

THIRD DIVISION

G.R. No. 259051 [Formerly UDK No. 17094] – EDWARD C. CIACHO, Petitioner, v. SPOUSES ADOLFO T. DE GUIA and FE ALMA V. DE GUIA [deceased]; and BAYANI S. CERILLA [deceased], substituted by his heirs, MARY BERNADETTE G. CERILLA and BYATRES MARI CERILLA-BOHOL, Respondents.

Promulgated:

FEB 26 2025

~~Misprobat~~

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SEPARATE CONCURRING OPINION

CAGUIOA, J.:

The ultimate facts, according to the *ponencia*, are as follows:

1. In 1994, Adolfo T. De Guia (Adolfo) convinced Bayani S. Cerilla (Cerilla) to invest in two parcels of land, 2,549 and 174 square meters in area covered by Transfer Certificate of Title (TCT) Nos. T-68 and T-1815, respectively, both registered under the name of one Rustico de Guia, Adolfo's predecessor-in-interest (the Subject Properties). At the time, the Subject Properties were facing foreclosure on the mortgages thereon.¹
2. According to Adolfo's plan, Cerilla agreed to redeem the properties for "more than Php 1.6 million,"² and new titles were issued in Cerilla's name. A Deed of Absolute Sale (DOAS) was executed by Adolfo in favor of Cerilla and TCT No. T-68 and TCT No. T-1815 were cancelled. In their places, TCT No. T-40257 and TCT No. T-39792 were issued in Cerilla's name.³

In this connection, Branch 34, Regional Trial Court of Tacloban City (RTC) found that the original plan was for Adolfo to eject the illegal settlers using the proceeds of Cerilla's redemption sum. When Adolfo failed, he executed deeds of sale to transfer title over TCT No. T-68 and TCT No. T-1815 to Cerilla for the latter to eject the illegal settlers himself.⁴

3. Thereafter, Cerilla executed another DOAS with respect to the Subject Properties in favor of Adolfo. Adolfo then caused the

¹ *Ponencia*, p. 2.

² *Rollo*, p. 35, Decision dated November 27, 204 of Branch 34, Regional Trial Court of Tacloban City in Civil Case No. 99-07-105 penned by Presiding Judge Frisco T. Lilagan.

³ *Id.* at 35–36.

⁴ *Id.*

annotation of an Adverse Claim on the titles of the Subject Properties based on the DOAS executed by Cerilla in his favor.⁵

4. Adolfo and Cerilla then executed a Memorandum of Agreement (MOA) providing that the Subject Properties would be sold anew to Cerilla for the price of PHP 15,000,000.00 conditioned on Adolfo's shouldering of the costs for the sale and the ejectment of the illegal settlers residing thereon.⁶ As partial payment for the sale, Adolfo acknowledged receipt of PHP 1,675,660.07 from Cerilla.⁷

Here, it appears that Adolfo's receipt of PHP 1,675,660.07 from Cerilla based on the MOA coincides with Cerilla's initial redemption sum, which the RTC described as "more than Php 1.6 million."⁸ The remainder of PHP 13,324,340.00 therefore, could have been intended as Cerilla's return on investment.

5. The conditions under the MOA were not fulfilled. Hence, the sale by Adolfo to Cerilla under the MOA was not consummated. In the meantime, however, Cerilla executed a DOAS over the Subject Properties in favor of Edward C. Ciacho (Ciacho), who is now the registered owner over the Subject Properties.⁹ The agreed price was PHP 9,000,000.00.¹⁰

Adolfo thus filed a complaint before the RTC to annul the sale between Cerilla and Ciacho. After trial, the RTC ruled in favor of Adolfo and annulled the sale between Cerilla and Ciacho. The Court of Appeals (CA) affirmed¹¹ the RTC. Hence, the instant case.

