

## THIRD DIVISION

**[ G.R. NO. 111495, August 18, 2006 ]**

**AGRIPINO VILLEGAS, ATANACIO VILLEGAS (DECEASED),  
SUBSTITUTED BY HIS WIFE SOLEDAD OCAMPO VILLEGAS, ROSA  
N. SANCHEZ, AND CORAZON SANCHEZ, PETITIONERS, VS. THE  
COURT OF APPEALS, VICENTE M. REYES, JULITA R. MAYLAD,  
LORENZO M. REYES, LYDIA R. FELICIANO REPRESENTED BY  
ATTORNEY-IN-FACT VICTORIA F. HARPST, RUPERTA A. REYES,  
ESTRELLITA CRISOSTOMO, YOLANDA R. CHIU, VIRGILIO A.  
REYES, CARLITO A. REYES, PACITA R. BAUTISTA, AND SPOUSES  
LITA SY AND SY BON SU, RESPONDENTS.**

**[G.R. NO. 122404, AUGUST 18, 2006]**

**THE HEIRS OF ATANACIO VILLEGAS AS REPRESENTED BY  
SOLEDAD DE OCAMPO, AGRIPINO VILLEGAS, AND OFELIA R.  
TUNGOL, PETITIONERS, VS. THE COURT OF APPEALS AND  
SPOUSES LITA SY AND SY BON SU, RESPONDENTS.**

### D E C I S I O N

**CARPIO, J.:**

#### The Case

Before the Court are the consolidated cases docketed as G.R. No. 111495 and G.R. No. 122404. The consolidated cases involve a parcel of land ("property") located at Evangelista Street, Quiapo, Manila.

The first case, G.R. No. 111495, is a petition for review of the Decision<sup>[1]</sup> dated 6 January 1993 and Resolution dated 17 August 1993 of the Court of Appeals in CA-G.R. CV No. 25974. The Court of Appeals affirmed the Decision of the Regional Trial Court of Manila, Branch 2 ("RTC Branch 2"), declaring valid the sale of 75% undivided interest in the property to Spouses Lita Sy and Sy Bon Su ("Spouses Sy").<sup>[2]</sup>

The second case, G.R. No. 122404, is a petition for review of the Decision<sup>[3]</sup> dated 25 April 1995 and Resolution dated 27 October 1995 of the Court of Appeals in CA-G.R. CV No. 41931. The Court of Appeals affirmed the Decision of the Regional Trial Court of Manila, Branch 45 ("RTC Branch 45"), ordering the heirs of Atanacio Villegas to accept from Spouses Sy the redemption price for the 25% portion of the property.

#### The Facts

Vicente M. Reyes, Julita R. Maylad, Lorenzo M. Reyes, Lydia R. Feliciano, Ruperta A.

Reyes, Estrellita Crisostomo, Yolanda R. Chiu, Virgilio A. Reyes, Carlito A. Reyes and Pacita R. Bautista ("respondent-heirs"), together with Lorenza R. Martinez, Ambrosio M. Reyes, Concepcion Reyes-Ancheta and the heirs of Mario M. Reyes ("other heirs"), were the owners of the property located at Evangelista Street, Quiapo, Manila. They inherited the property from their father, Dr. Lorenzo C. Reyes, who died on 29 December 1985. The property, which has an area of 406.5 square meters, was covered by Transfer Certificate of Title No. 182782.

Agripino Villegas, Atanacio Villegas, Rosa N. Sanchez and Corazon Sanchez ("petitioner-lessees") were the lessees of the property since 1959. Petitioner-lessees owned the building and improvements constructed on the property.

