

THIRD DIVISION

[G.R. No. 179594, September 11, 2013]

**MANUEL UY & SONS, INC., PETITIONER, VS. VALBUECO,
INCORPORATED, RESPONDENT.**

DECISION

PERALTA, J.:

This is a petition for review on *certiorari*^[1] of the Court of Appeals' Decision^[2] dated December 11, 2006 in CA-G.R. CV No. 85877, and its Resolution dated September 4, 2007, denying petitioner's motion for reconsideration.

The Court of Appeals reversed and set aside the Decision^[3] of the Regional Trial Court (RTC) of Manila, Branch 1, dismissing the Complaint for specific performance and damages. The Court of Appeals reinstated the Complaint and directed petitioner to execute deeds of absolute sale in favor of respondent after payment of the purchase price of the subject lots.

The facts, as stated by the Court of Appeals, are as follows:

Petitioner Manuel Uy & Sons, Inc. is the registered owner of parcels of land located in Teresa, Rizal covered by Transfer Certificate of Title (TCT) No. 59534, covering an area of about 6,119 square meters; TCT No. 59445, covering an area of about 6,838 square meters; TCT No. 59446, covering an area of about 12,389 square meters; and TCT No. 59444, covering an area of about 32,047 square meters.

On November 29, 1973, two Conditional Deeds of Sale were executed by petitioner, as vendor, in favor of respondent Valbueco, Incorporated, as vendee. The first Conditional Deed of Sale^[4] covered TCT Nos. 59534, 59445 and 59446, and contained the following terms and conditions:

That for and in consideration of the sum of ONE HUNDRED SIXTY-FOUR THOUSAND SEVEN HUNDRED FORTY-NINE (Php164,749.00) PESOS, Philippine currency, the VENDOR hereby agrees to SELL, CEDE, TRANSFER and CONVEY unto the VENDEE x x x the aforementioned properties, payable under the following terms and conditions:

1. The sum of FORTY-ONE THOUSAND ONE HUNDRED EIGHTY-SEVEN and 25/100 (Php41,187.25) PESOS shall be paid upon signing of this conditional deed of sale; and
2. The balance of ONE HUNDRED TWENTY-THREE THOUSAND FIVE HUNDRED SIXTY-ONE and 75/100 (Php123,561.75) PESOS shall be paid within a period of one (1) year from November 15, 1973, with interest of

12% per annum based on the balance, in the mode and manner specified below:

a) January 4, 1974 – P16,474.90 plus interest

b) On or before May 15, 1974 – P53,543.43 plus interest

c) On or before November 15, 1974 – P53,543.32 plus interest

3. That the vendee shall be given a grace period of thirty (30) days from the due date of any installment with corresponding interest to be added, but should the VENDEE fail to make such payment within the grace period this contract shall be deemed rescinded and without force and effect after notice in writing by VENDOR to VENDEE.

4. That the VENDOR agrees to have the existing Mortgages on the properties subject of this sale released on or before May 20, 1974.

5. That the VENDOR agrees to have the above-described properties freed and cleared of all lessees, tenants, adverse occupants or squatters within 100 days from the execution of this conditional deed of sale. In case of failure by the VENDOR to comply with the undertaking provided in this paragraph and the VENDEE shall find it necessary to file a case or cases in court to eject the said lessees, tenants, occupants and/or squatters from the land, subject of this sale, the VENDOR agrees to answer and pay for all the expenses incurred and to be incurred in connection with said cases until the same are fully and finally terminated.

6. That the VENDOR and the VENDEE agree that during the existence of this Contract and without previous expressed written permission from the other, they shall not sell, cede, assign, transfer or mortgage, or in any way encumber unto another person or party any right, interest or equity that they may have in and to said parcels of land.

x x x x

8. That it is understood that ownership of the properties herein conveyed shall not pass to the VENDEE until after payment of the full purchase price; provided however, that [the] VENDOR shall allow the annotation of this Conditional Deed of Sale at the back of the titles of the above-described parcels of land in the corresponding Registry of Deeds x x x.

