

THIRD DIVISION

[G.R. NO. 168108, April 13, 2007]

ENRIQUE C. ABAD, JOSEPH C. ABAD, MA. SABINA C. ABAD, ADELAIDA C. ABAD, CECILIA C. ABAD, VICTORIA C. ABAD, VICTOR C. ABAD, CENON C. ABAD, JR., AND JUANITA C. ABAD, PETITIONERS, VS. GOLDLOOP PROPERTIES, INC., RESPONDENT.

DECISION

CALLEJO, SR., J.:

Before the Court is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, assailing the Decision^[1] of the Court of Appeals (CA) in CA-G.R. CV No. 77559. The ruling of the appellate court affirmed *in toto* the decision of the Regional Trial Court (RTC), Pasig City, Branch 167, in Civil Case No. 67192.

Petitioners Enrique C. Abad, Joseph C. Abad, Ma. Sabina C. Abad, Adelaida C. Abad, Cecilia C. Abad, Victoria C. Abad, Victor C. Abad, Cenon C. Abad, Jr., and Juanita C. Abad were the owners of 13 parcels of titled agricultural land^[2] covering a total of 53,562 square meters. The lots were situated in the S.C. Malabon Estate in Tanza, Cavite.

On August 29, 1997, respondent Goldloop Properties Inc., through its President, Emmanuel R. Zapanta, entered into a Deed of Conditional Sale^[3] with petitioners at the price of P650.00 per square meter, or a total of P34,815,300.00 for the entire land area. The parties agreed on the following terms of payment:

1. EARNEST MONEY

An earnest money of ONE MILLION PESOS (Php1,000,000.00) [EARNEST MONEY] has been given by the BUYER to the SELLER on June 30, 1997, as evidenced by MBTC Check No. 2930037 dated July 02, 1997, receipt of which is hereby acknowledged.

2. FIRST PAYMENT

SIX MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND SIX HUNDRED SIXTY PESOS (PHP6,765,660.00) [FIRST PAYMENT] shall be paid by the BUYER to the SELLER on August 17, 1997 covered by MBTC Check No. 2930037198, upon signing of this DEED OF CONDITIONAL SALE.

3. FULL PAYMENT

The remaining balance, representing full and final payment of the total contract price, in the amount of TWENTY-SEVEN MILLION

FORTY-NINE THOUSAND SIX HUNDRED FORTY PESOS (PHP27,049,640.00) shall be paid by the BUYER to the SELLER on or before 31 December 1997 and upon the fulfillment of the following conditions:

c.1 The balance of the total contract price shall be paid by the BUYER to the SELLER after verification of the total land area

through a site relocation survey, to be confirmed by the BUYER and the SELLERS.

c.2 The remaining balance of the total contract price shall be adjusted, based on the total land area verified through a site relocation survey, as per confirmation made by both parties.

[4]

Paragraph 8 of the Deed also provided for the consequence of respondent's failure to fulfill its obligation to pay the balance of the total consideration agreed upon:

8. In the event that the BUYER cannot comply, to fulfill his obligation to this contract, for the balance of the total consideration, one week before December 31, 1997, the BUYER shall forward a formal request for an extension of the contract not to exceed 30 days (on or before January 28, 1998). This grant of extension is afforded to the BUYER on a one-time basis and no subsequent extensions will be granted. In the event that the BUYER fails to comply [with] his part of the obligation within the specified extension period, the earnest money of ONE MILLION PESOS (PHP1,000,000.00), given by the BUYER to the SELLER by way of MBTC Check No. 2930037 dated July 02, 1997, shall be forfeited in favor of the SELLER but the first payment check of SIX MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND SIX HUNDRED SIXTY PESOS (PHP6,765,660.00) shall be returned to the BUYER without any additional charges to the SELLER.[5]

In a letter^[6] dated August 28, 1998, Zapanta informed Henry Abad that he would not object to the planned sale of the properties to other parties, provided that 50% of the forfeitable amount of P1,000,000.00 would be returned in addition to the P6,765,660.00 as provided in paragraph 8 of the Deed of Conditional Sale. He also declared that the intended date of purchase had been adversely affected by economic conditions which were never foreseen as a possible contingency.

