

SECOND DIVISION

[G.R. No. 172036, April 23, 2010]

SPOUSES FAUSTINO AND JOSEFINA GARCIA, SPOUSES MELITON GALVEZ AND HELEN GALVEZ, AND CONSTANCIA ARCAIRA REPRESENTED BY THEIR ATTORNEY-IN-FACT JULIANA O. MOTAS, PETITIONERS, VS. COURT OF APPEALS, EMERLITA DE LA CRUZ, AND DIOGENES G. BARTOLOME, RESPONDENTS.

D E C I S I O N

CARPIO, J.:

G.R. No. 172036 is a petition for review^[1] assailing the Decision^[2] promulgated on 25 January 2006 as well as the Resolution^[3] promulgated on 16 March 2006 of the Court of Appeals (appellate court) in CA-G.R. CV No. 63651. The appellate court reversed and set aside the decision of Branch 23 of the Regional Trial Court of Trece Martires City, Cavite (trial court) in Civil Case No. TM-622. The appellate court ordered Emerlita Dela Cruz (Dela Cruz) to return to spouses Faustino and Josefina Garcia, spouses Meliton and Helen Galvez, and Constanica Arcaira (collectively, petitioners) the amount in excess of one-half percent of P1,500,000. Dela Cruz's co-defendant, Diogenes Bartolome (Bartolome), did not incur any liability.

The appellate court narrated the facts as follows:

On May 28, 1993, plaintiffs spouses Faustino and Josefina Garcia and spouses Meliton and Helen Galvez (herein appellees) and defendant Emerlita dela Cruz (herein appellant) entered into a Contract to Sell wherein the latter agreed to sell to the former, for Three Million One Hundred Seventy Thousand Two Hundred Twenty (P3,170,220.00) Pesos, five (5) parcels of land situated at Tanza, Cavite particularly known as Lot Nos. 47, 2768, 2776, 2767, 2769 and covered by Transfer Certificate of Title Nos. T-340674, T-340673, T-29028, T-29026, T-29027, respectively. At the time of the execution of the said contract, three of the subject lots, namely, Lot Nos. 2776, 2767, and 2769 were registered in the name of one Angel Abelida from whom defendant allegedly acquired said properties by virtue of a Deed of Absolute Sale dated March 31, 1989.

As agreed upon, plaintiffs shall make a down payment of Five Hundred Thousand (P500,000.00) Pesos upon signing of the contract. The balance of Two Million Six Hundred Seventy Thousand Two Hundred Twenty (P2,670,220.00) Pesos shall be paid in three installments, viz: Five Hundred Thousand (P500,000.00) Pesos on June 30, 1993; Five Hundred Thousand (P500,000.00) Pesos on August 30, 1993; One Million Six Hundred Seventy Thousand Two Hundred Twenty (P1,670,220.00) Pesos on December 31, 1993.

On its due date, December 31, 1993, plaintiffs failed to pay the last installment in the amount of One Million Six Hundred Seventy Thousand Two Hundred Twenty (P1,670,220.00) Pesos. Sometime in July 1995, plaintiffs offered to pay the unpaid balance, which had already been delayed by one and [a] half year, which defendant refused to accept. On September 23, 1995, defendant sold the same parcels of land to intervenor Diogenes G. Bartolome for Seven Million Seven Hundred Ninety Three Thousand (P7,793,000.00) Pesos.

In order to compel defendant to accept plaintiffs' payment in full satisfaction of the purchase price and, thereafter, execute the necessary document of transfer in their favor, plaintiffs filed before the RTC a complaint for specific performance.

In their complaint, plaintiffs alleged that they discovered the infirmity of the Deed of Absolute Sale covering Lot Nos. 2776, 2767 and 2769, between their former owner Angel Abelida and defendant, the same being spurious because the signature of Angel Abelida and his wife were falsified; that at the time of the execution of the said deed, said spouses were in the United States; that due to their apprehension regarding the authenticity of the document, they withheld payment of the last installment which was supposedly due on December 31, 1993; that they tendered payment of the unpaid balance sometime in July 1995, after Angel Abelida ratified the sale made in favor [of] defendant, but defendant refused to accept their payment for no justifiable reason.

In her answer, defendant denied the allegation that the Deed of Absolute Sale was spurious and argued that plaintiffs failed to pay in full the agreed purchase price on its due date despite repeated demands; that the Contract to Sell contains a proviso that failure of plaintiffs to pay the purchase price in full shall cause the rescission of the contract and forfeiture of one-half (1/2%) percent of the total amount paid to defendant; that a notarized letter stating the intended rescission of the contract to sell and forfeiture of payments was sent to plaintiffs at their last known address but it was returned with a notation "insufficient address."