9. That upon full payment of the total purchase price, a Deed of Absolute Sale shall be executed in favor of the VENDEE and the VENDOR agrees to pay the documentary stamps and the science stamp tax of the Deed of Sale; while the VENDEE agrees to pay the registration and other expenses for the issuance of a new title.

10. That it is mutually agreed that in case of litigation, the venue of the case shall be in the courts of Manila, having competent jurisdiction, any other venue being expressly waived.^[5]

On the other hand, the second Conditional Deed of Sale^[6] covering Lot No. 59444 provides, thus:

1. The sum of FIFTY-TWO THOUSAND SEVENTY-SIX AND 37/100 (Php52,076.37) PESOS, shall be paid upon signing of this conditional deed of sale; and
2. The balance of ONE HUNDRED FIFTY-SIX THOUSAND TWO HUNDRED TWENTY-NINE and 13/100 (Php156,229.13) PESOS shall be paid within a period of one (1) year from November 15, 1973, with interest of 12% per annum based on the balance, in the mode and manner specified below:
 - a) January 4, 1974 – P20,830.55 plus interest
 - b) On or before May 15, 1974 – P67,699.29 plus interest
 - c) On or before November 15, 1974, P67,699.29 plus interest
3. That the VENDEE shall be given a grace period of thirty (30) days from the due date of any installment with corresponding interest to be added, but should the VENDEE fail to make such payment within the grace period, this contract shall be deemed rescinded and without force and effect after notice in writing by VENDOR to VENDEE.
4. That the VENDOR agrees and acknowledges that any and all payments to be made by the VENDEE by reason of this presents unless hereafter advised by VENDOR to the contrary, shall be made in favor of and to the Philippine Trust Company by way of liquidation and payment of the existing mortgage on the property subject of this sale.
5. That after each payment adverted to above the VENDOR shall issue the corresponding receipt for the amount paid by the VENDOR to the Philippine Trust Company.
6. That the VENDOR agrees to have the above-described property freed and cleared of all lessees, tenants, adverse occupants or squatters within 100 days from the execution of this conditional deed of sale. In case of failure by the VENDOR to comply with this undertaking provided in this paragraph and the VENDEE shall find it necessary to file a case or cases in court to eject the said lessees, tenants, occupants and/or squatters from the land, subject of this sale, the VENDOR agrees to answer and pay for all the expenses incurred and to be incurred in connection with said cases until the same are fully and finally terminated.
7. That the VENDOR and the VENDEE agree that during the existence of this Contract and without previous expressed written permission from the other, they shall not sell, cede, assign, transfer or mortgage, or in any way encumber unto another person or party any right, interest or equity that they may have in and to said parcel of land.

x x x x

9. That it is understood that ownership of the property herein conveyed shall not pass to the VENDEE until after payment of the full purchase price, provided, however, that [the] VENDOR shall allow the annotation of the Conditional Deed of Sale at the back of the Title of the above-described parcel of land in the corresponding Registry of Deeds; x x x.

10. That upon full payment of the total purchase price, a Deed of Absolute Sale shall be executed in favor of the VENDEE and the VENDOR agrees to pay the documentary stamps and the science stamp tax of the Deed of Sale; while the VENDEE agrees to pay the registration and other expenses for the issuance of a new title.

11. That it is mutually agreed that in case of litigation, the venue of the case shall be in the courts of Manila, having competent jurisdiction, any other venue being expressly waived.^[7]

Respondent was able to pay petitioner the amount of P275,055.55^[8] as partial payment for the two properties corresponding to the initial payments and the first installments of the said properties.

At the same time, petitioner complied with its obligation under the conditional deeds of sale, as follows: (1) the mortgage for TCT No. 59446 was released on May 18, 1984, while the mortgages for TCT Nos. 59445 and 59534 were released on July 19, 1974; (2) the unlawful occupants of the lots covered by TCT Nos. 59444, 59534, 59445 and 59446 surrendered their possession and use of the said lots in consideration of the amount of P6,000.00 in a document^[9] dated November 19, 1973, and they agreed to demolish their shanties on or before December 7, 1973; and (3) the mortgage with Philippine Trust Company covering TCT No. 59444 was discharged^[10] in 1984.