In a letter<sup>[4]</sup> dated 19 May 1988, the Administrative Committee of the heirs of Dr. Lorenzo C. Reyes ("Administrative Committee"), composed of Dr. Vicente Reyes, Julita R. Maylad and Carlito A. Reyes, informed petitioner-lessees that the heirs have decided to sell the property. The content of the letter reads:

This is to inform you that by virtue of the Partial Compromise Agreement of the Estate belonging to the late Lorenzo C. Reyes, as approved by Judge Perlita Tria-Tirona, Regional Trial Judge, National Capital Judicial Regions, Quezon City Branch No. 102, April 18, 1988, respectively, hereunder are the exclusive owners of the lot which you are presently occupying under lease:

Heirs of the First Marriage

1. Vicente M. Reyes
2. Lorenza R. Martinez
3. Ambrosio M. Reyes
4. Concepcion Reyes-Ancheta
5. Julita R. Maylad
6. Lorenzo M. Reyes, Jr.
7. Lydia R. Feliciano
8. Heirs of Mario M. Reyes

Heirs of the Second Marriage

1. Ruperta A. Reyes
2. Carlito A. Reyes
3. Estrellita A. Reyes
4. Yolanda [R.] Chiu
5. Virgilio A. Reyes
6. Pacita R. Bautista

x x x x

**In this connection, we wish to inform you that we are selling the lot under lease with you. Accordingly, we are giving you the opportunity to exercise your rights of pre-emption, made in writing within thirty (30) days upon receipt of this letter. If however, we do not hear from you after the lapse of the said period, we shall take it to mean that you are not interested to purchase the subject lot, which thereby give us the liberty to offer it to other interested parties.**<sup>[5]</sup> (Emphasis supplied)

Petitioner-lessees replied to the Administrative Committee on 14 June 1988, requesting for an extension of 30 days to submit their bid for the property.<sup>[6]</sup>

On 13 July 1988, petitioner-lessees submitted their bid for the property to the Administrative Committee under the following terms and conditions:

- |   |           |                           |
|---|-----------|---------------------------|
| 1. Bid Price  | - - - - - | P4,000,000.00;            |
|   | -         |                           |
| 2. Upon the signing of the Absolute Deed of Sale, we will pay you 80% of the Bid Price amounting to               | - - - - - | P3,200,000.00;            |
| 3. Upon delivery of the Transfer Certificate of Title to each of us, we will pay you the 20% balance amounting to | - - - - - | 800,000.00 <sup>[7]</sup> |

In a letter<sup>[8]</sup> dated July 1988, the Administrative Committee informed petitioner-lessees of their receipt of notice of the P4,000,000 bid price. The Administrative Committee wrote that they requested petitioner-lessees to increase their bid for the property but the latter failed to make another offer so the heirs have decided to sell to another buyer who offered a higher price. Nevertheless, the Administrative Committee indicated in the letter that they would wait for a reply within 15 days and that should the period lapse without any reply from petitioner-lessees, it would mean that petitioner-lessees were no longer interested in buying the property.

On 2 August 1988, petitioner-lessees sent a reply,<sup>[9]</sup> advising the Administrative Committee that they were willing to make a nominal increase to their bid price of P4,000,000. Petitioner-lessees requested the Administrative Committee to state in writing their asking price for the property.

On 3 August 1988, the Administrative Committee sent a letter to petitioner-lessees which reads:

Dear Sirs:

We are sorry for the oversight of the date of our last letter. Inasmuch as you received it on the 26<sup>th</sup> of July, let us then consider it as the official date of the letter.

It is the customary agreement with the late Dr. Lorenzo C. Reyes that 15 years after the improvement was put up in the property, the said improvement reverts to the owner of the lot. Since you have put up the existing improvement in 1971, we feel that the said improvement was already owned by the late Lorenzo C. Reyes before his death.

As early as 1985 the said Dr. Reyes has been paying real property taxes on the improvement; which shows that he was already the rightful owner of said improvement.

Since the structure is not of strong materials, with the length of time of 17 yrs., we feel that same is now fully depreciated.