Based on the foregoing, the *ponencia* made two critical findings. *First*, the transactions between Adolfo and Cerilla (i.e., Nos. 1 to 4 above) were absolutely simulated because Cerilla was an "accommodation party" for Adolfo. *Second*, "there was no valid sale"¹² between Cerilla and Ciacho because Cerilla had no authority to sell the subject properties. Accordingly, the transactions between Adolfo and Cerilla were void.

It is clear that based on the narration of facts in the *ponencia*, the legal relationship between Adolfo, the owner, and Cerilla, the redemptioner, is

⁵ *Id.* at 36–37.

⁶ *Id.* at 37.

⁷ *Id.*

⁸ *Id.* at 35.

⁹ *Ponencia*, p. 3.

¹⁰ *Rollo*, p. 22, Petition for Review on *Certiorari*.

¹¹ Decision dated December 19, 2019, of the Court of Appeals – Cebu City Special Eighteenth Division in CA-G.R. CEB CV No. 05536, penned by Associate Justice Gabriel T. Ingles, with Associate Justices Marilyn B. Lagura-Yap and Alfredo D. Ampuan concurring, and Resolution dated May 27, 2021 of the Court of Appeals – Cebu City Former Special Eighteenth Division penned by Associate Justice Gabriel T. Ingles, with Associate Justices Pamela Ann Abella Maxino and Marilyn B. Lagura-Yap, concurring.

¹² *Ponencia*, p. 9.



more than what they make it to be. The convoluted manner of Adolfo's investment proposition to Cerilla does nothing but add suspicion to their true motives. That said, I concur in the result but for different reasons.

In brief, it is my considered view that an implied trust was created between Cerilla and Adolfo over the Subject Properties with the former as trustee and the two [i.e., Cerilla and Adolfo] as beneficiaries. In other words, the sale between Cerilla (the trustee) to Ciacho is valid albeit for insufficient consideration according to the trust between Cerilla and Adolfo. Hence, Adolfo's cause of action is not for the nullification of the sale between Cerilla and Ciacho, which is valid, but against the former for damages due to the breach of the implied trust.

I.

The arrangement between Cerilla and Adolfo may not have been absolutely simulated

While the transactions between Cerilla and Adolfo (Nos. 1 to 4 above) are convoluted and circuitous, this does not necessarily suggest that their arrangement was "absolutely" simulated. In this connection, the *ponencia* reads in relevant part:

... as correctly found by the RTC and CA, there was no intention between Cerilla and Adolfo to enter into a contract of sale and transfer the ownership of the subject properties to Cerilla. Most telling is the fact that Cerilla re-sold to Adolfo the subject properties only seven months after TCT Nos. T-39792 and T-40257 were issued on July 24, 1994 and August 26, 1994, respectively. As aptly found by the RTC, this re-sale by Cerilla to Adolfo within a short period of time, coupled with the fact that Cerilla asked Ciacho to not register their sale of the subject properties, indicate that there was indeed no intention on the part of Adolfo to transfer the ownership of the subject properties to Cerilla.

The Court finds no reversible error in the finding of the CA ruling that Cerilla was an accommodation party for the redemption of the subject properties to avoid its foreclosure:

To determine the parties' real intention, the contemporaneous and subsequent acts of the parties should be considered. The records reveal that right from the start of their dealings with each other, there was no agreement between [Adolfo] and Cerilla to transfer ownership over the subject properties to the latter. Tellingly, Cerilla did not consider himself at any time owner of the subject properties despite the fact that the titles were transferred in his name. It appears that [Adolfo] intended the easy facilitation of the sale of the lots to prospective buyers by cancelling his title and issuing new ones in favor of the accommodation party.



