

## SECOND DIVISION

[ G.R. No. 185798, January 13, 2014 ]

**FIL-ESTATE PROPERTIES, INC. AND FIL-ESTATE NETWORK, INC.,  
PETITIONERS, VS. SPOUSES CONRADO AND MARIA VICTORIA  
RONQUILLO, RESPONDENTS.**

### D E C I S I O N

**PEREZ, J.:**

Before the Court is a petition for review on *certiorari* under Rule 45 of the 1997 Rules of Civil Procedure assailing the Decision<sup>[1]</sup> of the Court of Appeals in CA-G.R. SP No. 100450 which affirmed the Decision of the Office of the President in O.P. Case No. 06-F-216.

As culled from the records, the facts are as follow:

Petitioner Fil-Estate Properties, Inc. is the owner and developer of the Central Park Place Tower while co-petitioner Fil-Estate Network, Inc. is its authorized marketing agent. Respondent Spouses Conrado and Maria Victoria Ronquillo purchased from petitioners an 82-square meter condominium unit at Central Park Place Tower in Mandaluyong City for a pre-selling contract price of FIVE MILLION ONE HUNDRED SEVENTY-FOUR THOUSAND ONLY (P5,174,000.00). On 29 August 1997, respondents executed and signed a Reservation Application Agreement wherein they deposited P200,000.00 as reservation fee. As agreed upon, respondents paid the full downpayment of P1,552,200.00 and had been paying the P63,363.33 monthly amortizations until September 1998.

Upon learning that construction works had stopped, respondents likewise stopped paying their monthly amortization. Claiming to have paid a total of P2,198,949.96 to petitioners, respondents through two (2) successive letters, demanded a full refund of their payment with interest. When their demands went unheeded, respondents were constrained to file a Complaint for Refund and Damages before the Housing and Land Use Regulatory Board (HLURB). Respondents prayed for reimbursement/refund of P2,198,949.96 representing the total amortization payments, P200,000.00 as and by way of moral damages, attorney's fees and other litigation expenses.

On 21 October 2000, the HLURB issued an Order of Default against petitioners for failing to file their Answer within the reglementary period despite service of summons.<sup>[2]</sup>

Petitioners filed a motion to lift order of default and attached their position paper attributing the delay in construction to the 1997 Asian financial crisis. Petitioners denied committing fraud or misrepresentation which could entitle respondents to an award of moral damages.

On 13 June 2002, the HLURB, through Arbiter Atty. Joselito F. Melchor, rendered judgment ordering petitioners to jointly and severally pay respondents the following amount:

- a) The amount of TWO MILLION ONE HUNDRED NINETY-EIGHT THOUSAND NINE HUNDRED FORTY NINE PESOS & 96/100 (P2,198,949.96) with interest thereon at twelve percent (12%) per annum to be computed from the time of the complainants' demand for refund on October 08, 1998 until fully paid,
- b) ONE HUNDRED THOUSAND PESOS (P100,000.00) as moral damages,
- c) FIFTY THOUSAND PESOS (P50,000.00) as attorney's fees,
- d) The costs of suit, and
- e) 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.<sup>[3]</sup>

The Arbiter considered petitioners' failure to develop the condominium project as a substantial breach of their obligation which entitles respondents to seek for rescission with payment of damages. The Arbiter also stated that mere economic hardship is not an excuse for contractual and legal delay.

Petitioners appealed the Arbiter's Decision through a petition for review pursuant to Rule XII of the 1996 Rules of Procedure of HLURB. On 17 February 2005, the Board of Commissioners of the HLURB denied<sup>[4]</sup> the petition and affirmed the Arbiter's Decision. The HLURB reiterated that the depreciation of the peso as a result of the Asian financial crisis is not a fortuitous event which will exempt petitioners from the performance of their contractual obligation.