However, respondent suspended further payment as it was not satisfied with the manner petitioner complied with its obligations under the conditional deeds of sale. Consequently, on March 17, 1978, petitioner sent respondent a letter^[11] informing respondent of its intention to rescind the conditional deeds of sale and attaching therewith the original copy of the respective notarial rescission.

On November 28, 1994, respondent filed a Complaint^[12] for specific performance and damages against petitioner with the RTC of Antipolo City. However, on January 15, 1996, the case was dismissed without prejudice^[13] for lack of interest, as respondent's counsel failed to attend the pre-trial conference.

Five years later, or on March 16, 2001, respondent again filed with the RTC of Manila, Branch 1 (trial court) a Complaint^[14] for specific performance and damages, seeking to compel petitioner to accept the balance of the purchase price for the two conditional deeds of sale and to execute the corresponding deeds of absolute sale. Respondent contended that its non-payment of the installments was due to the following reasons: (1) Petitioner refused to receive the balance of the purchase price as the properties were mortgaged and had to be redeemed first before a deed of absolute sale could be executed; (2) Petitioner assured that the existing mortgages on the properties would be discharged on or before May 20, 1974, or that petitioner

did not inform it (respondent) that the mortgages on the properties were already released; and (3) Petitioner failed to fully eject the unlawful occupants in the area.

In its Answer,^[15] petitioner argued that the case should be dismissed, as it was barred by prior judgment. Moreover, petitioner contended that it could not be compelled to execute any deed of absolute sale, because respondent failed to pay in full the purchase price of the subject lots. Petitioner claimed that it gave respondent a notice of notarial rescission of both conditional deeds of sale that would take effect 30 days from receipt thereof. The notice of notarial rescission was allegedly received by respondent on March 17, 1978. Petitioner asserted that since respondent failed to pay the full purchase price of the subject lots, both conditional deeds of sale were rescinded as of April 16, 1978; hence, respondent had no cause of action against it.

In its Reply,^[16] respondent denied that it received the alleged notice of notarial rescission. Respondent also denied that the alleged recipient (one Wenna Laurenciana)^[17] of the letter dated March 17, 1978, which was attached to the notice of notarial rescission, was its employee. Respondent stated that assuming arguendo that the notice was sent to it, the address (6th Floor, SGC Bldg., Salcedo Street, Legaspi Village, Makati, Metro Manila) was not the given address of respondent. Respondent contended that its address on the conditional deeds of sale and the receipts issued by it and petitioner showed that its principal business address was the 7th Floor, Bank of P.I. Bldg, Ayala Avenue, Makati, Rizal.

On August 1, 2005, the trial court rendered a Decision,^[18] dismissing the complaint, as petitioner had exercised its right to rescind the contracts. The dispositive portion of the Decision reads:

WHEREFORE, premises considered, the complaint is DISMISSED for lack of merit.

Claims and counterclaims for damages are also dismissed.^[19]

The trial court stated that the issues before it were: (1) Did petitioner unlawfully evade its obligation to execute the final deed of sale and to eject the squatters/occupants on the properties; (2) Is the case barred by prior judgment; and (3) Does respondent have a cause of action against petitioner.

The trial court said that both conditional deeds of sale clearly provided that "ownership x x x shall not pass to the VENDEE until after full payment of the purchase price." Respondent admitted that it has not yet fully paid the purchase price. The trial court held that the conditions in the conditional deeds of sale being suspensive, that is, its fulfillment gives rise to the obligation, the reasons for the inability of respondent to fulfill its own obligations is material, in order that the obligation of petitioner to execute the final deeds of absolute sale will arise. The trial court stated that the evidence showed that petitioner had exercised its right to rescind the contract by a written notice dated March 17, 1978 and notarial acts both dated March 15, 1978. The trial court noted that respondent denied having received the notice and disclaimed knowing the recipient, Wenna Laurenciana. However, on cross-examination, respondent's witness, Gaudencio Juan, who used to be respondent's Personnel Manager and Forester at the same time, admitted knowing Laurenciana because she was the secretary of Mr. Valeriano Bueno, respondent's