However, in another letter^[7] dated October 8, 1998, Zapanta informed Enrique C. Abad that the negotiations with the banks had failed due to "the continuing economic downturn" and consequently, the transaction would not be consummated. He then requested that the first payment be returned within five days, in accordance with paragraph 8 of the deed.^[8] Respondent reiterated its demand to petitioners in a Letter^[9] dated November 5, 1998.

Respondent then filed a Complaint^[10] for Collection with Prayer for Writ of Attachment against petitioners. The complaint contained the following prayer:

1. Upon filing hereof, to issue *ex-parte*, a temporary restraining order directing the defendants to jointly and severally stop from executing any deed or instrument intended to encumber or convey the ownership of the properties enumerated under par. 1 hereof, to other parties; and after notice and hearing, to issue an injunction containing the same tenor as that of the temporary restraining order;
2. Upon filing hereof, to issue *ex-parte*, a writ of attachment on such properties of defendants sufficient to secure the satisfaction whatever favorable judgment that plaintiff may obtain in this case;
3. After notice and hearing, to render judgment, ordering the defendants, to jointly and severally pay plaintiff the following sums:
 - (a) P6,765,660.00 representing the principal amount due to plaintiff plus interest of 24% per annum, the computation of which to commence from the date of filing of the instant case until the said amount is fully paid;
 - (b) Attorney's fees equivalent to twenty-five (25%) of the principal amount sought to be collected;
 - (c) P50,000.00 representing the premium of the attachment and/or injunction bond;
 - (d) P50,000.00 litigation expenses;
 - (e) Cost of suit.

Plaintiff, further prays for such other reliefs and remedies consistent with law, justice and equity.^[11]

Trial ensued, and the parties presented their respective evidence.

On June 10, 2002, the RTC ruled in favor of respondent. In his Decision,^[12] Presiding Judge Alfredo C. Flores limited the issue to "whether or not [petitioners are] entitled to the refund or return of Php6,765,660.00 paid to [respondent] pursuant to the Deed of Conditional Sale." According to the trial court, the purpose of the P1,000,000.00 earnest money was separate and distinct from the P6,765,660.00 first payment:

A careful and thorough study of [paragraph 8 of the Deed of Conditional Sale] undeniably reveals that whether the contract was extended or not, the first payment in the amount of Php6,765,660.00 shall be returned to the plaintiff. The statement "but the first payment check of six million seven hundred sixty five thousand six hundred sixty pesos shall be returned to the buyer" indubitably presupposes that the parties, although using the words "earnest money" had truly considered the same as an option on the part of the plaintiff to rescind the contract in lieu of the forfeiture of Php1,000,000.00 if, for whatever reasons, it chooses not to pursue the contract by not paying the remaining balance thereon either one week before 31 December 1997 if not extended or, until 28 January 1998 if extended. Put otherwise, the requirement of forwarding a formal request for extension of the contract was provided for no other purpose than solely for the plaintiff to save the amount of Php1,000,000.00 from

being forfeited in the event it chooses to instead exercise its option of paying the balance on or before the said stipulated periods. In short, the purpose of paying the amount of Php6,765,660.00 is distinct and separate from that of Php1,000,000.00.^[13]

Citing Article 1370 of the Civil Code, the RTC also declared that "in the event the contract of conditional sale falters," the return of the first payment of P6,765,660.00 would be an unconditional obligation on the part of petitioners. Moreover, the provisions of the contract should be enforced as they are read, and should not be given an unusual significance even if to do so would appear to be in the interest of justice or necessary to prevent hardship. The dispositive portion reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff and against the defendants ordering the latter, in solidum, to pay the former the following sums, namely:

1. ***Php6,765,660.00 in addition to the payment of the 6% interest per annum from the filing of the complaint until it is fully paid;***
2. ***10% of the principal obligation, for and as reasonable attorney's fees; and***
3. ***Costs of suit.***

For lack of sufficient factual basis, the counterclaim is dismissed.

