

## THIRD DIVISION

[ G.R. No. 148444, July 14, 2008 ]

**ASSOCIATED BANK (NOW UNITED OVERSEAS BANK [PHILS.]),  
PETITIONER, VS. SPOUSES RAFAEL AND MONALIZA  
PRONSTROLLER, RESPONDENTS.**

### D E C I S I O N

**NACHURA, J.:**

This is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court filed by petitioner Associated Bank (now United Overseas Bank [Phils.]) assailing the Court of Appeals (CA) Decision<sup>[1]</sup> dated February 27, 2001, which in turn affirmed the Regional Trial Court<sup>[2]</sup> (RTC) Decision<sup>[3]</sup> dated November 14, 1997 in Civil Case No. 94-3298 for *Specific Performance*. Likewise assailed is the appellate court's Resolution<sup>[4]</sup> dated May 31, 2001 denying petitioner's motion for reconsideration.

The facts of the case are as follows:

On April 21, 1988, the spouses Eduardo and Ma. Pilar Vaca (spouses Vaca) executed a Real Estate Mortgage (REM) in favor of the petitioner<sup>[5]</sup> over their parcel of residential land with an area of 953 sq. m. and the house constructed thereon, located at No. 18, Lovebird Street, Green Meadows Subdivision 1, Quezon City (herein referred to as the subject property). For failure of the spouses Vaca to pay their obligation, the subject property was sold at public auction with the petitioner as the highest bidder. Transfer Certificate of Title (TCT) No. 254504, in the name of spouses Vaca, was cancelled and a new one --TCT No. 52593-- was issued in the name of the petitioner.<sup>[6]</sup>

The spouses Vaca, however, commenced an action for the nullification of the real estate mortgage and the foreclosure sale. Petitioner, on the other hand, filed a petition for the issuance of a writ of possession which was denied by the RTC. Petitioner, thereafter, obtained a favorable judgment when the CA granted its petition but the spouses Vaca questioned the CA decision before this Court in the case docketed as G.R. No. 109672.<sup>[7]</sup>

During the pendency of the aforesaid cases, petitioner advertised the subject property for sale to interested buyers for P9,700,000.00.<sup>[8]</sup> Respondents Rafael and Monaliza Pronstroller offered to purchase the property for P7,500,000.00. Said offer was made through Atty. Jose Soluta, Jr. (Atty. Soluta), petitioner's Vice-President, Corporate Secretary and a member of its Board of Directors.<sup>[9]</sup> Petitioner accepted respondents' offer of P7.5 million. Consequently, respondents paid petitioner P750,000.00, or 10% of the purchase price, as down payment.<sup>[10]</sup>

On March 18, 1993, petitioner, through Atty. Soluta, and respondents, executed a Letter-Agreement setting forth therein the terms and conditions of the sale, to wit:

1. Selling price shall be at P7,500,000.00 payable as follows:
  - a. 10% deposit and balance of P6,750,000.00 to be deposited under escrow agreement. Said escrow deposit shall be applied as payment upon delivery of the aforesaid property to the buyers free from occupants.
  - b. The deposit shall be made within ninety (90) days from date hereof. Any interest earned on the aforesaid investment shall be for the buyer's account. However, the 10% deposit is non-interest earning.

[11]

Prior to the expiration of the 90-day period within which to make the escrow deposit, in view of the pendency of the case between the spouses Vaca and petitioner involving the subject property, [12] respondents requested that the balance of the purchase price be made payable only upon service on them of a final decision or resolution of this Court affirming petitioner's right to possess the subject property. Atty. Soluta referred respondents' proposal to petitioner's Asset Recovery and Remedial Management Committee (ARRMC) but the latter deferred action thereon. [13]

On July 14, 1993, a month after they made the request and after the payment deadline had lapsed, respondents and Atty. Soluta, acting for the petitioner, executed another Letter-Agreement allowing the former to pay the balance of the purchase price upon receipt of a final order from this Court (in the *Vaca* case) and/or the delivery of the property to them free from occupants. [14]

Towards the end of 1993, or in early 1994, petitioner reorganized its management. Atty. Braulio Dayday (Atty. Dayday) became petitioner's Assistant Vice-President and Head of the Documentation Section, while Atty. Soluta was relieved of his responsibilities. Atty. Dayday reviewed petitioner's records of its outstanding accounts and discovered that respondents failed to deposit the balance of the purchase price of the subject property. He, likewise, found that respondents requested for an extension of time within which to pay. The matter was then resubmitted to the ARRMC during its meeting on March 4, 1994, and it was disapproved. ARRMC, thus, referred the matter to petitioner's Legal Department for rescission or cancellation of the contract due to respondents' breach thereof. [15]