Intervenor Diogenes G. Bartolome filed a complaint in intervention alleging that the Contract to Sell dated May 31, 1993 between plaintiffs and defendant was rescinded and became ineffective due to unwarranted failure of the plaintiffs to pay the unpaid balance of the purchase price on or before the stipulated date; that he became interested in the subject parcels of land because of their clean titles; that he purchased the same from defendant by virtue of an Absolute Deed of Sale executed on September 23, 1995 in consideration of the sum of Seven Million Seven Hundred Ninety Three Thousand (P7,793,000.00) Pesos.^[4]

The Decision of the Trial Court

In its Decision dated 15 April 1999, the trial court ruled that Dela Cruz's rescission of the contract was not valid. The trial court applied Republic Act No. 6552 (Maceda

Law) and stated that Dela Cruz is not allowed to unilaterally cancel the Contract to Sell. The trial court found that petitioners are justified in withholding the payment of the balance of the consideration because of the alleged spurious sale between Angel Abelida and Emerlita Dela Cruz. Moreover, intervenor Diogenes Bartolome (Bartolome) is not a purchaser in good faith because he was aware of petitioners' interest in the subject parcels of land.

The dispositive portion of the trial court's decision reads:

ACCORDINGLY, defendant Emerlita dela Cruz is ordered to accept the balance of the purchase price in the amount of P1,670,220.00 within ten (10) days after the judgment of this Court in the above-entitled case has become final and executory and to execute immediately the final deed of sale in favor of plaintiffs.

Defendant is further directed to pay plaintiffs the amount of P400,000.00 as moral damages and P100,000.00 as exemplary damages.

The deed of sale executed by defendant Emerlita dela Cruz in favor of Atty. Diogenes Bartolome is declared null and void and the amount of P7,793,000.00 which was paid by intervenor Bartolome to Emerlita dela Cruz as the consideration of the sale of the five (5) parcels of land is hereby directed to be returned by Emerlita dela Cruz to Atty. Diogenes Bartolome within ten (10) days from the finality of judgment.

Further, defendant is directed to pay plaintiff the sum of P100,000.00 as attorney's fees.

SO ORDERED.^[5]

Dela Cruz and Bartolome appealed from the judgment of the trial court.

The Decision of the Appellate Court

The appellate court reversed the trial court's decision and dismissed Civil Case No. TM-622. Dela Cruz's obligation under the Contract to Sell did not arise because of petitioners' undue failure to pay in full the agreed purchase price on the stipulated date. Moreover, judicial action for the rescission of a contract is not necessary where the contract provides that it may be revoked and cancelled for violation of any of its terms and conditions. The dispositive portion of the appellate court's decision reads:

WHEREFORE, in view of all the foregoing, the appealed decision of the Regional Trial Court is hereby REVERSED and SET ASIDE and Civil Case No. TM-622 is, consequently, DISMISSED. Defendant is however ordered to return to plaintiffs the amount in excess of one-half (1/2%) percent of One Million Five Hundred Thousand (P1,500,000.00) Pesos which was earlier paid by plaintiffs.

SO ORDERED.^[6]

The appellate court likewise resolved to deny petitioners' Motion for Reconsideration for lack of merit.^[7]

Hence, this petition.

Issues

Petitioners raised the following grounds for the grant of their petition:

- I. The Honorable Court of Appeals erred when it failed to consider the provisions of Republic Act 6552, otherwise known as the Maceda Law.
- II. The Honorable Court of Appeals erred when it failed to consider that Respondent Dela Cruz could not pass title over the three (3) properties at the time she entered to a Contract to Sell as her purported ownership was tainted with fraud, thereby justifying Petitioners Spouses Garcia, Spouses Galvez and Arcaira's suspension of payment.
- III. The Honorable Court of Appeals gravely erred when it failed to consider that Respondent Dela Cruz's "rescission" was done in evident bad faith and malice on account of a second sale she entered with Respondent Bartolome for a much bigger amount.
- IV. The Honorable Court of Appeals erred when it failed to declare Respondent Bartolome is not an innocent purchaser for value despite the presence of evidence as to his bad faith.^[8]

The Court's Ruling

The petition has no merit.

Both parties admit the following: (1) the contract between petitioners and Dela Cruz was a contract to sell; (2) petitioners failed to pay in full the agreed purchase price of the subject property on the stipulated date; and (3) Dela Cruz did not want to accept petitioners' offer of payment and did not want to execute a document of transfer in petitioners' favor.

The pertinent provisions of the contract, denominated Contract to Sell, between the parties read:

Failure on the part of the vendees to comply with the herein stipulation as to the terms of payment shall cause the rescission of this contract and the payments made shall be returned to the vendees subject however, to forfeiture in favor of the Vendor equivalent to 1/2% of the total amount paid.