

## THIRD DIVISION

[ G.R. No. 225449, February 26, 2020 ]

**SPOUSES RENE LUIS GODINEZ AND SHEMAYNE GODINEZ,  
PETITIONERS, VS. SPOUSES ANDREW T. NORMAN AND JANET A.  
NORMAN, RESPONDENTS.**

### DECISION

**LEONEN, J.:**

Generally, partial payments of the purchase price on a contract to sell should be returned to the buyer if the sale does not push through, unless forfeiture of such partial payments was stipulated. However, these partial payments may be retained and considered as rentals by the seller if the buyer was given possession or was able to use the property prior to transfer of title.<sup>[1]</sup>

This is a Petition for Certiorari<sup>[2]</sup> under Rule 65 filed by spouses Rene Luis Godinez and Shemayne Godinez (the Godinez Spouses) alleging that the Court of Appeals committed grave abuse of discretion amounting to lack or excess of jurisdiction when it ordered them to reimburse the amounts paid by spouses Andrew and Janet Norman (the Norman Spouses) under a contract to sell.

In a Resolution dated August 22, 2016,<sup>[3]</sup> this Court dismissed the Petition for Certiorari for being the improper remedy, and for failure to sufficiently show grave abuse of discretion on the part of the Court of Appeals.

The Godinez Spouses filed a Motion for Reconsideration,<sup>[4]</sup> which was granted by this Court in its January 25, 2017 Resolution.<sup>[5]</sup> The Petition for Certiorari was, therefore, reinstated, and the Norman Spouses were required to file their Comment thereto. The Norman Spouses commented on the motion on April 3, 2017,<sup>[6]</sup> and the Godinez Spouses replied to the comment on May 3, 2017.<sup>[7]</sup>

The facts derived from the proceedings a quo reveal that sometime in August 2006, the Godinez Spouses agreed to sell the leasehold rights over a housing unit at 8-A and 8-B Grouper Street, East Kalayaan, Subic Bay Freeport Zone, to the Norman Spouses for US\$175,000.00.<sup>[8]</sup>

On August 23, 2006, the Norman Spouses paid US\$10,000.00 to the Godinez Spouses as partial payment. The parties agreed that the remaining balance would be paid within 30 working days from the payment of the US\$10,000.00. After payment of this initial installment, the Norman Spouses moved their furniture and appliances into the houses, and assigned a house helper to act as their caretaker. However, the Norman Spouses eventually asked the Godinez Spouses for an extension of time to pay the remaining balance. The Godinez Spouses agreed to give them more time, provided they pay US\$30,000.00 to the account of Rene Godinez. Thus, on December 1, 2006, or around three (3) months after the full

payment on the property was due, Andrew Norman transferred US\$30,000.00 to the account of Woodra Enterprises, a corporation owned by the Godinez Spouses.<sup>[9]</sup>

Despite the extension, the Norman Spouses were still unable to pay the remaining balance by the end of January 2007. Thus, the parties agreed that the Norman Spouses would remove their furniture and appliances, so that the Godinez Spouses could use the units again.<sup>[10]</sup>

Around three (3) months later, the Norman Spouses learned that the housing unit had been sold to another buyer.<sup>[11]</sup> The Norman Spouses requested the return of their payments from the Godinez Spouses, writing demand letters on October 23, 2007 and on November 20, 2007. When their demand letters went unheeded, they filed a complaint against the Godinez Spouses, praying for the return of the US\$40,000.00.<sup>[12]</sup>

The Regional Trial Court granted the Norman Spouses' prayer for the return of their partial payments.<sup>[13]</sup> It found that the spouses had a perfected contract of sale, and that the partial payments were in the form of earnest money, which formed part of the purchase price. Upon rescission of the contract of sale due to substantial breach, the earnest money should have been returned to the Norman Spouses, since the parties never stipulated its forfeiture in favor of the Godinez Spouses. The trial court also denied the Norman Spouses' claims for moral and exemplary damages for lack of basis, but granted the prayer for attorney's fees in the amount of P50,000.00.

**WHEREFORE**, premises considered, defendants Spouses Rene Luis Godinez and Shemayne R. Godinez are hereby **ORDERED TO RETURN** to plaintiffs Spouses Andrew T. Norman and Janet A. Norman, the amount of US\$40,000.00 (or its peso equivalent) with legal interest thereon from the date of the filing of the complaint, until the amount is fully paid.

In addition, said defendants are hereby **ORDERED TO PAY** PLAINTIFFS THE AMOUNT OF Php50,000.00 and the costs of suit.

Furnish copies of the decision to the parties and their respective counsels.

