

## FIRST DIVISION

[ G.R. No. 168646, January 21, 2011 ]

**LUZON DEVELOPMENT BANK, PETITIONER, VS. ANGELES  
CATHERINE ENRIQUEZ, RESPONDENT.**

**[G.R. NO. 168666]**

**DELTA DEVELOPMENT AND MANAGEMENT SERVICES, INC.,  
PETITIONER, VS. ANGELES CATHERINE ENRIQUEZ AND LUZON  
DEVELOPMENT BANK, RESPONDENTS.**

### D E C I S I O N

**DEL CASTILLO, J.:**

The protection afforded to a subdivision lot buyer under Presidential Decree (PD) No. 957 or The Subdivision and Condominium Buyer's Protective Decree will not be defeated by someone who is not an innocent purchaser for value. The lofty aspirations of PD 957 should be read in every provision of the statute, in every contract that undermines its objects, in every transaction which threatens its fruition. "For a statute derives its vitality from the purpose for which it is enacted and to construe it in a manner that disregards or defeats such purpose is to nullify or destroy the law."<sup>[1]</sup>

These cases involve the separate appeals of Luzon Development Bank<sup>[2]</sup> (BANK) and Delta Development and Management Services, Inc.<sup>[3]</sup> (DELTA) from the November 30, 2004 Decision of the Court of Appeals (CA), as well as its June 22, 2005 Resolution in CA-G.R. SP No. 81280. The dispositive portion of the assailed Decision reads:

WHEREFORE, premises considered, the Decision dated June 17, 2003 and Resolution dated November 24, 2003 are AFFIRMED with [m]odification in so far as Delta Development and Management Services, Inc. is liable and directed to pay petitioner Luzon Development Bank the value of the subject lot subject matter of the Contract to Sell between Delta Development and Management Services, Inc. and the private respondent [Catherine Angeles Enriquez].

SO ORDERED. <sup>[4]</sup>

#### ***Factual Antecedents***

The BANK is a domestic financial corporation that extends loans to subdivision developers/owners.<sup>[5]</sup>

Petitioner DELTA is a domestic corporation engaged in the business of developing and selling real estate properties, particularly Delta Homes I in Cavite. DELTA is owned by Ricardo De Leon (De Leon),<sup>[6]</sup> who is the registered owner of a parcel of land covered by Transfer Certificate of Title (TCT) No. T-637183<sup>[7]</sup> of the Registry of Deeds of the Province of Cavite, which corresponds to Lot 4 of Delta Homes I. Said Lot 4 is the subject matter of these cases.

On July 3, 1995, De Leon and his spouse obtained a P4 million loan from the BANK for the express purpose of developing Delta Homes I.<sup>[8]</sup> To secure the loan, the spouses De Leon executed in favor of the BANK a real estate mortgage (REM) on several of their properties,<sup>[9]</sup> including Lot 4. Subsequently, this REM was amended<sup>[10]</sup> by increasing the amount of the secured loan from P4 million to P8 million. Both the REM and the amendment were annotated on TCT No. T-637183.<sup>[11]</sup>

DELTA then obtained a Certificate of Registration<sup>[12]</sup> and a License to Sell<sup>[13]</sup> from the Housing and Land Use Regulatory Board (HLURB).

Sometime in 1997, DELTA executed a Contract to Sell with respondent Angeles Catherine Enriquez (Enriquez)<sup>[14]</sup> over the house and lot in Lot 4 for the purchase price of P614,950.00. Enriquez made a downpayment of P114,950.00. The Contract to Sell contained the following provisions:

That the vendee/s offered to buy and the Owner agreed to sell the above-described property subject to the following terms and conditions to wit:

x x x x

6. That the (sic) warning shall be served upon the Vendee/s for failure to pay x x x Provided, however, that for failure to pay three (3) successive monthly installment payments, the Owner may consider this Contract to Sell null and void ab initio without further proceedings or court action and all payments shall be forfeited in favor of the Owner as liquidated damages and expenses for documentations. x x x

