

SECOND DIVISION

[G.R. No. 199648, January 28, 2015]

**FIRST OPTIMA REALTY CORPORATION, PETITIONER, VS.
SECURITRON SECURITY SERVICES, INC., RESPONDENT.**

DECISION

DEL CASTILLO, J.:

In a potential sale transaction, the prior payment of earnest money even before the property owner can agree to sell his property is irregular, and cannot be used to bind the owner to the obligations of a seller under an otherwise perfected contract of sale; to cite a well-worn cliché, the carriage cannot be placed before the horse. The property owner-prospective seller may not be legally obliged to enter into a sale with a prospective buyer through the latter's employment of questionable practices which prevent the owner from freely giving his consent to the transaction; this constitutes a palpable transgression of the prospective seller's rights of ownership over his property, an anomaly which the Court will certainly not condone.

This Petition for Review on *Certiorari*^[1] seeks to set aside: 1) the September 30, 2011 Decision^[2] of the Court of Appeals (CA) in CA-G.R. CV No. 93715 affirming the February 16, 2009 Decision^[3] of the Regional Trial Court (RTC) of Pasay City, Branch 115 in Civil Case No. 06-0492 CFM; and 2) the CA's December 9, 2011 Resolution^[4] denying the herein petitioner's Motion for Reconsideration^[5] of the assailed judgment.

Factual Antecedents

Petitioner First Optima Realty Corporation is a domestic corporation engaged in the real estate business. It is the registered owner of a 256-square meter parcel of land with improvements located in Pasay City, covered by Transfer Certificate of Title No. 125318 (the subject property).^[6] Respondent Securitron Security Services, Inc., on the other hand, is a domestic corporation with offices located beside the subject property.

Looking to expand its business and add to its existing offices, respondent – through its General Manager, Antonio Eleazar (Eleazar) – sent a December 9, 2004 Letter^[7] addressed to petitioner – through its Executive Vice-President, Carolina T. Young (Young) – offering to purchase the subject property at P6,000.00 per square meter. A series of telephone calls ensued, but only between Eleazar and Young's secretary; ^[8] Eleazar likewise personally negotiated with a certain Maria Remoso (Remoso), who was an employee of petitioner.^[9] At this point, Eleazar was unable to personally negotiate with Young or the petitioner's board of directors.

Sometime thereafter, Eleazar personally went to petitioner's office offering to pay for

the subject property in cash, which he already brought with him. However, Young declined to accept payment, saying that she still needed to secure her sister's advice on the matter.^[10] She likewise informed Eleazar that prior approval of petitioner's Board of Directors was required for the transaction, to which remark Eleazar replied that respondent shall instead await such approval.^[11]

On February 4, 2005, respondent sent a Letter^[12] of even date to petitioner. It was accompanied by Philippine National Bank Check No. 24677 (the subject check), issued for P100,000.00 and made payable to petitioner. The letter states thus:

Gentlemen:

As agreed upon, we are making a deposit of ONE HUNDRED THOUSAND PESOS (Php 100,000.00) as earnest money for your property at the corner of Layug St., & Lim-An St., Pasay City as per TCT No. 125318 with an area of 256 sq. m. at 6,000.00/ sq. m. for a total of ONE MILLION FIVE HUNDRED THIRTY SIX THOUSAND PESOS (Php 1,536,000.00).

Full payment upon clearing of the tenants at said property and signing of the Deed of Sale.

(signed)

ANTONIO S. ELEAZAR^[13]

Despite the delicate nature of the matter and large amount involved, respondent did not deliver the letter and check directly to Young or her office; instead, they were coursed through an ordinary receiving clerk/receptionist of the petitioner, who thus received the same and therefor issued and signed Provisional Receipt No. 33430.

^[14] The said receipt reads:

Received from x x x Antonio Eleazar x x x the sum of Pesos One Hundred Thousand x x x

IN PAYMENT OF THE FOLLOWING x x x

Earnest money or Partial payment of Pasay Property Layug & Lim-an St. x x x.

Note: This is issued to transactions not yet cleared but subsequently an Official Receipt will be issued. x x x^[15]

The check was eventually deposited with and credited to petitioner's bank account.

Thereafter, respondent through counsel demanded in writing that petitioner proceed

with the sale of the property.^[16] In a March 3, 2006 Letter^[17] addressed to respondent's counsel, petitioner wrote back:

Dear Atty. De Jesus:

Anent your letter dated January 16, 2006 received on February 20, 2006, please be informed of the following:

1. It was your client SECURITRON SECURITY SERVICES, INC. represented by Mr. Antonio Eleazar who offered to buy our property located at corner Layug and Lim-An St., Pasay City;
2. It tendered an earnest money despite the fact that we are still undecided to sell the said property;
3. Our Board of Directors failed to pass a resolution to date whether it agrees to sell the property;
4. We have no Contract for the earnest money nor Contract to Sell the said property with your client;

Considering therefore the above as well as due to haste and demands which we feel [are forms] of intimidation and harassment, we regret to inform you that we are now incline (sic) not to accept your offer to buy our property. Please inform your client to coordinate with us for the refund of this (sic) money.