**SO ORDERED.**<sup>[14]</sup> (Emphasis in the original )

The Godinez Spouses appealed to the Court of Appeals, which affirmed<sup>[15]</sup> the Regional Trial Court's ruling that the amounts paid by the Norman Spouses should be returned. However, the Court of Appeals found that the contract was not a contract of sale, but a contract to sell. Thus, the nonfulfillment of the obligation to pay the full amount of the purchase price was not a breach of contract but rather an unfulfilled suspensive condition, which prevented the seller from conveying title to the buyer. Thus, the Norman Spouses' failure to pay was not a breach that could result in their partial payments being forfeited as compensatory damages. Instead, it rendered the contract to sell "ineffective and without further force and effect."<sup>[16]</sup> Furthermore, their partial payment could not be retained as there was no stipulation to that effect between the parties.<sup>[17]</sup>

The Court of Appeals cited *Olivarez Realty Corporation v. Castillo*,<sup>[18]</sup> which clarified that while amounts already paid on a contract to sell will generally be returned in case the full purchase price is not paid, the same may be retained if the buyer was given possession of the property prior to transfer of title. The Court of Appeals held that the Norman Spouses were not given "full possession" of the housing unit because they were restricted to storing their furniture and appliances to a single room, and that the Godinez Spouses retained a key to the premises. Thus, the absence of "full possession" rendered the partial payments on the contract refundable. In any event, the parties never stipulated on the forfeiture of the partial payments made by the Norman Spouses in case the contract to sell failed to push through.<sup>[19]</sup>

**WHEREFORE**, the appeal is **DISMISSED** and the Decision on appeal is **AFFIRMED**. As discussed above, the legal interest to be paid on the amount of US40,000.00 or its peso equivalent is twelve percent (12%) per annum, reckoned from the date of the filing of the complaint until 30 June 2013, and six percent (6%) per annum from 1 July 2013 until finality. Thereafter, the principal amount due as adjusted by interest shall likewise earn interest at six percent (6%) per annum until fully paid.

**IT IS SO ORDERED.**<sup>[20]</sup>

The Godinez Spouses moved for reconsideration of the Court of Appeals' Decision, arguing that *Olivarez* applied in their favor because it allowed the sellers to retain the partial payments made on the contract.<sup>[21]</sup> However, the Court of Appeals denied the Motion in a Resolution dated May 12, 2016.<sup>[22]</sup>

The Court of Appeals maintained that the cited portion of *Olivarez* did not apply to the Godinez Spouses' case.<sup>[23]</sup> According to the Court of Appeals, *Olivarez* allowed the retention of the partial payments on the contract to sell only because the prospective buyers were "given full possession of the subject property."<sup>[24]</sup> Since the Norman Spouses were not allowed such full possession, the amounts paid on the contract should be reimbursed to the Norman Spouses.<sup>[25]</sup>

Thus, the Godinez Spouses filed before this Court a Petition for Certiorari under Rule 65, arguing that the Court of Appeals committed grave abuse of discretion amounting to lack or excess of jurisdiction by misapplying *Olivarez*. While petitioners agreed that the contract was one to sell, they asserted that the ruling in *Olivarez* actually justified their retention of the partial payments.<sup>[26]</sup>

According to petitioners, *Olivarez* allowed the prospective seller to retain the partial payments made by the prospective buyers, because the latter were placed in full possession of the subject property pending transfer of title. Here, petitioners alleged that although the Norman Spouses did not occupy the property, they were in full possession of it from August 23, 2006 to January 2007, having stored furniture, household appliances, and groceries in the property, and even having a caretaker occupy the premises.<sup>[27]</sup>

Petitioners also argued that the partial payments should be forfeited in their favor as reasonable rentals for their inability to derive income from the property. Petitioners admitted that this argument on reasonable rentals was raised for the first time on appeal, but claimed exception since issues presenting matters of public policy may

be considered for the first time on appeal. According to petitioners, respondents stand to be unjustly enriched at petitioners' expense, as respondents have enjoyed possession of the housing unit without having to pay any rent.<sup>[28]</sup>

This Court dismissed the Petition for Certiorari for being an improper remedy, and for its failure to establish any grave abuse of discretion on the part of the Court of Appeals.<sup>[29]</sup>

Petitioners moved for reconsideration,<sup>[30]</sup> maintaining that a party's resort to a wrong remedy may be liberally construed in pursuit of substantial justice, and in view of the merits of their arguments. They insist that *Olivarez* allows them to retain respondents' partial payments since possession had been turned over to the latter pending transfer of title. Petitioners also argue that respondents' failure to actually reside within the housing unit does not detract from their full possession or occupation of the premises.<sup>[31]</sup>

On January 25, 2017, this Court issued a Resolution granting the Motion for Reconsideration, reinstating the Petition for Certiorari and requiring the Norman Spouses to file a comment.<sup>[32]</sup>

Respondents filed their Comment on April 3, 2017,<sup>[33]</sup> arguing that a petition for certiorari cannot substitute for a lost appeal. They assert that the petition was filed beyond the 15-day period for filing a petition for review, rendering the assailed decision of the Court of Appeals final. Respondents also point out that the petition did not raise any errors of jurisdiction, but instead raised errors of law.<sup>[34]</sup> Petitioners allegedly failed to discharge the burden of presenting "extraordinary circumstances which may justify a deviation from the rules on timely filing of appeals,"<sup>[35]</sup> thus, precluding a relaxation of procedural rules.

In any event, respondents argue that petitioners misconstrued the ruling in *Olivarez*. According to respondents, *Olivarez* allowed the sellers to retain the prospective buyer's partial payments because the latter "illegally retained possession of the property for fourteen (14) long years and illegally withheld payments of the purchase price."<sup>[36]</sup> The illegal possession and withholding of payment, as well as the subsequent sale of the property without notice to the buyer, were allegedly the "primary considerations" for allowing retention of the partial payments. Without these circumstances, *Olivarez* was allegedly inapplicable.<sup>[37]</sup>

On May 3, 2017, petitioners filed a Motion for Leave to File a Reply to respondents' Comment, with their Reply attached.<sup>[38]</sup> The Motion was granted, and the Reply was noted in a subsequent Resolution.<sup>[39]</sup> Petitioners argue in their Reply that the reinstatement of the petition for certiorari already mooted any issue on the procedural vehicle's propriety. They then reiterated that *Olivarez* applies because of the matters regarding the illegality of possession, illegality of withholding of payments, and absence of notice of subsequent sale to another buyer were irrelevant to *Olivarez*'s interpretation of when partial payments made on a contract to sell could be retained by the prospective seller. Rather, these circumstances were only relevant to the issue of whether or not rescission of the contract would have been proper.<sup>[40]</sup>

The issue for this Court's resolution is whether or not the Court of Appeals committed grave abuse of discretion when it dismissed petitioners' appeal and ordered the reimbursement of the amounts paid by respondents.

Preliminarily, this Court is tasked with resolving whether or not petitioners' recourse to a petition for certiorari is proper.

On substantive matters, this Court must resolve whether or not the prospective buyer's failure to fully pay the purchase price on a contract to sell may result in the forfeiture of such partial payments absent a stipulation to that effect.

This Court grants the petition.

## I

While petitioners raise errors of judgement that fall outside the purview of the remedy sought, procedural rules may be relaxed in view of the ultimate goal of rendering substantive justice:

The law abhors technicalities that impede the cause of justice. The court's primary duty is to render or dispense justice. "It is a more prudent course of action for the court to excuse a technical lapse and afford the parties a review of the case on appeal rather than dispose of the case on technicality and cause a grave injustice to the parties, *giving a false impression of speedy disposal of cases* while actually resulting in more delay, if not miscarriage of justice."<sup>[41]</sup> (Emphasis in the original, citation omitted)

*Microsoft Corp. v. Best Deal Computer Center*<sup>[42]</sup> teaches that a petition for certiorari corrects only errors of jurisdiction, and cannot correct errors of judgment. As such, a Rule 65 petition "must raise not errors of judgment but the acts and circumstances showing grave abuse of discretion amounting to lack or excess of jurisdiction."<sup>[43]</sup>

Petitioners cite *Olivarez Realty Corporation v. Castillo*,<sup>[44]</sup> indicating that the amounts already paid to the sellers under a contract to sell may be retained when the prospective buyers were placed in possession of the property prior to transfer of ownership. Petitioners are clearly arguing a point of law, which is correctible by an appeal and not by a petition for certiorari.<sup>[45]</sup>

While a petition for certiorari may not substitute for a lost appeal,<sup>[46]</sup> this rule is not absolute. *Punongbayan-Visitacion v. People*<sup>[47]</sup> discussed instances when procedural rules may be relaxed:

Nevertheless, the general rule that an appeal and a *certiorari* are not interchangeable admits exceptions. In *Department of Education v. Cuanan*, the Court exercised liberality and considered the petition for *certiorari* filed therein as an appeal:

The remedy of an aggrieved party from a resolution issued by the CSC is to file a petition for review thereof under Rule 43 of the Rules of Court within fifteen days from notice of the resolution. Recourse to a petition for certiorari under Rule 65