

SECOND DIVISION

[G.R. No. 172346, July 24, 2013]

**SPOUSES NAMEAL AND LOURDES BONROSTRO, PETITIONERS,
VS. SPOUSES JUAN AND CONSTANCIA LUNA, RESPONDENTS.**

D E C I S I O N

DEL CASTILLO, J.:

Questioned in this case is the Court of Appeals' (CA) disquisition on the matter of interest.

Petitioners spouses Nameal and Lourdes Bonrostro (spouses Bonrostro) assail through this Petition for Review on *Certiorari*^[1] the April 15, 2005 Decision^[2] of the CA in CA-G.R. CV No. 56414 which affirmed with modifications the April 4, 1997 Decision^[3] of the Regional Trial Court (RTC) of Quezon City, Branch 104 in Civil Case No. Q-94-18895. They likewise question the CA's April 17, 2006 Resolution^[4] denying their motion for partial reconsideration.

Factual Antecedents

In 1992, respondent Constancia Luna (Constancia), as buyer, entered into a Contract to Sell^[5] with Bliss Development Corporation (Bliss) involving a house and lot identified as Lot 19, Block 26 of New Capitol Estates in Diliman, Quezon City. Barely a year after, Constancia, this time as the seller, entered into another Contract to Sell^[6] with petitioner Lourdes Bonrostro (Lourdes) concerning the same property under the following terms and conditions:

1. The stipulated price of P1,250,000.00 shall be paid by the VENDEE to the VENDOR in the following manner:
 - (a) P200,000.00 upon signing x x x [the] Contract To Sell,
 - (b) P300,000.00 payable on or before April 30, 1993,
 - (c) P330,000.00 payable on or before July 31, 1993,
 - (d) P417,000.00 payable to the New Capitol Estate, for 15 years at [P6,867.12] a month,

2. x x x [I]n the event the VENDEE fails to pay the second installment on time, [t]he VENDEE will pay starting May 1, 1993 a 2% interest on the P300,000.00 monthly. Likewise, in the event the VENDEE fails to pay the amount of P630,000.00 on the stipulated time, this CONTRACT TO SELL shall likewise be deemed cancelled and rescinded and x x x 5% of the total contract price [of] P1,250,000.00 shall be deemed forfeited in favor of the VENDOR.

Unpaid monthly amortization shall likewise be deducted from the initial down payment in favor of the VENDOR.^[7]

Immediately after the execution of the said second contract, the spouses Bonrostro took possession of the property. However, except for the P200,000.00 down payment, Lourdes failed to pay any of the stipulated subsequent amortization payments.

Ruling of the Regional Trial Court

On January 11, 1994, Constanica and her husband, respondent Juan Luna (spouses Luna), filed before the RTC a Complaint^[8] for Rescission of Contract and Damages against the spouses Bonrostro praying for the rescission of the contract, delivery of possession of the subject property, payment by the latter of their unpaid obligation, and awards of actual, moral and exemplary damages, litigation expenses and attorney's fees.

In their Answer with Compulsory Counterclaim,^[9] the spouses Bonrostro averred that they were willing to pay their total balance of P630,000.00 to the spouses Luna after they sought from them a 60-day extension to pay the same.^[10] However, during the time that they were ready to pay the said amount in the last week of October 1993, Constanica and her lawyer, Atty. Arlene Carbon (Atty. Carbon), did not show up at their rendezvous. On November 24, 1993, Lourdes sent Atty. Carbon a letter^[11] expressing her desire to pay the balance, but received no response from the latter. Claiming that they are still willing to settle their obligation, the spouses Bonrostro prayed that the court fix the period within which they can pay the spouses Luna.

The spouses Bonrostro likewise belied that they were not paying the monthly amortization to New Capitol Estates and asserted that on November 18, 1993, they paid Bliss, the developer of New Capitol Estates, the amount of P46,303.44. Later during trial, Lourdes testified that Constanica instructed Bliss not to accept amortization payments from anyone as evidenced by her March 4, 1993 letter^[12] to Bliss.

On April 4, 1997, the RTC rendered its Decision^[13] focusing on the sole issue of whether the spouses Bonrostro's delay in their payment of the installments constitutes a substantial breach of their obligation under the contract warranting rescission. The RTC ruled that the delay could not be considered a substantial breach considering that Lourdes (1) requested for an extension within which to pay; (2) was willing and ready to pay as early as the last week of October 1993 and even wrote Atty. Carbon about this on November 24, 1993; (3) gave Constanica a down payment of P200,000.00; and, (4) made payment to Bliss.

The dispositive portion of the said Decision reads:

WHEREFORE, in view of the foregoing, judgment is hereby rendered as follows:

1.) Declaring [t]he Contract to Sell executed by the plaintiff [Constancia] and defendant [Lourdes] with respect to the house and lot located at Blk. 26, [L]ot 19, New Capitol Estate[s], Diliman[,] Quezon City to be in force and effect. And that Lourdes Bonrostro must remain in the possession of the premises.

2.) Ordering the defendant[s] to pay plaintiff[s] within 60 days from receipt of this decision the sum of P300,000.00 plus an interest of 2% per month from April 1993 to November 1993.

3.) Ordering the defendant[s] to pay plaintiff[s] within sixty (60) days from receipt of this decision the sum of P330,000.00 plus an interest of 2% [per month] from July 1993 to November 1993.

4.) Ordering the defendant[s] to reimburse plaintiff[s] the sum of P214,492.62 which plaintiff[s] paid to Bliss Development Corporation.

No pronouncement as to Cost.