We are also desirous of your buying the property. **We have an offer of**

**P5 Million which was submitted to us last month. If you could offer the same amount we will be very happy to accomodate you.**

We are sending you a xerox copy of TCT No. 49857, Tax Declaration of Real Property and the latest tax receipts.

**May we receive you[r] offer on or before Aug. 11, 1988. Please be guided accordingly.**<sup>[10]</sup> (Emphasis supplied)

In their letter-reply<sup>[11]</sup> dated 11 August 1988, petitioner-lessees insisted that they own the improvements on the property. Petitioner-lessees wrote that they were willing to reimburse the realty tax paid on the improvements by the late Dr. Lorenzo C. Reyes. Petitioner-lessees requested for a meeting with all the heirs to negotiate the sale of the property, and informed the Administrative Committee that their final bid price will be submitted during the meeting.

Petitioner-lessees sent their accountant, Benjamin C. Miranda ("Miranda"), to represent them in the conference to negotiate the sale of the property. On the other hand, not all the heirs of Dr. Lorenzo C. Reyes attended the conference. During the conference, the parties failed to agree on the price and terms for the sale of the property.

On 18 October 1988, petitioner-lessees, excluding Rosa N. Sanchez, wrote another letter to the Administrative Committee which reads:

The Administrative Committee

Heirs of Dr. Lorenzo C. Reyes  
#22 18<sup>th</sup> Street, New Manila  
Quezon City

Dear Sirs:

We waited for 68 days for your answer to our letter dated August 11, 1988 which did not come.

Considering various economic reasons, you will be happy to hear from us (Lessees) that **we have finally accepted your asking price of P5,000,000.00** for your property located at Evangelista Street, district of Sta. Cruz, Manila covered by T.C.T. No. 49857 issued to Dr. Lorenzo C. Reyes on September 3, 1936.

Please prepare all the necessary papers and documents to make the sale legal for all intent and purposes.

**Any unpaid taxes such as income, estate, realty and science education fund and documentary stamps shall be for the account of the Heirs including documentation expenses.**

**Terms of Payment: 95% upon signing of the documents; and 5% upon delivery of the Transfer Certificate of Title in the name of its individual Lessees.**

**Expecting to hear your final confirmation soonest.**<sup>[12]</sup> (Emphasis supplied)

On 3 November 1988, the Administrative Committee replied:

Mr. Atanacio M. Villegas  
Mr. Agripino M. Villegas  
Mrs. Corazon Sanchez  
654 Evangelista, Quiapo, Manila

Dear Sirs:

This is with reference to your letter dated October 18, 1988.

**Several times in the past two months, Mr. Carlito A. Reyes and our other brothers and sisters have informed you that some of the co-owners of our property at the above-given address are no longer agreeable to selling the said property; however, other co-owners, representing a 75% share thereof, were still interested in selling their shares. It is, therefore, very clear from the foregoing that our offer to sell the entire property to you was no longer effective.**

**Moreover, our offer was for the price of P5,000,000.00 net to the co-owners. Your letter of October 18, 1988 imposes the condition that unpaid taxes shall still be borne by us, which is unacceptable.**

We therefore, leave it up to some of the co-owners to negotiate for the sale of their shares with you.<sup>[13]</sup> (Emphasis supplied)

Respondent-heirs, collectively owning 75% of the property, also sent a letter dated 3 November 1988 to petitioner-lessees:

Mr. Atanacio M. Villegas  
Mr. Agripino M. Villegas  
Mrs. Corazon Sanchez  
654 Evangelista, Quiapo, Manila

Dear Sirs:

This is with reference to your letter dated October 18, 1988 to the Administrative Committee of the properties owned by the heirs of Dr. Lorenzo C. Reyes.

You will recall that in the past two months, some of us saw you and/or your representative, Mr. Ben Miranda and explained to you that some of the co-owners of the property at Evangelista Street, Sta. Cruz, Manila, covered by TCT No. 49857, were no longer interested in selling the said property. On the other hand, **we the undersigned co-owners holding**