



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

SPOUSES VICTOR and
EDNA BINUA,

G.R. No. 207176

Petitioners, Present:

SERENO, C.J.,
Chairperson,
LEONARDO-DE CASTRO,
BERSAMIN,
VILLARAMA, JR., and
REYES, JJ.

- versus -

Promulgated:

LUCIA P. ONG,

Respondent. JUN 18 2014

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DECISION

REYES, J.:

Spouses Victor and Edna Binua (petitioners) seek the declaration of the nullity of the real estate mortgages executed by petitioner Victor in favor of Lucia P. Ong (respondent), on the ground that these were executed under fear, duress and threat.

Facts of the Case

In a Joint Decision¹ dated January 10, 2006 by the Regional Trial Court of Tuguegarao City, Branch 2 (RTC-Branch 2), in Criminal Cases Nos. 8230, 8465-70, petitioner Edna was found guilty of *Estafa* and was sentenced to imprisonment from six (6) years and one (1) day of *prision mayor*, as minimum, to thirty (30) years of *reclusion perpetua*, as maximum,

¹ Issued by Presiding Judge Vilma T. Pauig; records, pp. 9-23.

1

for each conviction. Petitioner Edna was also ordered to pay the respondent the amount of ₱2,285,000.00, with ten percent (10%) interest, and damages.²

Petitioner Edna sought to avoid criminal liability by settling her indebtedness through the execution of separate real estate mortgages over petitioner Victor's properties on February 2, 2006, and covering the total amount of ₱7,000,000.00. Mortgaged were portions of Lot No. 1319 covered by Transfer Certificate of Title (TCT) No. T-15232 and Lot No. 2399 covered by TCT No. T-15227, both located in Tuguegarao City.³

Thereafter, petitioner Edna filed a motion for new trial, which was granted by the RTC-Branch 2. Consequently, the RTC-Branch 2 rendered a Decision⁴ on February 24, 2006, ordering petitioner Edna to pay the respondent the amount of ₱2,285,000.00 as actual damages, with ten percent (10%) interest, and other damages.⁵ The RTC-Branch 2 ruled that the presentation of a promissory note dated March 4, 1997 novated the original agreement between them into a civil obligation. The decision further reads:

During the hearing of the motion [for new trial], [petitioner Edna's] counsel presented [petitioner Edna]. In the course of her testimony, she narrated that a promissory note (Exhibit "1") dated March 4, 1997 was executed by her in favor of Lucia P. Ong, the herein private complainant.

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With the surfacing and finally the introduction of Exhibit "1", the nature of the liability of [petitioner Edna] changed from both criminal and civil in nature to purely civil in character.

The Promissory Note novated the complexity of the nature of the course of action the [respondent] had from the beginning against [petitioner Edna].

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However, after the Promissory Note (Exh. "1") was executed by the parties, the whole scenario was novated into purely civil in nature. It was the intention of both [the respondent] and [petitioner Edna] to turn the debt into a mere loan, hence, this agreement of theirs being the law that binds them must be respected.

[Petitioner Edna] nonetheless, admits in Exhibit "1," that, she is indebted to [the respondent]. Thus, she must pay her just debt.⁶ (Emphasis ours)

² Id. at 22-23.

³ Id. at 24-29.

⁴ Id. at 6-8.

⁵ Id. at 7-8.

⁶ Id. at 6-7.

Petitioner Edna, however, failed to settle her obligation, forcing the respondent to foreclose the mortgage on the properties, with the latter as the highest bidder during the public sale.

The petitioners then filed the case for the Declaration of Nullity of Mortgage Contracts, alleging that the mortgage documents were “executed under duress, as the [petitioners] at the time of the execution of said deeds were still suffering from the effect of the conviction of [petitioner] Edna, and could not have been freely entered into said contracts.”⁷

On December 12, 2008, the RTC of Tuguegarao City, Branch 5 (RTC-Branch 5), rendered a Decision⁸ dismissing the complaint for lack of factual and legal merit.⁹ The RTC-Branch 5 ruled:

When the [petitioners] executed the Deeds of Mortgage, did they act under fear, or duress, or threat? Quite clearly, they did – because a judgment of conviction was hanging over Edna’s head sentencing her to a prison term x x x. However, Article 1335 of the Civil Code is equally unmistakable. The last paragraph of the article reads: “A threat to enforce one’s claim through competent authority, if the claim is just or legal, does not vitiate consent.”