That upon full payment of the total consideration if payable in cash, the Owner shall execute a final deed of sale in favor of the Vendee/s. However, if the term of the contract is for a certain period of time, only upon full payment of the total consideration that a final deed of sale shall be executed by the Owner in favor of the Vendee/s.<sup>[15]</sup>

When DELTA defaulted on its loan obligation, the BANK, instead of foreclosing the REM, agreed to a dation in payment or a *dacion en pago*. The Deed of Assignment in Payment of Debt was executed on September 30, 1998 and stated that DELTA "assigns, transfers, and conveys and sets over [to] the assignee that real estate with the building and improvements existing thereon x x x in payment of the total obligation owing to [the Bank] x x x."<sup>[16]</sup> Unknown to Enriquez, among the

properties assigned to the BANK was the house and lot of Lot 4,<sup>[17]</sup> which is the subject of her Contract to Sell with DELTA. The records do not bear out and the parties are silent on whether the BANK was able to transfer title to its name. It appears, however, that the *dacion en pago* was not annotated on the TCT of Lot 4.<sup>[18]</sup>

On November 18, 1999, Enriquez filed a complaint against DELTA and the BANK before the Region IV Office of the HLURB<sup>[19]</sup> alleging that DELTA violated the terms of its License to Sell by: (a) selling the house and lots for a price exceeding that prescribed in Batas Pambansa (BP) Bilang 220;<sup>[20]</sup> and (b) failing to get a clearance for the mortgage from the HLURB. Enriquez sought a full refund of the P301,063.42 that she had already paid to DELTA, award of damages, and the imposition of administrative fines on DELTA and the BANK.

In his June 1, 2000 Decision,<sup>[21]</sup> HLURB Arbiter Atty. Raymundo A. Foronda upheld the validity of the purchase price, but ordered DELTA to accept payment of the balance of P108,013.36 from Enriquez, and (upon such payment) to deliver to Enriquez the title to the house and lot *free from liens and encumbrances*. The dispositive portion reads:

WHEREFORE, premises considered, a decision is hereby rendered as follows:

1. Ordering [DELTA] to accept complainant[']s payments in the amount of P108,013.36 representing her balance based on the maximum selling price of P375,000.00;
2. Upon full payment, ordering Delta to deliver the title in favor of the complainant free from any liens and encumbrances;
3. Ordering [DELTA] to pay complainant the amount of P50,000.00 as and by way of moral damages;
4. Ordering [DELTA] to pay complainant the amount of P50,000.00 as and by way of exemplary damages;
5. Ordering [DELTA] to pay complainant P10,000.00 as costs of suit; and
6. Respondent DELTA to pay administrative fine of P10,000.00<sup>[22]</sup> for violation of Section 18 of P.D. 957<sup>[23]</sup> and another P10,000.00 for violation of Section 22 of P.D. 957.<sup>[24]</sup>

SO ORDERED.<sup>[25]</sup>

DELTA appealed the arbiter's Decision to the HLURB Board of Commissioners.<sup>[26]</sup> DELTA questioned the imposition of an administrative fine for its alleged violation of Section 18 of PD 957. It argued that clearance was not required for mortgages that were constituted on a subdivision project prior to registration. According to DELTA, it did not violate the terms of its license because it did not obtain a new mortgage

over the subdivision project. It likewise assailed the award of moral and exemplary damages to Enriquez on the ground that the latter has no cause of action.<sup>[27]</sup>

***Ruling of the Board of Commissioners (Board)***<sup>[28]</sup>

The Board held that all developers should obtain a clearance for mortgage from the HLURB, regardless of the date when the mortgage was secured, because the law does not distinguish. Having violated this legal requirement, DELTA was held liable to pay the administrative fine.

The Board upheld the validity of the contract to sell between DELTA and Enriquez despite the alleged violation of the price ceilings in BP 220. The Board held that DELTA and Enriquez were presumed to have had a meeting of the minds on the object of the sale and the purchase price. Absent any circumstance vitiating Enriquez's consent, she was presumed to have willingly and voluntarily agreed to the higher purchase price; hence, she was bound by the terms of the contract.

