justice Edward B. Contreras with Associate Justices Edgardo L. Delos Santos (now a Member of this Court) and Geraldine C. Fiel-Macaraig concurring; *rollo*, pp. 74-81.

² Id. at 65-71.

³ Id. at 80.

(TCT) No. T-41765 in the Register of Deeds of Roxas City.⁴

On March 17, 2008, Bombaes secured a loan from Catalan in the amount of ₱1,350,000.00 with 5% monthly interest and payable on or before September 24, 2008. In order to secure the loan, Bombaes mortgaged her property to Catalan and pursuant to this, they executed a Real Estate Mortgage over the said property.⁵

After six months, however, Bombaes was still unable to pay Catalan her debt despite demands from the latter. Nineteen (19) months later, Catalan informed Bombaes that he would mortgage the property to a lending institution as he needed money for his campaign funds. Thus, they executed a simulated Deed of Absolute Sale on October 19, 2009 in favor of Catalan so he could mortgage the property and they could use the proceeds as Bombaes' payment for her unpaid loan. Bombaes likewise informed Catalan that she would redeem the property hence, they also executed a Deed of Assignment,⁶ which provided for Bombaes' right of redemption of the property. An instrument denominated as Confirmation of Deed of Sale⁷ was also executed by the parties on the same day. On November 26, 2009, Catalan had the title of the property transferred to his name.

However, instead of mortgaging her property to a lending institution, Catalan sold the same to Ma. Kristel Aguirre (Aguirre). They executed a Deed of Conditional Sale on April 9, 2010 and a Deed of Absolute Sale on May 4, 2010.

On May 12, 2010, Bombaes had an adverse claim annotated on the title of the property. On July 21, 2010, Catalan had the sale of the property registered on its title. Thereafter, despite the adverse claim annotated thereon, TCT No. 097-2010000326 was issued under the name of Aguirre.

Bombaes demanded from Catalan to return to her the property but the latter did not pay heed to her demands and efforts. Hence, she filed a complaint against Catalan and his spouse and Aguirre before the Regional Trial Court (RTC) of Roxas City, Branch 15, for annulment, cancellation, recovery, reformation and quieting of title.

On October 24, 2012, the RTC rendered a decision⁸ dismissing Bombaes' complaint. The RTC found that there was a perfected contract when the parties executed the instruments which thus, makes the sale of the subject property to Catalan valid. It also found the Deed of Absolute sale free from any badge of fraud. The RTC also did not give credit to Bombaes'

⁴ Id. at 65.

⁵ Id.

⁶ Id. at 128-129.

⁷ Id. at 87-88.

⁸ Rendered by Judge Juliana C. Azarraga; id. at 33-62.

claim that she was intimidated by Catalan into signing the Deed of Absolute Sale when the latter went to her home. Likewise, the RTC found that Aguirre was a purchaser in good faith and for value. The RTC decreed:

WHEREFORE, foregoing premises considered, judgment is hereby rendered in favor of [petitioners] and against the [respondent]:

1. Dismissing the complaint,
2. Dismissing defendant Aguirre's counterclaims,
3. Ordering [respondent] to pay defendant Catalan moral damages in the amount of P100,000.00.

Cost against [respondent].

SO ORDERED.⁹

Aggrieved by the RTC decision, Bombaes elevated the case to the CA, which initially affirmed the decision of the RTC. However, upon Bombaes' motion for reconsideration of the case, the CA rendered an amended decision, giving weight this time to Bombaes' asseverations.

Hence, this petition for review filed by Catalan with the following issues for the Court's consideration:

The Issues

I.

WHETHER OR NOT THE CAUSE OF ACTION OF [THE] RESPONDENT CRISTINA B. BOMBAES IS TENABLE¹⁰

II.

WHETHER OR NOT THE DEED OF ABSOLUTE SALE EXECUTED BY RESPONDENT CRISTINA BOMBAES IN FAVOR OF PETITIONER ATTY. VICENTE ATLAS R. CATALAN IS SIMULATED¹¹

III.

WHETHER OR NOT MA. KRISTEL B. AGUIRRE IS A BUYER IN GOOD FAITH¹²

⁹ Id. at 62.
¹⁰ Id. at 18.
¹¹ Id. at 20.
¹² Id. at 24.

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Ruling of the Court

The Court agrees with the CA.

Article 1345 of the New Civil Code provides that simulation of a contract may be absolute or relative. The former takes place when the parties do not intend to be bound at all; the latter, when the parties conceal their true agreement.

Article 1346 of the same code likewise states that an absolutely simulated or fictitious contract is void. A relative simulation, when it does not prejudice a third person and is not intended for any purpose contrary to law, morals, good customs, public order or public policy binds the parties to their real agreement.

In this case, the Deed of Assignment executed by the parties is in itself a clear indication of the intention of the parties to only mortgage the respondent's property; otherwise, they would not have executed the deed at all. It can be inferred from the turn of events that what transcribed between Bombaes and Catalan was a mere agreement to simulate the sale of the property in order that Catalan would have the authority to mortgage the same. Bombaes clearly had no intention to sell her property to Catalan.

The CA observed:

It bears stressing that Bombaes and Catalan executed the Deed of Assignment precisely so the former can redeem the property herself from any lending institution. Clearly, Bombaes intended to keep the property at all costs and made sure that, ultimately, it would go back to her possession and ownership. Whether out of practicality, sentimentality, or otherwise, it is obvious that Bombaes meant for the property to remain hers; otherwise, she would have left it with the lending institution and allowed it to be foreclosed, considering that by letting Catalan mortgage her property, she would have had effectively paid her debt to him. Thus, to Us, it would seem superfluous and impractical for her to actually sell the property to Catalan, only to buy it back from the lending institution.¹³

The case of *Heirs of Spouses Mario Intac, et al. v. Court of Appeals, et al.*¹⁴ holds that in absolute simulation, there is a colorable contract but it has no substance as the parties have no intention to be bound by it. "The main characteristic of an absolute simulation is that the apparent contract is not really desired or intended to produce legal effect or in any way alter the juridical situation of the parties."¹⁵ "As a result, an absolutely simulated or fictitious contract is void, and the parties may recover from each other what

¹³ Id. at 78.

¹⁴ 697 Phil. 373 (2012).

¹⁵ Id. at 384, citing *Loyola v. Court of Appeals*, 383 Phil. 171, 182 (2000).

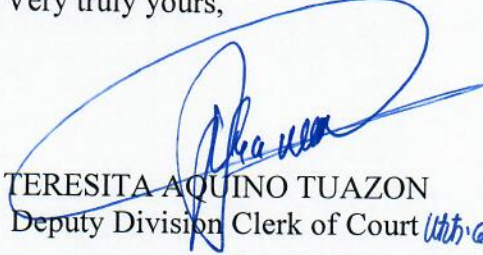
they may have given under the contract."¹⁶

Ergo, as there was no intent to sell on the part of Bombaes, no valid sale of the subject property took place between Catalan and the latter.

As regards Aguirre, on the other hand, the Court is also one with the CA in finding that she was not an innocent purchaser for value. The annotation on the certificate of title is sufficient notice to the whole world that the land has an adverse claim. It is upon the purchaser to examine everything at record if there exists in the title any flaw which might invalidate the sale. More so in this case because the property that Aguirre purchased from Catalan was owned by Bombaes who happens to be her aunt. Hence, she could not feign ignorance that she did not know about the status of the property and later on claim that she was a buyer in good faith.

WHEREFORE, the Amended Decision dated January 20, 2017 of the Court of Appeals in CA-G.R. CV No. 04775 is **AFFIRMED.** De Los Santos, J., no part; Lazaro-Javier, J., designated additional Member per Raffle dated February 26, 2020.

Very truly yours,


TERESITA AQUINO TUAZON
Deputy Division Clerk of Court *12/15/19*
29 JUN 2020

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HON. PRESIDING JUDGE (reg)
Regional Trial Court, Branch 15
5800 Roxas City
(Civil Case No. V-56-10)

COURT OF APPEALS (reg)
Visayas Station
Cebu City
CA-G.R. CV No. 04775

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