The Court cannot see its way to an agreement with the [petitioners]. They asked for a “compromise” consisting in the execution of a promissory note by deeds of mortgage. Edna profited from it – she did not go to jail. She was in fact acquitted. The judgment of Branch 2 of this Court attained finality for failure of the accused to perfect a seasonable appeal. And now they come to Court asking it to set aside the very deeds of mortgage they had signed to keep Edna away from prison?¹⁰

The petitioners brought their case to the Court of Appeals (CA) and in the assailed Decision¹¹ dated November 13, 2012 and Resolution¹² dated May 14, 2013, the RTC-Branch 5 decision was affirmed. The CA ruled that:

[T]he claim of [petitioner] Victor that he executed the real estate mortgages for fear that his wife would go to jail is obviously not the intimidation referred to by law. In asserting that the above-mentioned circumstance constituted fear, duress and threat, [the petitioners] missed altogether the essential ingredient that would qualify the act complained of as intimidation, that the threat must be of an unjust act.¹³

⁷ Id. at 2.

⁸ Issued by Presiding Judge Jezarene C. Aquino; id. at 133-136.

⁹ Id. at 136.

¹⁰ Id. at 134-135.

¹¹ Penned by Associate Justice Danton Q. Bueser, with Associate Justices Amelita G. Tolentino and Ramon R. Garcia, concurring; CA *rollo*, pp. 68-75.

¹² Id. at 94.

¹³ Id. at 73.

In the present petition for review under Rule 45 of the Rules of Court, the petitioners claim that:

I.

THE LOWER COURT ERRED IN GIVING FULL FAITH AND CREDENCE TO THE DECISION OF THE COURT A QUO BASED ON FINDINGS OF FACTS NOT SUPPORTED BY THE EVIDENCE ON RECORD

II.

THE LOWER COURT ERRED IN REFUSING TO DECLARE NULL AND VOID THE MORTGAGE CONTRACTS DESPITE ITS FINDING THAT SAID CONTRACTS WERE EXECUTED UNDER FEAR, DURESS AND THREAT

III.

THE LOWER COURT ERRED IN REFUSING TO DECLARE NULL AND VOID THE MORTGAGE CONTRACTS DESPITE THE FACT THAT THEY WERE EXECUTED TO SECURE A MONETARY OBLIGATION THAT IMPOSES A MONTHLY INTEREST OF TEN PERCENT¹⁴

The petitioners contend that the CA erred when it sustained the findings of the RTC that the execution of the promissory note changed petitioner Edna's obligation to a civil one. According to the petitioners, the RTC's findings are not in accord with the RTC-Branch 2 Decision dated February 24, 2006, which ruled that petitioner Edna's liability is purely civil and not based on the compromise agreement with the respondent. The petitioners insist that the RTC-Branch 2 decision allegedly show "the lack of criminal liability of x x x Edna Binua due to novation." The petitioners also contend that there was no evidence during trial regarding the existence of the promissory note or that the basis of petitioner Edna's exoneration from criminal liability was the execution of the mortgage.¹⁵

The petitioners also claim that the threat and coercion levelled by the respondent against petitioner Victor, *i.e.*, the wrongful criminal conviction of petitioner Edna, and which resulted into the signing of the mortgages, do not fall within the coverage of Article 1335 of the Civil Code.¹⁶ Finally, the petitioners argue that the CA committed an error when it refused to rule on the legality of the ten percent (10%) monthly interest rate imposed on petitioner Edna's loan obligation.¹⁷

¹⁴ *Rollo*, pp. 20-21.

¹⁵ *Id.* at 22-23.

¹⁶ *Id.* at 24.

¹⁷ *Id.* at 28.