SO ORDERED.^[14]

As their Motion for Reconsideration^[15] was likewise denied in an Order^[16] dated July 15, 1997, the spouses Luna appealed to the CA.^[17]

Ruling of the Court of Appeals

In its Decision^[18] of April 15, 2005, the CA concluded that since the contract entered into by and between the parties is a Contract to Sell, rescission is not the proper remedy. Moreover, the subject contract being specifically a contract to sell a real property on installment basis, it is governed by Republic Act No. 6552^[19] or the Maceda Law, Section 4 of which states:

Sec. 4. In case where less than two years of installment were paid, **the seller shall give the buyer a grace period of not less than sixty days from the date the installment became due.**

If the buyer fails to pay the installments due at the expiration of the grace period, **the seller may cancel the contract after thirty days from receipt by the buyer of the notice of cancellation** or the demand for rescission of the contract **by a notarial act.** (Emphases supplied)

The CA held that while the spouses Luna sent the spouses Bonrostro letters^[20] rescinding the contract for non-payment of the sum of P630,000.00, the same could not be considered as valid and effective cancellation under the Maceda Law since they were made within the 60-day grace period and were not notarized. The CA concluded that there being no cancellation effected in accordance with the procedure prescribed by law, the contract therefore remains valid and subsisting.

The CA also affirmed the RTC's finding that Lourdes was ready to pay her obligation on November 24, 1993.

However, the CA modified the RTC Decision with respect to interest, *viz*:

Nevertheless, there is a need to modify the appealed decision insofar as (i) the interest imposed on the sum of P300,000.00 is only for the period April 1993 to November 1993; (ii) the interest imposed on the sum of P330,000.00 is 2% per month and is only for the period July 1993 to November 1993; (iii) it does not impose interest on the amount of P214,492.62 which was paid by Constanca to BLISS in behalf of Lourdes
x x x

The rule is that 'no interest shall be due unless it has been expressly stipulated in writing' (Art. 1956, Civil Code). However, the contract does not provide for interest in case of default in payment of the sum of P330,000.00 to Constanca and the monthly amortizations to BLISS.

Considering that Lourdes had incurred x x x delay in the performance of her obligations, she should pay (i) interest at the rate of 2% per month on the sum of P300,000.00 from May 1, 1993 until fully paid and (ii) interest at the legal rate on the amounts of P330,000.00 and P214,492.62 from the date of default (August 1, 1993 and April 4, 1997 [date of the appealed decision], respectively) until the same are fully paid x x x [21]

Hence, the dispositive portion of the said Decision:

WHEREFORE, the appealed decision is AFFIRMED with the MODIFICATIONS that paragraphs 2, 3, and 4 of its dispositive portion shall now read:

2.) Ordering the *defendants to pay plaintiffs* the sum of P300,000.00 plus interest *thereon at the rate of 2% per month from May 1, 1993 until fully paid;*

3.) Ordering the *defendants to pay plaintiffs* the sum of P330,000.00 plus interest *thereon at the legal rate from August 1, 1993 until fully paid;*
and

4.) Ordering the *defendants to reimburse plaintiffs* the sum of P214,492.62, which *plaintiffs* paid to Bliss Development Corporation, *plus interest thereon at the legal rate from filing of the complaint until fully reimbursed.*

SO ORDERED. [22]

The spouses Luna no longer assailed the ruling. On the other hand, the spouses

Bonrostro filed a Partial Motion for Reconsideration^[23] questioning the above-mentioned modifications. The CA, however, denied for lack of merit the said motion in a Resolution^[24] dated April 17, 2006.

Hence, this Petition for Review on *Certiorari*.

Issue

The basic issue in this case is whether the CA correctly modified the RTC Decision with respect to interests.

The Parties' Arguments

As may be recalled, the RTC under paragraphs 2 and 3 of the dispositive portion of its Decision ordered the spouses Bonrostro to pay the spouses Luna the sums of P300,000.00 plus interest of 2% per month *from April 1993 to November 1993* and P330,000.00 plus interest of 2% per month *from July 1993 to November 1993*, respectively. The CA modified these by reckoning the payment of the 2% interest on the P300,000.00 from *May 1, 1993 until fully paid* and by *imposing interest at the legal rate* on the P330,000.00 reckoned from *August 1, 1993 until fully paid*.

The spouses Bonrostro harp on the factual finding of the RTC, as affirmed by the CA, that Lourdes was willing and ready to pay her obligation as evidenced by her November 24, 1993 letter to Atty. Carbon. They also assert that the sending of the said letter constitutes a valid tender of payment on their part. Hence, they argue that they should not be assessed any interest subsequent to the date of the said letter. Neither should they be ordered to pay interest on the amount of P214,492.62 which covers the amortizations paid by the spouses Luna to Bliss. They point out that it was Constancia who prevented them from fulfilling their obligation to pay the amortizations when she instructed Bliss not to accept payment from them.^[25]

The spouses Luna, on the other hand, aver that the November 24, 1993 letter of Lourdes is not equivalent to tender of payment since the mere sending of a letter expressing the intention to pay, without the accompanying payment, cannot be considered a valid tender of payment. Also, if the spouses Bonrostro were really willing and ready to pay at that time and assuming that the spouses Luna indeed refused to accept payment, the former should have resorted to consignment. Anent the payment of amortization, the spouses Luna explain that under the parties' Contract to Sell, Lourdes was to assume Constancia's balance to Bliss by paying the monthly amortization in order to avoid the cancellation of the earlier Contract to Sell entered into by Constancia with Bliss.^[26] However, since Lourdes was remiss in paying the same, the spouses Luna were constrained to pay the amortization. They thus assert that reimbursement to them of the said amount with interest is proper considering that by reason of such payment, the spouses Bonrostro were spared from the interests and penalties which would have been imposed by Bliss if the amortizations remained unpaid.

Our Ruling

The Petition lacks merit.