In this way, Cerilla could easily mortgage the subject properties and obtain money from the prospective buyers. In fact, Cerilla was unaware that [Adolfo] had executed the Deeds of Sale in his favor which resulted to the issuance of new titles in the former's name. The titles were issued on July 24, 1994 (for TCT no. T-39792) and August 26, 1994 (for TCT No. T-40257). In fact, in the Memorandum of Agreement which they executed, it was stated therein that there will be no real transfer of ownership of the subject properties in Cerilla's favor. And, it would be contrary to ordinary human behavior that the new owner would immediately resell to the previous owner the subject lots. In a Deed of Absolute Sale dated February 3, 1995, the subject properties were sold back to [Adolfo]. This re-sale just shows the real intention of the parties for [Adolfo] to retain lawful ownership over the subject properties. Even at the time of the supposed sale of these subject lots to Ciacho, Cerilla was mindful that he was not the real owner thereof. Cerilla asked Ciacho not to register the subject properties in his name. Notably, we take into consideration the fact that [Adolfo] gave his conformity to the Real Estate Mortgage executed between Cerilla as mortgagor and Ciacho as mortgagee. Although he did not signify in what capacity he participated in the said contract was, it shows that Ciacho, himself, believed that [Adolfo] was still the lawful owner of the subject properties.¹³ (Emphasis supplied)

An absolutely simulated contract is one where "the parties do not intend to be bound at all."¹⁴ However, despite Adolfo's and Cerilla's opinions about their arrangement in hindsight, there is evidence that they intended to be bound by them:

- Cerilla was Adolfo's angel investor who provided additional capital to "redeem" the Subject Properties.¹⁵
- While not stated in the *ponencia*, the ultimate objectives of the "investment" pitched by Adolfo were the ejectment of illegal settlers and the sale of the Subject Properties to a third person for a profit (in excess of PHP 15,000,000.00), which would constitute Cerilla's return on his investment.¹⁶
- The "partial payment" of PHP 1,675,660.07 by Cerilla to Adolfo under the MOA may have been the redemption price Cerilla paid as part of his initial investment.¹⁷

¹³ *Id.* at 8–9.

¹⁴ CIVIL CODE, Art. 1345.

¹⁵ *See ponencia*, p. 2.

¹⁶ *See id.*

¹⁷ *See rollo*, p. 37, RTC Decision.



- The unnotarized DOAS between Cerilla and Adolfo, and the latter's Adverse Claim on the basis thereof, was a security feature to prevent Cerilla from undercutting Adolfo's efforts to sell the Subject Properties.¹⁸
- According to the RTC, title over the Subject Properties was transferred to Cerilla only because Adolfo failed to eject the illegal settlers and to enable Cerilla to eject them himself.¹⁹

As the CA noted, Adolfo and Cerilla discerned an advantage in that arrangement, to wit:

It appears that [Adolfo] intended the easy facilitation of the sale of the lots to prospective buyers by cancelling his title and issuing new ones in favor of the accommodation party. In this way, Cerilla could easily mortgage the subject properties and obtain money from the prospective buyers.²⁰ (Emphasis supplied)

The issue of absolute simulation simply requires an inquiry into whether the parties intended "to be bound at all" under the contract. As businessmen, Adolfo and Cerilla used their convoluted scheme for "easy facilitation" and to "obtain money" through mortgages. These circumstances at least show that the parties intended to be bound by their actions.

An implied trust was created between Adolfo and Cerilla

Based on the foregoing facts, there is a divergence between legal and equitable title over the Subject Properties. Here, while Cerilla held legal title over the Subject Properties, the facts suggest that he was holding the same merely for the benefit of his and Adolfo's investment plan. Accordingly, their arrangement may be viewed from the perspective of trusts. Under Article 1440 of the Civil Code:

A person who establishes a trust is called the trustor; one in whom confidence is reposed as regards property for the benefit of another person is known as the trustee; and the person for whose benefit the trust has been created is referred to as the beneficiary.

In *Rodrigo v. Ancilla*,²¹ the Court held that "[a]n implied trust is one that, without being express, is deducible from the nature of the transaction as a matter of intent or which is superinduced on the transaction by operation of law as a matter of equity, independently of the particular intention of the

¹⁸ See *ponencia*, p. 2.

¹⁹ *Rollo*, pp. 35–36, RTC Decision.

²⁰ *Ponencia*, p. 9, citing CA Decision.