Ruling of the Court

First, the Court must emphasize that in a Rule 45 petition for review, only questions of law may be raised because the Court is not a trier of facts and is not to review or calibrate the evidence on record; and when supported by substantial evidence, the findings of fact by the CA are conclusive and binding on the parties and are not reviewable by this Court,¹⁸ unless the case falls under any of the exceptions.¹⁹

In this case, the Court notes that the petitioners' arguments are exact repetitions of the issues raised in the CA, and the petitioners failed to advance any convincing reason that would alter the resolution in this case. Not only that, the petitioners' arguments are also downright inaccurate, if not maliciously misleading.

The decisive factor in this case is the RTC-Branch 2 Decision dated February 24, 2006 in Criminal Case Nos. 8230, 8465, 8466, 8467, 8468, 8469 & 8470. This was the decision that overturned petitioner Edna's previous conviction for estafa and adjudged her only to be civilly liable to the respondent. Said RTC decision is already final and executory,²⁰ and this was not refuted by the petitioners. The Court has consistently ruled that "once a decision attains finality, it becomes the law of the case regardless of any claim that it is erroneous. Having been rendered by a court of competent jurisdiction acting within its authority, the judgment may no longer be altered even at the risk of occasional legal infirmities or errors it may contain."²¹ Thus, said RTC decision bars a rehash, not only of the issues raised therein but also of other issues that might have been raised, and this includes the existence of the promissory note upon which petitioner Edna's exoneration rested. As a matter of fact, the RTC decision embodied petitioner Edna's own admission that she is indebted to the respondent. The issue of whether petitioner Edna's liability under the note was, from the very beginning, civil and not criminal in nature has no relevance in this case as the only issue to be resolved is whether the mortgage contracts were executed under duress. Any other discussion pertinent to the RTC decision will transgress the principle of immutability of a final judgment.²²

¹⁸ *Aquiles Riosa v. Tabaco La Suerte Corporation*, G.R. No. 203786, October 23, 2013.

¹⁹ The exceptions are: (1) When the conclusion is a finding grounded entirely on speculation, surmises and conjectures; (2) When the inference made is manifestly mistaken, absurd or impossible; (3) Where there is a grave abuse of discretion; (4) When the judgment is based on a misapprehension of facts; (5) When the findings of fact are conflicting; (6) When the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee; (7) When the findings are contrary to those of the trial court; (8) When the findings of fact are without citation of specific evidence on which the conclusions are based; (9) When the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; and (10) When the findings of fact of the Court of Appeals are premised on the supposed absence of evidence and contradicted by the evidence on record. (see *David v. Misamis Occidental II Electric Cooperative, Inc.*, G.R. No. 194785, July 11, 2012, 676 SCRA 367, 373-374) (Emphasis omitted)

²⁰ Records, p. 89.

²¹ *Buaya v. Stronghold Insurance Co., Inc.*, 396 Phil. 738, 748 (2000).

²² See *Pahila-Garrido v. Tortogo*, G.R. No. 156358, August 17, 2011, 655 SCRA 553, 573-574.

The petitioners claim that they were compelled by duress or intimidation when they executed the mortgage contracts. According to them, they “were still suffering from the effect of the conviction of [petitioner] Edna, and could not have been freely entered into said contracts.”²³ The petitioners also allege that the respondent subsequently “rammed the two (2) mortgage contracts involving two (2) prime properties on [petitioner Victor’s] throat, so to speak[,] just so to make him sign the said documents,”²⁴ and that the respondent took advantage of the misfortune of the petitioners and was able to secure in her favor the real estate mortgages.²⁵

Article 1390(2) of the Civil Code provides that contracts where the consent is vitiated by mistake, violence, **intimidation**, undue influence or fraud are voidable or annulable. Article 1335 of the Civil Code, meanwhile, states that “[t]here is intimidation when one of the contracting parties is compelled by a **reasonable and well-grounded fear of an imminent and grave evil upon his person or property**, or upon the person or property of his spouse, descendants or ascendants, to give his consent.” The same article, however, further states that “[a] **threat to enforce one’s claim through competent authority, if the claim is just or legal, does not vitiate consent.**”