Very truly yours,

(signed)

CAROLINA T. YOUNG

Executive Vice[-]President^[18]

Ruling of the Regional Trial Court of Pasay City

On April 18, 2006, respondent filed with the Pasay RTC a civil case against petitioner for specific performance with damages to compel the latter to consummate the supposed sale of the subject property. Docketed as Civil Case No. 06-0492 CFM and assigned to Branch 115 of the Pasay RTC, the Complaint^[19] is predicated on the claim that since a perfected contract of sale arose between the parties after negotiations were conducted and respondent paid the P100,000.00 supposed earnest money – which petitioner accepted, the latter should be compelled to sell the subject property to the former. Thus, respondent prayed that petitioner be ordered to comply with its obligation as seller, accept the balance of the purchase price, and execute the corresponding deed of sale in respondent's favor; and that petitioner be made to pay P200,000.00 damages for its breach and delay in the performance of its obligations, P200,000.00 by way of attorney's fees, and costs of suit.

In its Answer with Compulsory Counterclaim,^[20] petitioner argued that it never

agreed to sell the subject property; that its board of directors did not authorize the sale thereof to respondent, as no corresponding board resolution to such effect was issued; that the respondent's P100,000.00 check payment cannot be considered as earnest money for the subject property, since said payment was merely coursed through petitioner's receiving clerk, who was forced to accept the same; and that respondent was simply motivated by a desire to acquire the subject property at any cost. Thus, petitioner prayed for the dismissal of the case and, by way of counterclaim, it sought the payment of moral damages in the amount of P200,000.00; exemplary damages in the amount of P100,000.00; and attorney's fees and costs of suit.

In a Reply,^[21] respondent countered that authorization by petitioner's Board of Directors was not necessary since it is a real estate corporation principally engaged in the buying and selling of real property; that respondent did not force nor intimidate petitioner's receiving clerk into accepting the February 4, 2005 letter and check for P100,000.00; that petitioner's acceptance of the check and its failure – for more than a year – to return respondent's payment amounts to estoppel and a ratification of the sale; and that petitioner is not entitled to its counterclaim.

After due proceedings were taken, the Pasay RTC issued its Decision dated February 16, 2009, decreeing as follows:

WHEREFORE, defendant First Optima Realty Corporation is directed to comply with its obligation by accepting the remaining balance of One Million Five Hundred Thirty-Six Thousand Pesos and Ninety-Nine Centavos (P1,536,000.99), and executing the corresponding deed of sale in favor of the plaintiff Securitron Security Services, Inc. over the subject parcel of land.

No costs.

SO ORDERED.^[22]

In ruling for the respondent, the trial court held that petitioner's acceptance of P100,000.00 earnest money indicated the existence of a perfected contract of sale between the parties; that there is no showing that when respondent gave the February 4, 2005 letter and check to petitioner's receiving clerk, the latter was harassed or forced to accept the same; and that for the sale of the subject property, no resolution of petitioner's board of directors was required since Young was "free to represent" the corporation in negotiating with respondent for the sale thereof.

Ruling of the Court of Appeals

Petitioner filed an appeal with the CA. Docketed as CA-G.R. CV No. 93715, the appeal made out a case that no earnest money can be considered to have been paid to petitioner as the supposed payment was received by a mere receiving clerk, who was not authorized to accept the same; that the required board of directors resolution authorizing the sale of corporate assets cannot be dispensed with in the case of petitioner; that whatever negotiations were held between the parties only concerned the possible sale, not the sale itself, of the subject property; that without

the written authority of petitioner's board of directors, Young cannot enter into a sale of its corporate property; and finally, that there was no meeting of the minds between the parties in the first place.

On September 30, 2011, the CA issued the assailed Decision affirming the trial court's February 16, 2009 Decision, pronouncing thus:

Article 1318 of the Civil Code declares that no contract exists unless the following requisites concur: (1) consent of the contracting parties; (2) object certain which is the subject matter of the contract; and (3) cause of the obligation established.

A careful perusal of the records of the case show[s] that there was indeed a negotiation between the parties as regards the sale of the subject property, their disagreement lies on whether they have arrived on an agreement regarding said sale. Plaintiff-appellee avers that the parties have already agreed on the sale and the price for it and the payment of earnest money and the remaining balance upon clearing of the property of unwanted tenants. Defendant-appellant on the other hand disputes the same and insists that there was no concrete agreement between the parties.

Upon a careful consideration of the arguments of the parties and the records of the case, we are more inclined to sustain the arguments of the plaintiff-appellee and affirm the findings of the trial court that there was indeed a perfected contract of sale between the parties. The following instances militate against the claim of the defendant-appellant: First. The letter of the plaintiff-appellee dated February 4, 2005 reiterating their agreement as to the sale of the realty for the consideration of Php 1,536,000.00 was not disputed nor replied to by the defendant-appellant, the said letter also provides for the payment of the earnest money of Php 100,000.00 and the full payment upon the clearing of the property of unwanted tenants, if the defendant-appellant did not really agree on the sale of the property it could have easily replied to the said letter informing the plaintiff-appellee that it is not selling the property or that the matter will be decided first by the board of directors, defendant-appellant's silence or inaction on said letter shows its conformity or consent thereto; Second. In addition to the aforementioned letter, defendant-appellant's acceptance of the earnest money and the issuance of a provisional receipt clearly shows that there was indeed an agreement between the parties and we do not subscribe to the argument of the defendant-appellant that the check was merely forced upon its employee and the contents of the receipt was just dictated by the plaintiff-appellee's employee because common sense dictates that a person would not issue a receipt for a check with a huge amount if she does not know what that is for and similarly would not issue [a] receipt which would bind her employer if she does not have prior instructions to do [so] from her superiors; Third. The said check for earnest money was deposited in the bank by defendant-appellant and not until after one year did it offer to return the same. Defendant-appellant cannot claim lack of knowledge of the payment of the check since there was a letter for it, and it is just