²¹ 525 Phil. 590 (2006) [Per J. Corona, Second Division].



parties.”²² Article 1452 further provides that, “[i]f two or more persons agree to purchase property and by common consent the legal title is taken in the name of one of them for the benefit of all, a trust is created by force of law in favor of the others in proportion to the interest of each.” Notably, this is precisely the “investment” pitched by Adolfo to Cerilla when the Subject Properties were facing foreclosure. The two, therefore, “agree[d] to purchase [the Subject Property]” and “by common consent” new titles were issued in Cerilla’s name “for the benefit of all.”

Thus, it is my considered view that an implied trust was created with the ultimate objective of selling the Subject Properties to a third person for a profit, which was supposed to inure to the benefit of the beneficiaries, i.e., Adolfo and Cerilla. Under this arrangement, Cerilla stood as trustee who held legal title over the Subject Properties until their sale to a third person whereas Adolfo undertook to remove the illegal settlers on the Subject Properties as a condition precedent to the eventual sale to a third person.

Under this framework, we can better understand the effects of Cerilla’s sale to Ciacho despite non-compliance with the condition precedent of the implied trust. This leads me to my next point.

II.

The *ponencia* held that the sale between Cerilla to Ciacho was not valid essentially for lack of authority by Adolfo. The *ponencia* reads in relevant part:

[T]here was no valid sale between Cerilla and Adolfo. Therefore, the ownership over the subject properties remained with Adolfo. Consequently, there was no valid transfer of ownership by Cerilla in favor of Ciacho. Article 1458 of the Civil Code provides that “[b]y 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 party to pay therefor a price certain in money or its equivalent.” Corollarily, Article 1459 provides that “[t]he thing must be licit and the vendor must have a right to transfer the ownership thereof at the time it is delivered.” Thus, a contract for the sale of property by a person who was not the owner thereof, or by an unauthorized person, is void. [*Heirs of Gregorio Lopez v. Development Bank of the Philippines*, 747 Phil. 427, 444 (2014)]

In this case, as discussed, Cerilla had no authority to sell the subject properties precisely because Adolfo remained the owner thereof. It is also undeniable that Adolfo cannot be deemed to have ratified the sale by Cerilla to Ciacho as Adolfo instituted a case for the Annulment of the Deed of Absolute Sale between Cerilla and Ciacho, docketed as Civil Case No. 99-07-105. Hence, as correctly ruled by the RTC and the CA, there was no valid transfer of ownership of the subject properties to Ciacho.²³

²² *Id.* at 598.

²³ *Ponencia*, pp. 9–10. Citation added.



The *ponencia* cited *Heirs of Gregorio Lopez v. Development Bank of the Philippines*²⁴ (*Heirs of Gregorio Lopez*) which pertained to a sale by a co-owner of a parcel of land without the consent of his other co-owners. Effectively, the sale therein was limited solely to the seller's undivided interest in the property, which rendered the sale of the whole property void as being contrary to law (i.e., Article 493 expressly limiting the effects of alienation by a co-owner of his or her part of the co-owned property). While *Heirs of Gregorio Lopez* cited Article 1459 providing that "the vendor must have a right to transfer the ownership [of the subject of the sale] at the time it is delivered," the specific provision of law declaring the contract as void was not specified. But this gap can be remedied as follows.

The Court held in *Heirs of Gregorio Lopez* that the sale by a co-owner of the co-owned property without the consent of his other co-owners is contrary to Article 493. Accordingly, Article 1409(1), which voids a contract "whose cause, object or purpose is contrary to law, morals, good customs, public order or public policy"²⁵ may be applied to justify the conclusion in *Heirs of Gregorio Lopez*.

In contrast to the instant case, however, the sale by Cerilla to Ciacho was valid on its face with the former being the registered owner. Indeed, the *ponencia* correctly noted that in a contract of sale, the seller "must have a right to transfer the ownership thereof at the time it is delivered."²⁶ One need not be the owner of a thing at the time of the sale to be able to perfect the contract.