In *De Leon v. Court of Appeals*,²⁶ the Court held that in order that intimidation may vitiate consent and render the contract invalid, the following requisites must concur: (1) that the intimidation must be the determining cause of the contract, or must have caused the consent to be given; (2) that the threatened act be unjust or unlawful; (3) that the threat be real and serious, there being an evident disproportion between the evil and the resistance which all men can offer, leading to the choice of the contract as the lesser evil; and (4) that it produces a reasonable and well-grounded fear from the fact that the person from whom it comes has the necessary means or ability to inflict the threatened injury.²⁷

In cases involving mortgages, a preponderance of the evidence is essential to establish its invalidity, and in order to show fraud, duress, or undue influence of a mortgage, clear and convincing proof is necessary.²⁸

Based on the petitioners’ own allegations, what the respondent did was merely inform them of petitioner Edna’s conviction in the criminal cases for estafa. It might have evoked a sense of fear or dread on the petitioners’

²³ Records, p. 2.

²⁴ CA *rollo*, p. 46.

²⁵ Id. at 47.

²⁶ 264 Phil. 711 (1990).

²⁷ Id. at 726.

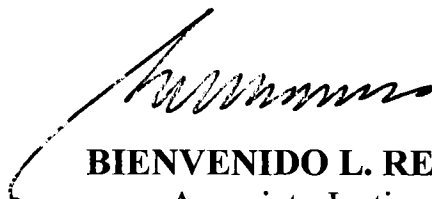
²⁸ *Ramos v. Obispo*, G.R. No. 193804, February 27, 2013, 692 SCRA 240, 254.

part, but certainly there is nothing unjust, unlawful or evil in the respondent's act. The petitioners also failed to show how such information was used by the respondent in coercing them into signing the mortgages. The petitioners must remember that petitioner Edna's conviction was a result of a valid judicial process and even without the respondent allegedly "ramming it into petitioner Victor's throat," petitioner Edna's imprisonment would be a legal consequence of such conviction. In *Callanta v. National Labor Relations Commission*,²⁹ the Court stated that the threat to prosecute for estafa not being an unjust act, but rather a valid and legal act to enforce a claim, cannot at all be considered as intimidation.³⁰ As correctly ruled by the CA, "[i]f the judgment of conviction is the only basis of the [petitioners] in saying that their consents were vitiated, such will not suffice to nullify the real estate mortgages and the subsequent foreclosure of the mortgaged properties. No proof was adduced to show that [the respondent] used [force], duress, or threat to make [petitioner] Victor execute the real estate mortgages."³¹

Finally, the petitioners assail the ten percent (10%) imposed by the RTC-Branch 2 in the criminal cases for estafa. As previously stated, however, the decision in said case is already final and executory.³² The Court will not even consider the petitioners' arguments on such issue for to do so would sanction the petitioners' act of subverting the immutability of a final judgment.


WHEREFORE, the petition is **DENIED** for lack of merit.

SO ORDERED.



BIENVENIDO L. REYES
Associate Justice

WE CONCUR:



MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson


²⁹ G.R. No. 105083, August 20, 1993, 225 SCRA 526.

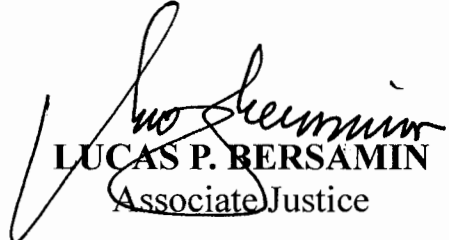
³⁰ Id. at 535.

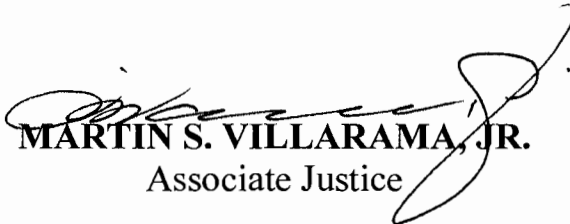
³¹ CA *rollo*, pp. 73-74.

³² Records, p. 89.

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TERESITA J. LEONARDO-DE CASTRO
Associate Justice


LUCAS P. BERSAMIN
Associate Justice


MARTIN S. VILLARAMA, JR.
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.


MARIA LOURDES P. A. SERENO
Chief Justice