SO ORDERED. ^[14]

Petitioners filed a motion for reconsideration, alleging that the trial court erroneously interpreted paragraph 8 of the contract. Petitioners insisted that a close reading of the provision revealed that respondent as buyer had to comply with *three conditions precedent* before the first payment could be returned to it:

(a) One week before December 31, 1997, the BUYER shall forward a formal request for an extension of the contract." x x x

(b) The extension shall not exceed 30 days (on or before 28 January 1998) x x x.

(c) The extension shall be on a "one-time basis and no further extension will be granted."^[15]

Petitioners alleged that these conditions were not fulfilled, and that respondent did not request for an extension within the stipulated period. They further alleged that "whether or not plaintiff makes that extension notice is the **uncertain event** or **contingency** upon which plaintiff's validity of its claim or return of first payment depends," without which no right of action accrues. Thus, since respondent, as buyer, failed to comply with the "condition precedents" in paragraph 8, its claim for refund did not ripen into a demandable right. Contrary to the trial court's ruling, no such right to rescind the contract had been granted to respondent.

For its part, respondent filed a Motion for Grant of Writ of Attachment, relying on

Section 1(d) and (e), Rule 57 of the Revised Rules of Court.

On September 16, 2002, the RTC issued an Omnibus Order denying both motions. It held that when the sale did not materialize, the obligation of petitioners to return the first payment became unqualified and unconditional. In accordance with the contract, only the earnest money would be forfeited in favor of petitioners in case respondent failed to remit the balance of the purchase price. On petitioners' application of a writ of attachment, the trial court held that respondent was not guilty of fraud in the non-performance of its obligation, grounded as it was on the interpretation of the contract.

Petitioners appealed the case to the CA on the following grounds:

1.1 THE LOWER COURT ERRED IN FINDING THAT THE RETURN OF THE FIRST PAYMENT OF P6,765,660.00 IS AN UNCONDITIONAL OBLIGATION ON THE PART OF THE DEFENDANTS;

1.2 THE LOWER COURT ERRED IN NOT FINDING AND DECLARING THAT THE OBLIGATION TO RETURN THE FIRST PAYMENT OF P6,765,660.00 IS A CONDITIONAL OBLIGATION OR IF NOT, IS AT LEAST AN OBLIGATION WITH A PERIOD;

1.3 THE LOWER COURT ERRED IN ORDERING DEFENDANTS, IN SOLIDUM, TO PAY PLAINTIFF P6,765,660.00 IN ADDITION TO THE PAYMENT OF 6% INTEREST PER ANNUM FROM THE FILING OF THE COMPLAINT UNTIL IT IS FULLY PAID, WITHOUT FIXING THE DURATION OF THE PERIOD WITHIN WHICH DEFENDANTS HAVE TO COMPLY WITH THEIR OBLIGATION;

1.4 THE LOWER COURT ERRED IN CONCLUDING THAT PLAINTIFF IS ENTITLED TO RECOVER ATTORNEY'S FEES; and

1.5 THE LOWER COURT ERRED IN ORDERING DEFENDANTS, IN SOLIDUM, TO PAY PLAINTIFF 10% OF THE PRINCIPAL OBLIGATION FOR AND AS REASONABLE ATTORNEY'S FEES.

The CA dismissed the appeal and affirmed *in toto* the ruling of the trial court.^[16] Citing Article 1370 of the Civil Code and related cases,^[17] it declared that if the terms of a contract are clear with no doubt as to the intentions of the contracting parties, then the literal meaning of the stipulations shall control. It held that the disputed paragraph 8 of the deed is plain and unambiguous: in case respondent failed to pay the balance, the earnest money would be forfeited, but the first payment shall be returned to respondent. The appellate court declared that petitioner's obligation to return the first payment was an unconditional one.^[18]

Petitioners filed a motion for reconsideration. In its Resolution^[19] dated May 4, 2005, the CA partly granted the motion and declared that the liability of petitioners is only *joint* and not *in solidum*. The pertinent portion of the resolution reads:

Our declaration in our Decision dated January 5, 2005, that it was an unconditional obligation on the part of the appellants to return to the appellee the first payment check of P6,765,660.00, [w]e meant that such