That said, the *ponencia*'s basis for declaring the sale between Cerilla and Ciacho as invalid focused on Cerilla's apparent lack of authority to sell the properties to Ciacho and the absence of Adolfo's ratification to the same. These facts may be immaterial.

Lack of authority or ratification is not a ground to declare a contract void, but rather unenforceable under Article 1317, paragraph 2, in relation to Article 1403(2) of the Civil Code, to quote:

ARTICLE 1317. No one may contract in the name of another without being authorized by the latter, or unless he [or she] has by law a right to represent him [or her].

A contract entered into in the name of another by one who has no authority or legal representation, or who has acted beyond his [or her] powers, shall be unenforceable, unless it is ratified, expressly or impliedly, by the person on whose behalf it has been executed, before it is revoked by the other contracting party.

²⁴ 747 Phil. 427, 444 (2014) [Per J. Leonen, Second Division].

²⁵ Emphasis supplied.

²⁶ *Ponencia*, p. 9. Emphasis supplied.



ARTICLE 1403. The following contracts are unenforceable, unless they are ratified:

- (1) Those entered into in the name of another person by one who has been given no authority or legal representation, or who has acted beyond his [or her] powers[.]
(Emphasis supplied)

Thus, framing the sale between Ciacho and Cerilla as an issue of authority or representation may be insufficient to declare a contract invalid, much less void.

Remedies from a breach of an implied trust

Based on the foregoing, it is my considered view that the sale by Cerilla to Ciacho is valid and that Adolfo's only cause of action is against Cerilla for damages based on violating the terms of the implied trust.

Under the concept of an implied trust discussed in Part I, Adolfo's complaint, which was captioned as one for "Annulment of Deed of Sale of Real Property with Damages," is essentially an action for reconveyance, which is a "a legal remedy granted to a rightful owner of land wrongfully or erroneously registered in the name of another to compel the latter to reconvey the land to him [or her]." ²⁷ In *Rodrigo v. Ancilla*, the Court declared that: "[t]he remedy of a landowner whose property has been wrongfully or erroneously registered in another's name is an action for reconveyance, or an action for damages if the property has passed onto the hands of an innocent purchaser for value." ²⁸

The facts, however, do not involve a wrongful or erroneous registration, but simply a sale that violated one of the conditions of the MOA between Cerilla and Adolfo, namely that the illegal settlers should be cleared before the Subject Properties may be sold again. Moreover, the Subject Properties were sold by the registered owner, Cerilla, to Ciacho who may be considered as an innocent purchaser for value given the *ponencia's* narration of how Ciacho went beyond the face of Cerilla's title and inquired with both Adolfo and Far East Bank and Trust Company to ascertain the presence of any defects in Cerilla's title.

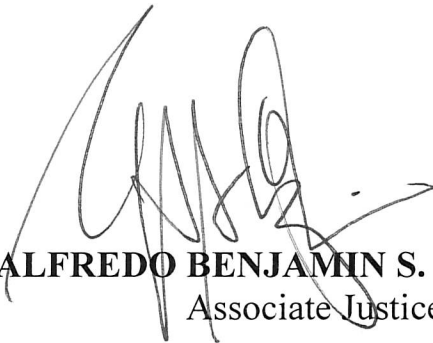
Ultimately, Adolfo's action should be limited to one for damages against Cerilla for the latter's breach of the implied trust. Given that the CA affirmed the RTC's finding that there was no evidence to support an award of damages, Adolfo's complaint should be dismissed.

²⁷ *Gatmaytan, et al. v. Misibis Land, Inc.*, 873 Phil. 791, 804 (2020) [Per J. Caguioa, First Division].

²⁸ *Rodrigo v. Ancilla*, *supra* note 21, at 596.



Based on the foregoing premises, I vote to DENY the Petition and AFFIRM the Decision dated December 19, 2019 and Resolution dated May 27, 2021 of the Court of Appeals.



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice