

SECOND DIVISION

[G.R. No. 207586, August 17, 2016]

**AFP RETIREMENT AND SEPARATION BENEFITS SYSTEM
(AFPRSBS), PETITIONER, VS. EDUARDO SANVICTORES,
RESPONDENT.**

D E C I S I O N

MENDOZA, J.:

Assailed in this Petition for Review on *Certiorari* is the November 28, 2012 Decision^[1] and the June 6, 2013 Resolution^[2] of the Court of Appeals (CA) in CA-G.R. SP No. 118427, which affirmed the June 22, 2010 Decision^[3] of the Office of the President (OP), upholding the August 31, 2007 Decision^[4] of the Housing and Land Use Regulatory Board-Board of Commissioners (*HLURB Board*). The decision of the HLURB Board dismissed the appeal filed by petitioner AFP Retirement and Separation Benefits System (*AFPRSBS*) together with Prime East Properties, Inc. (*PEPI*), questioning the order of rescission of the contract of sale of the subject parcel of land.

The Antecedents

The records show that sometime in 1994, PEPI, formerly Antipole Properties, Inc., offered to Eduardo Sanvictores (*Sanvictores*) for sale on installment basis a parcel of land in Village East Executive Homes, a subdivision project, designated as Lot 5, Block 64, Phase II, covering an area of approximately 204 square meters, and situated in Tayuman, Pantok, Binangonan, Rizal; that on April 20, 1994, Sanvictores paid the required down payment of P81,949.04; that on June 9, 1994, a Contract to Sell^[5] was executed by and between PEPI and AFPRSBS, as the seller, and Sanvictores, as the buyer; that on February 27, 1999, Sanvictores paid in full the purchase price of the subject property in the amount of P534,378.79; that despite the full payment, PEPI and AFPRSBS failed to execute the corresponding deed of absolute sale on the subject property and deliver the corresponding title thereto; that on September 6, 2000, Sanvictores demanded from PEPI the execution of the deed of sale and the delivery of the transfer certificate of title; that PEPI claimed that the title of the subject property was still with the Philippine National Bank (*PNB*) and could not be released due to the economic crisis; that despite several follow-ups with PEPI, the latter did not communicate with Sanvictores for a period of four (4) years; and that, thereafter, Sanvictores filed a complaint for rescission of the contract to sell, refund of payment, damages, and attorney's fees against PEPI and AFPRSBS before the HLRUB.

In its defense, PEPI argued, among others, that the complaint should be dismissed for lack of cause of action; that it could not be faulted for the delay in the delivery of the title due to *force majeure*; that it substantially complied with its obligations in good faith; and that it was always transparent in dealing with the public.

For its part, AFPRSBS countered that it was not the owner and developer of Village East Executive Homes but PEPI; that PEPI alone was the seller; and that Norma Espina (*Espina*) was neither the treasurer nor the authorized representative of AFPRSBS, but the Treasurer of PEPI.

The Decision of the HLURB Arbiter

On March 27, 2006, the HLURB Arbiter rendered a decision^[6] in favor of Sanvictores, the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered as follows:

1. Declaring the Contract to Sell executed by and between the complainant and the respondents covering the subject property as **RESCINDED**, and

2. Ordering the respondents to pay jointly and severally the complainant the following sums:

- a) The amount of FIVE HUNDRED THIRTY FOUR THOUSAND THREE HUNDRED SEVENTY EIGHT PESOS & 79/100 (P534,378.79) plus twelve percent (12%) interest per annum to be computed from the date of the filing of the complaint on September 20, 2001 until fully paid,
- b) The amount of TEN THOUSAND PESOS (P10,000.00) as moral damages,
- c) The amount of TEN THOUSAND PESOS (P10,000.00) as exemplary damages,
- d) The amount of TEN THOUSAND PESOS (P10,000.00) as attorney's fees,
- e) The costs of litigation, and
- f) An administrative fine of TEN THOUSAND PESOS (P10,000.00) payable to this Office fifteen (15) days upon receipt of this decision, for violation of Section 20 in relation to Section 38 of PD 957.

SO ORDERED.^[7]

The HLRUB Arbiter ruled that Sanvictores was entitled to the reliefs he prayed for in the complaint and that the rescission of the contract to sell was just and proper because of the unjustified refusal of the seller to execute the deed of absolute sale and to deliver the title of the subject property despite the full payment of the purchase price. The seller's unjustified refusal constituted a substantive breach of its legal and contractual obligation.

Decision of the HLURB Board

On August 31, 2007, acting on the appeal of PEPI and AFPRSBS, the HLURB Board affirmed the decision of the HLURB Arbiter as it found no reversible error in the findings of fact and conclusions of the HLURB Arbiter.

The respective motions for reconsideration of PEPI and AFPRSBS were denied by the HLURB Board.

The Decision of the Office of the President

PEPI and AFPRSBS filed separate appeals before the OP with AFPRSBS insisting that it should not be held jointly and severally liable with PEPI for the refund, administrative fine and the payment of the interest. On June 22, 2010, the OP upheld the decision of the HLURB Board. It stated that in the contract to sell "PEPI and AFPRSBS were referred to Singly as the 'seller,' and there were no delineations whatsoever as to their rights and obligations."^[8] Hence, the OP concluded that their obligation to Sanvictores was joint and several.

Motions for reconsideration were separately filed by PEPI and AFPRSBS, but both were denied by the OP in its February 8, 2011 Resolution.^[9]

AFPRSBS alone filed a petition for review before the CA.

The CA Decision

On November 28, 2012, the CA affirmed the decision of the OP. The CA echoed the view of the OP that PEPI and AFPRSBS were indicated as the "Seller" in the subject contract, without any delineation whatsoever as to the rights and obligations of the respective parties. It wrote that PEPI and AFPRSBS came to the contracting table with the intention to be bound jointly and severally. Hence, the CA concluded that the nature of the obligation of PEPI and AFPRSBS under the subject contract was solidary pursuant to Article 1207 of the Civil Code.^[10] It sustained the award of moral and exemplary damages but lowered the interest rate on the award of actual damages to 6% *per annum*. Thus, it disposed as follows:

WHEREFORE, in view of the foregoing, the Petition is hereby DENIED and the Decision dated June 22, 2010 is AFFIRMED with modification that the interest rate on the actual damages in the amount of FIVE HUNDRED THIRTY FOUR THOUSAND THREE HUNDRED SEVENTY EIGHT PESOS & 79/100 (P534,378.79), is REDUCED to six percent (6%) *per annum*.

SO ORDERED.^[11]

The CA denied the motion for reconsideration filed by AFPRSBS in its June 6, 2013 Resolution.

Hence, this petition with the following

ASSIGNMENT OF ERRORS

The Honorable Court of Appeals committed grave abuse of discretion and misconstrued the facts and misapplied the law when:

I. It held Petitioner AFPRSBS jointly and severally liable with PEPI to the Respondent