Petitioners filed a motion for reconsideration but it was denied<sup>[5]</sup> on 8 May 2006. Thereafter, petitioners filed a Notice of Appeal with the Office of the President. On 18 April 2007, petitioners' appeal was dismissed<sup>[6]</sup> by the Office of the President for lack of merit. Petitioners moved for a reconsideration but their motion was denied<sup>[7]</sup> on 26 July 2007.

Petitioners sought relief from the Court of Appeals through a petition for review under Rule 43 containing the same arguments they raised before the HLURB and the Office of the President:

#### I.

THE HONORABLE OFFICE OF THE PRESIDENT ERRED IN AFFIRMING THE DECISION OF THE HONORABLE HOUSING AND LAND USE REGULATORY BOARD AND ORDERING PETITIONERS-APPELLANTS TO REFUND RESPONDENTS-APPELLEES THE SUM OF P2,198,949.96 WITH 12% INTEREST FROM 8 OCTOBER 1998 UNTIL FULLY PAID, CONSIDERING THAT THE COMPLAINT STATES NO CAUSE OF ACTION AGAINST PETITIONERS-APPELLANTS.

#### II.

THE HONORABLE OFFICE OF THE PRESIDENT ERRED IN AFFIRMING THE DECISION OF THE OFFICE BELOW ORDERING PETITIONERS-APPELLANTS TO PAY RESPONDENTS-APPELLEES THE SUM OF P100,000.00 AS MORAL DAMAGES AND P50,000.00 AS ATTORNEY'S FEES CONSIDERING THE ABSENCE OF ANY FACTUAL OR LEGAL BASIS THEREFOR.

III.

THE HONORABLE OFFICE OF THE PRESIDENT ERRED IN AFFIRMING THE DECISION OF THE HOUSING AND LAND USE REGULATORY BOARD ORDERING PETITIONERS-APPELLANTS TO PAY P10,000.00 AS ADMINISTRATIVE FINE IN THE ABSENCE OF ANY FACTUAL OR LEGAL BASIS TO SUPPORT SUCH FINDING.<sup>[8]</sup>

On 30 July 2008, the Court of Appeals denied the petition for review for lack of merit. The appellate court echoed the HLURB Arbiter's ruling that "a buyer for a condominium/subdivision unit/lot unit which has not been developed in accordance with the approved condominium/subdivision plan within the time limit for complying with said developmental requirement may opt for reimbursement under Section 20 in relation to Section 23 of Presidential Decree (P.D.) 957 x x x."<sup>[9]</sup> The appellate court supported the HLURB Arbiter's conclusion, which was affirmed by the HLURB Board of Commission and the Office of the President, that petitioners' failure to develop the condominium project is tantamount to a substantial breach which warrants a refund of the total amount paid, including interest. The appellate court pointed out that petitioners failed to prove that the Asian financial crisis constitutes a fortuitous event which could excuse them from the performance of their contractual and statutory obligations. The appellate court also affirmed the award of moral damages in light of petitioners' unjustified refusal to satisfy respondents' claim and the legality of the administrative fine, as provided in Section 20 of Presidential Decree No. 957.

Petitioners sought reconsideration but it was denied in a Resolution<sup>[10]</sup> dated 11 December 2008 by the Court of Appeals.

Aggrieved, petitioners filed the instant petition advancing substantially the same grounds for review:

A.

THE HONORABLE COURT OF APPEALS ERRED WHEN IT AFFIRMED IN TOTO THE DECISION OF THE OFFICE OF THE PRESIDENT WHICH SUSTAINED RESCISSION AND REFUND IN FAVOR OF THE RESPONDENTS DESPITE LACK OF CAUSE OF ACTION.

B.

GRANTING FOR THE SAKE OF ARGUMENT THAT THE PETITIONERS ARE LIABLE UNDER THE PREMISES, THE HONORABLE COURT OF APPEALS ERRED WHEN IT AFFIRMED THE HUGE AMOUNT OF INTEREST OF TWELVE PERCENT (12%).

C.