

THIRD DIVISION

[G.R. No. 237291, February 01, 2021]

MARITO* AND MARIA FE SERNA, PETITIONERS, VS. TITO AND ILUMINADA DELA CRUZ, RESPONDENTS.

DECISION

DELOS SANTOS, J.:

The Case

Before the Court is a Petition for Review on *Certiorari*^[1] under Rule 45 of the Rules of Court seeking to reverse and set aside the Decision^[2] dated July 18, 2017 and the Resolution^[3] dated January 29, 2018 rendered by the Court of Appeals (CA) in CA-G.R. CV No. 102763. The CA dismissed Marito Serna (Marito) and Maria Fe Serna's (collectively, petitioners) appeal from the Decision^[4] dated April 4, 2014 of the Regional Trial Court (RTC) of Puerto Princesa City, Palawan, Branch 95 in Civil Case No. 3612 directing them to: (i) accept the balance of the purchase price in the amount of P47,621.00; (ii) execute a Deed of Absolute Sale; and (iii) pay Tito Dela Cruz (Tito) and Iluminada Dela Cruz (collectively, respondents) damages and attorney's fees.^[5]

The Facts

The instant controversy arose from an action for specific performance and damages filed by respondents against petitioners.

Petitioners are the owners of two (2) parcels of land located in Aramaywan, Quezon, Palawan registered under Original Certificate of Title (OCT) Nos. E-6101 and E-6103 (subject properties).^[6] In their Complaint,^[7] respondents alleged that: (1) on various dates, they paid petitioners various amounts of money totaling P252,379.27 for the purchase of the subject properties; (2) on November 9, 1998, petitioners and respondents executed a handwritten Agreement^[8] where the former acknowledged receipt of partial payments made by the latter, and said document was witnessed by Nelson Cordero (Cordero) as indicated by his signature therein; and (3) when respondents tendered the balance for the purchase price of the subject properties, petitioners refused to receive the same and notified them of their intent to sell the subject properties to other buyers for a higher price.^[9] Finally, respondents likewise prayed for P300,000.00 as moral damages, P100,000.00 as exemplary damages, P50,000.00, and P1,500.00 for each court hearing as attorney's fees, and P20,000.00 as litigation expenses.^[10]

In turn, petitioners denied respondents' claims. In their Answer,^[11] petitioners admitted that there was a previous agreement to sell the subject properties to

respondents but it was voluntarily abandoned by the latter. By way of affirmative defense, they averred that the action lacked a sufficient cause of action in view of respondents' failure to pay the remaining balance on two (2) separate dates agreed upon by the parties.^[12] When petitioners sought to give back the money advanced by respondents, the latter refused.^[13]

After pre-trial, trial on the merits then ensued.

RTC Ruling

On April 4, 2014, the RTC rendered a Decision^[14] in favor of respondents, the dispositive portion reads:

WHEREFORE, premises considered, judgment is hereby rendered in favour of the plaintiffs by ordering the defendants to do the following:

1. To accept the final payment of FORTY SEVEN THOUSAND SIX HUNDRED TWENTY ONE (47,621) PESOS and execute at the same time the Deed of Absolute Sale over the purchased lots over Original Certificates of Titles Nos. E-6103 and E-6101.
2. To pay the plaintiffs the following amounts:
 - a. Twenty Thousand (P20,000.00) Pesos as moral damages;
 - b. Ten Thousand (P10,000.00) Pesos as exemplary damages[;]
 - c. Ten Thousand (P10,000.00) Pesos as attorney's fees and cost of litigation.

SO ORDERED.^[15]

Considering the judicial admission of petitioners that there was a verbal contract of sale between the parties in 1995 and the fact that respondents have already paid a substantial portion of the purchase price, the RTC determined that the contract entered into by the parties was a contract of sale and not a contract to sell. Thus, ownership of the subject properties immediately passed to respondents despite the balance of P47,621.00 yet to be paid. Further, the RTC noted that respondents were already in possession of the subject properties and likewise collected the produce therein.^[16]

Finally, the RTC held that petitioners acted in bad faith for unjustly refusing to accept respondents' tender of the balance and proceed with the contract of sale when they received P252,379.27, which constituted more than half of the total purchase price of P300,000.00. In view however of the delay on the part of respondents to pay the balance to petitioners despite possession of the subject properties, the RTC considerably reduced the amount of damages prayed for by respondents.^[17]

CA Ruling

On July 18, 2017, the CA rendered the assailed Decision^[18] affirming *in toto* the

RTC Decision, to wit:

WHEREFORE, finding the instant appeal to be wanting in merit, it is hereby **DENIED**.

Accordingly, the *Decision dated 04 April 2014* rendered by the Regional Trial Court (RTC), Branch 95, of Puerto Prinsesa City, in Civil Case No. 3612 is **AFFIRMED in toto**.

SO ORDERED.^[19]

In so ruling, the CA determined that the genuineness and due execution of the Agreement, a private document, could no longer be challenged for two reasons: (a) petitioners' judicial admissions, *i.e.*, petitioners' admission in their Answer as to the execution of the Agreement; and (b) the testimonies of respondent Tito and witness Cordero who testified as to the execution of the Agreement in their presence. Furthermore, the appellate court held that the contract between the parties was not subject to the Statute of Frauds because it was partially executed. Finally, the CA sustained the award for damages, attorney's fees and costs of litigation in favor of respondents in view of petitioners' bad faith.^[20]

On January 29, 2018, the CA rendered the assailed Resolution^[21] denying petitioners' Motion for Reconsideration^[22] for being a rehash of the arguments already considered in the assailed Decision.