On May 5, 1994, Atty. Dayday informed respondents that their request for extension was disapproved by ARRMC and, in view of their breach of the contract, petitioner was rescinding the same and forfeiting their deposit. Petitioner added that if respondents were still interested in buying the subject property, they had to submit their new proposal. [16] Respondents went to the petitioner's office, talked to Atty. Dayday and gave him the Letter-Agreement of July 14, 1993 to show that they were granted an extension. However, Atty. Dayday claimed that the letter was a mistake and that Atty. Soluta was not authorized to give such extension. [17]

On June 6, 1994, respondents proposed to pay the balance of the purchase price as

follows: P3,000,000.00 upon the approval of their proposal and the balance after six (6) months.<sup>[18]</sup> However, the proposal was disapproved by the petitioner's President. In a letter dated June 9, 1994, petitioner advised respondents that the former would accept the latter's proposal only if they would pay interest at the rate of 24.5% per annum on the unpaid balance. Petitioner also allowed respondents a refund of their deposit of P750,000.00 if they would not agree to petitioner's new proposal.<sup>[19]</sup>

For failure of the parties to reach an agreement, respondents, through their counsel, informed petitioner that they would be enforcing their agreement dated July 14, 1993.<sup>[20]</sup> Petitioner countered that it was not aware of the existence of the July 14 agreement and that Atty. Soluta was not authorized to sign for and on behalf of the bank. It, likewise, reiterated the rescission of their previous agreement because of the breach committed by respondents.<sup>[21]</sup>

On July 14, 1994, in the *Vaca* case, this Court upheld petitioner's right to possess the subject property.

On July 28, 1994, respondents commenced the instant suit by filing a Complaint for *Specific Performance* before the RTC of Antipolo, Rizal.<sup>[22]</sup> The case was raffled to Branch 72 and was docketed as Civil Case No. 94-3298. Respondents prayed that petitioner be ordered to sell the subject property to them in accordance with their letter-agreement of July 14, 1993. They, likewise, caused the annotation of a notice of *lis pendens* at the dorsal portion of TCT No. 52593.

For its part, petitioner contended that their contract had already been rescinded because of respondents' failure to deposit in escrow the balance of the purchase price within the stipulated period.<sup>[23]</sup>

During the pendency of the case, petitioner sold the subject property to the spouses Vaca, who eventually registered the sale; and on the basis thereof, TCT No. 52593 was cancelled and TCT No. 158082 was issued in their names.<sup>[24]</sup> As new owners, the spouses Vaca started demolishing the house on the subject property which, however, was not completed by virtue of the writ of preliminary injunction issued by the court.<sup>[25]</sup>

On November 14, 1997, the trial court finally resolved the matter in favor of respondents, disposing, as follows:

WHEREFORE, premises considered, the Court finds defendant's rescission of the Agreement to Sell to be null and void for being contrary to law and public policy.

ACCORDINGLY, defendant bank is hereby ordered to accept plaintiffs' payment of the balance of the purchase price in the amount of Six Million Seven Hundred Fifty Thousand Pesos (P6,750,000.00) and to deliver the title and possession to subject property, free from all liens and encumbrances upon receipt of said payment. Likewise, defendant bank is ordered to pay plaintiffs moral damages and attorney's fees in the amount of One Hundred Thirty Thousand Pesos (P130,000.00) and

expenses of litigation in the amount of Twenty Thousand Pesos (P20,000.00).

SO ORDERED.<sup>[26]</sup>

Applying the rule of "apparent authority,"<sup>[27]</sup> the court upheld the validity of the July 14, 1993 Letter-Agreement where the respondents were given an extension within which to make payment. Consequently, respondents did not incur in delay, and thus, the court concluded that the rescission of the contract was without basis and contrary to law.<sup>[28]</sup>

On appeal, the CA affirmed the RTC decision and upheld Atty. Soluta's authority to represent the petitioner. It further ruled that petitioner had no right to unilaterally rescind the contract; otherwise, it would give the bank officers license to continuously review and eventually rescind contracts entered into by previous officers. As to whether respondents were estopped from enforcing the July 14, 1993 Letter-Agreement, the appellate court ruled in the negative. It found, instead, that petitioners were estopped from questioning the efficacy of the July 14 agreement because of its failure to repudiate the same for a period of one year.<sup>[29]</sup> Thus, the court said in its decision:

1. The Appellant (Westmont Bank) is hereby ordered to execute a **"Deed of Absolute Sale"** in favor of the Appellees over the property covered by Transfer Certificate of Title No. 52593, including the improvement thereon, and secure, from the Register of Deeds, a Torrens Title over the said property free from all liens, claims or encumbrances upon the payment by the Appellees of the balance of the purchase price of the property in the amount of P6,750,000.00;
2. The Register of Deeds is hereby ordered to cancel Transfer Certificate of Title No. 158082 under the names of the Spouses Eduardo [and Ma. Pilar] Vaca and to issue another under the names of the Appellees as stated in the preceding paragraph;
3. The appellant is hereby ordered to pay to the appellee Rafael Pronstroller the amount of P100,000.00 as and by way of moral damages and to pay to the Appellees the amount of P30,000.00 as and by way of attorney's fees and the amount of P20,000.00 for litigation expense.
4. The counterclaims of the Appellant are dismissed.

SO ORDERED.<sup>[30]</sup>

Petitioner's motion for reconsideration was denied on May 31, 2001. Hence, the present petition raising the following issues:

I.

THE NARRATION OR STATEMENT OF THE FACTS OF THE CASE BY THE HONORABLE COURT OF APPEALS IS TOTALLY BEREFT OF EVIDENTIARY

SUPPORT, CONTRARY TO THE EVIDENCE ON RECORD AND PURELY BASED ON ERRONEOUS ASSUMPTIONS, PRESUMPTIONS, SURMISES, AND CONJECTURES.

II.

THE HONORABLE COURT OF APPEALS GROSSLY ERRED IN MERELY RELYING UPON THE MANIFESTLY ERRONEOUS FINDING OF THE HONORABLE TRIAL COURT ON THE ALLEGED APPARENT AUTHORITY OF ATTY. JOSE SOLUTA, JR. IN THAT THE LATTER'S FINDING IS CONTRARY TO THE UNDISPUTED FACTS AND THE EVIDENCE ON RECORD.

III.

THE HONORABLE COURT OF APPEALS' OWN FINDING THAT ATTY. JOSE SOLUTA, JR. HAD AUTHORITY TO SELL THE SUBJECT PROPERTY ON HIS OWN (EVEN WITHOUT THE COMMITTEE'S APPROVAL) IS LIKEWISE GROSSLY ERRONEOUS, FINDS NO EVIDENTIARY SUPPORT AND IS EVEN CONTRARY TO THE EVIDENCE ON RECORD IN THAT -

A.) AT NO TIME DID PETITIONER ADMIT THAT ATTY. JOSE SOLUTA, JR. IS AUTHORIZED TO SELL THE SUBJECT PROPERTY ON HIS OWN;

B.) THE AUTHORITY OF ATTY. JOSE SOLUTA, JR. CANNOT BE PRESUMED FROM HIS DESIGNATIONS OR TITLES; AND

C.) RESPONDENTS FULLY KNEW OR HAD KNOWLEDGE OF THE LACK OF AUTHORITY OF ATTY. JOSE SOLUTA, JR. TO SELL THE SUBJECT PROPERTY ON HIS OWN.

IV.

THE HONORABLE TRIAL COURT AND THE HONORABLE COURT OF APPEALS GROSSLY MISAPPLIED THE DOCTRINE OF APPARENT AUTHORITY IN THE PRESENT CASE.

V.

THE HONORABLE TRIAL COURT AND THE HONORABLE COURT OF APPEALS GROSSLY ERRED IN NOT HOLDING THAT THE CONTRACT TO SELL CONTAINED IN THE MARCH 18, 1993 LETTER WAS VALIDLY RESCINDED BY PETITIONER.

VI.

THE HONORABLE COURT OF APPEALS GROSSLY ERRED IN NOT HOLDING RESPONDENTS ESTOPPED FROM DENYING THE VALIDITY OF THE RESCISSION OF THE CONTRACT TO SELL AS EMBODIED IN THE MARCH 18, 1993 LETTER AND THE LACK OF AUTHORITY OF ATTY. SOLUTA, JR. TO GRANT THE EXTENSION AS CONTAINED IN HIS LETTER OF JULY 14, 1993 AFTER THEY VOLUNTARILY SUBMITTED WITH FULL KNOWLEDGE OF ITS IMPORT AND IMPLICATION A NEW OFFER TO PURCHASE THE