The Board, however, deleted the arbiter's award of damages to Enriquez on the ground that the latter was not free from liability herself, given that she was remiss in her monthly amortizations to DELTA.

The dispositive portion of the Board's Decision reads:

Wherefore, in view of the foregoing, the Office below's decision dated June 01, 2000 is hereby modified to read as follows:

1. Ordering [Enriquez] to pay [DELTA] the amount due from the time she suspended payment up to filing of the complaint with 12% interest thereon per annum; thereafter the provisions of the Contract to Sell shall apply until full payment is made;
2. Ordering [DELTA] to pay an [a]dministrative [f]ine of P10,000.00 for violation of its license to sell and for violation of Section 18 of P.D. 957.

So ordered. Quezon City.<sup>[29]</sup>

Enriquez moved for a reconsideration of the Board's Decision<sup>[30]</sup> upholding the contractual purchase price. She maintained that the price for Lot 4 should not exceed the price ceiling provided in BP 220.<sup>[31]</sup>

Finding Enriquez's arguments as having already been passed upon in the decision, the Board denied reconsideration. The board, however, modified its decision, with respect to the period for the imposition of interest payments. The Board's resolution<sup>[32]</sup> reads:

WHEREFORE, premises considered, to [sic] directive No. 1 of the dispositive portion of the decision of our decision [sic] is MODIFIED as follows:

1. Ordering complainant to pay respondent DELTA the amount due from the time she suspended (sic) at 12% interest per annum, reckoned from finality of this decision[,] thereafter the provisions of the Contract to Sell shall apply until full payment is made.

In all other respects, the decision is AFFIRMED.

SO ORDERED.<sup>[33]</sup>

Both Enriquez and the BANK appealed to the Office of the President (OP).<sup>[34]</sup> The BANK disagreed with the ruling upholding Enriquez's Contract to Sell; and insisted on its ownership over Lot 4. It argued that it has become impossible for DELTA to comply with the terms of the contract to sell and to deliver Lot 4's title to Enriquez given that DELTA had already relinquished all its rights to Lot 4 in favor of the BANK<sup>[35]</sup> via the dation in payment.

Meanwhile, Enriquez insisted that the Board erred in not applying the ceiling price as prescribed in BP 220.<sup>[36]</sup>

### ***Ruling of the Office of the President***<sup>[37]</sup>

The OP adopted by reference the findings of fact and conclusions of law of the HLURB Decisions, which it affirmed *in toto*.

Enriquez filed a motion for reconsideration, insisting that she was entitled to a reduction of the purchase price, in order to conform to the provisions of BP 220.<sup>[38]</sup> The motion was denied for lack of merit.<sup>[39]</sup>

Only the BANK appealed the OP's Decision to the CA.<sup>[40]</sup> The BANK reiterated that DELTA can no longer deliver Lot 4 to Enriquez because DELTA had sold the same to the BANK by virtue of the *dacion en pago*.<sup>[41]</sup> As an alternative argument, in case the appellate court should find that DELTA retained ownership over Lot 4 and could convey the same to Enriquez, the BANK prayed that its REM over Lot 4 be respected such that DELTA would have to redeem it first before it could convey the same to Enriquez in accordance with Section 25<sup>[42]</sup> of PD 957.<sup>[43]</sup>

The BANK likewise sought an award of exemplary damages and attorney's fees in its favor because of the baseless suit filed by Enriquez against it.<sup>[44]</sup>

### ***Ruling of the Court of Appeals***<sup>[45]</sup>

The CA ruled against the validity of the *dacion en pago* executed in favor of the BANK on the ground that DELTA had earlier *relinquished* its ownership over Lot 4 in favor of Enriquez via the Contract to Sell.<sup>[46]</sup>

Since the *dacion en pago* is invalid with respect to Lot 4, the appellate court held that DELTA remained indebted to the BANK to the extent of Lot 4's value. Thus, the