Hence, this Petition raising the following errors:

I.

WHETHER THE COURT OF APPEALS GRAVELY ERRED IN AFFIRMING THE RULING AGAINST THE PETITIONERS DESPITE THE RESPONDENTS' FAILURE TO ESTABLISH THEIR CAUSE OF ACTION THROUGH THE PURPORTED "AGREEMENT" DATED NOVEMBER 9, 1998.

II.

WHETHER THE COURT OF APPEALS GRAVELY ERRED IN AFFIRMING THE RULING AGAINST THE PETITIONERS DESPITE THE UNENFORCEABILITY OF THE "AGREEMENT" PURSUANT TO ARTICLES 1356, AND 1358, IN RELATION TO 1403 OF THE NEW CIVIL CODE.^[23]

Petitioners' Arguments

Petitioners argue that the appellate court erred in dismissing their appeal and sustaining the RTC's Decision due to the following reasons:

(1) Respondents' cause of action was derived from the Agreement, a private document, whose genuineness and due execution has not been established in view of their adamant denial of having signed the same;^[24]

(2) In spite of their judicial admissions that they sold the subject properties to respondents, petitioners did not intend to transfer the ownership over the subject

properties until full payment of the purchase price. Full payment of the purchase price was a *sine qua non* for the transfer of ownership, otherwise a Deed of Sale would have been executed; [25]

(3) Respondents' possession of the subject properties was not in the concept of an owner. [26] Prior to the sale, their agreement was a mortgage over the subject properties and respondents started gathering coconuts therein because petitioners could not return the Php70,000.00 borrowed from respondents;

(4) Assuming *arguendo* that respondents' cause of action has been established through the purported Agreement, the same is unenforceable under the Statute of Frauds, and should have been reduced in a public document; [27] and

(5) The award of damages and attorney's fees lacks basis as bad faith was not proven. [28]

Respondents' Arguments

In their Comment, [29] respondents alleged that:

(1) The Petition should be dismissed outright insofar as petitioners raise questions of fact which is beyond the purview of a Rule 45 petition. The factual findings of the CA are binding upon the Court and petitioners have not shown that their case falls under the recognized exceptions of the said rule; [30]

(2) The lower courts both concur in their findings that: (a) the genuineness and due execution of the Agreement has been established; and (b) the Agreement between the parties was a contract of sale, not to a contract to sell; [31] and

(3) The Statute of Frauds applies to executory contracts, and not to those that are totally or partially performed. Respondents have paid a substantial portion of the purchase price and have been using the subject properties for several years. [32]

The Issues

The issues presented for resolution are: (1) whether the genuineness and due execution of the Agreement has been established; and (2) whether a verbal contract of sale is barred by the Statute of Frauds.

The Court's Ruling

The petition lacks merit.

Petitioners concede that they are raising mixed questions of law and fact in their petition but insist that in the interest of substantial justice, their petition should be given due course. [33] Further, they aver that the factual findings of the lower courts do not conform with the evidence on record. In fine, they claim that the CA misappreciated facts in rendering the assailed Decision.

Settled is the rule that the factual findings of the appellate courts are final, binding,

or conclusive on the parties and the Court when supported by substantial evidence. [34] The foregoing rule finds even more stringent application where the findings of the RTC are sustained by the CA. [35] In the present case, both the RTC and the CA unite in their conclusion that what transpired between petitioners and respondents was a contract of sale, a fact that is supported not only by testimonial, but also by documentary evidence. In contrast, petitioners merely interposed denials. For this reason, the Court adheres to the findings of the RTC as affirmed by the CA.

The genuineness and due execution of the Agreement has been established by respondents.

Any doubt as to the due execution of the Agreement is dispelled by petitioners themselves. Petitioners admitted to the existence of the document in question in their Answer. Paragraph 6 of respondents' Complaint states:

6. On November 9, 1998, the defendants affixed their signatures in the handwritten agreement and acknowledgement of the amount they have received from the plaintiffs in partial payment of the purchase price of the parcels of land. The text of the said acknowledgment entitled "Agreement" is as follows:

Know all men by this presents:

We, Mr. Felix Marito Serna and Maria Fe Jabagat Serna of Aramaywan, Quezon, Palawan, owner of Lot No. 7132 containing an area of (32,227) square meters with OCT No. E-6101 and lot no. 7133 containing an area of (41,040) square meters with OCT no. E-6103, has received partial payment of Two hundred fifty two thousand and three hundred seventy nine pesos and twenty seven centavos from Mr. Tito [A.] dela Cruz and Mrs. Iluminada Dela Cruz Buyers of the said lot which is located or situated at Aduhan, Aramaywan, Quezon, Palawan. The bal. Of the buyer is (P47,621.00) only. Done this 9th day of November 1998

A witness Nelson Cordero likewise affixed his signature on the agreement. A copy of the said agreement is attached as Annex D. [36] (Italics in the original, underscoring supplied)

Meanwhile petitioners, in their Answer, stated:

4. Defendants ADMIT paragraph 6 of the complaint. Indeed to show that defendants were true to their intention to sell their properties, they still give (sic) last chance to plaintiffs to complete payment until December of 1998 through (sic) the contract was actually agreed in 1995. However, despite the lapse of December 1998 plaintiffs failed to pay the balance[.] [37] (Underscoring supplied)