

## SECOND DIVISION

[ G.R. NO. 154413, August 31, 2005 ]

**SPS. ALFREDO R. EDRADA AND ROSELLA L. EDRADA,  
PETITIONERS, VS. SPS. EDUARDO RAMOS AND CARMENCITA  
RAMOS, RESPONDENTS.**

### D E C I S I O N

**TINGA, J.:**

In this Petition<sup>[1]</sup> under Rule 45, petitioner Spouses Alfredo and Rosella Edrada (petitioners) seek the reversal of the Former Second Division of the Court of Appeals' *Decision*<sup>[2]</sup> and *Resolution*<sup>[3]</sup> in CA-G.R. CV No. 66375, which affirmed the *Decision* of Regional Trial Court (RTC) of Antipolo City, Branch 71,<sup>[4]</sup> in Civil Case No. 96-4057, and denied the *Motion for Reconsideration*<sup>[5]</sup> therein.

Respondent spouses Eduardo and Carmencita Ramos (respondents) are the owners of two (2) fishing vessels, the "Lady Lalaine" and the "Lady Theresa." On 1 April 1996, respondents and petitioners executed an untitled handwritten document which lies at the center of the present controversy. Its full text is reproduced below:

1st April 1996

This is to acknowledge that Fishing Vessels "Lady Lalaine" and 'Lady Theresa' owned by Eduardo O. Ramos are now in my possession and received in good running and serviceable order. As such, the vessels are now my responsibility.

Documents pertaining to the sale and agreement of payments between me and the owner of the vessel to follow. The agreed price for the vessel is Nine Hundred Thousand Only (P900,000.00).

(SGD.)  
EDUARDO O. RAMOS  
(Seller)

(SGD.)  
ALFREDO R. EDRADA  
(Purchaser)

CONFORME:

CONFORME:

(SGD.)  
CARMENCITA RAMOS

(SGD.)  
ROSIE ENDRADA<sup>[6]</sup>

Upon the signing of the document, petitioners delivered to respondents four (4) postdated Far East Bank and Trust Company (FEBTC) checks payable to cash drawn by petitioner Rosella Edrada, in various amounts totaling One Hundred Forty

Thousand Pesos (P140,000.00). The first three (3) checks were honored upon presentment to the drawee bank while the fourth check for One Hundred Thousand Pesos (P100,000.00) was dishonored because of a "stop payment" order.

On 3 June 1996, respondents filed an action against petitioners for specific performance with damages before the RTC, praying that petitioners be obliged to execute the necessary deed of sale of the two fishing vessels and to pay the balance of the purchase price. In their *Complaint*,<sup>[7]</sup> respondents alleged that petitioners contracted to buy the two fishing vessels for the agreed purchase price of Nine Hundred Thousand Pesos (P900,000.00), as evidenced by the above-quoted document, which according to them evinced a contract to

buy. However, despite delivery of said vessels and repeated oral demands, petitioners failed to pay the balance, so respondents further averred.

Belying the allegations of respondents, in their *Answer with Counterclaim*,<sup>[8]</sup> petitioners averred that the document sued upon merely embodies an agreement brought about by the loans they extended to respondents. According to petitioners, respondents allowed them to manage or administer the fishing vessels as a business on the understanding that should they find the business profitable, the vessels would be sold to them for Nine Hundred Thousand Pesos (P900,000.00). But petitioners "decided to call it quits" after spending a hefty sum for the repair and maintenance of the vessels which were already in dilapidated condition.

After trial, the RTC rendered a *Decision*<sup>[9]</sup> dated 22 February 1999, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against the defendants and the latter are ordered to pay to the former the amount of Eight Hundred Sixty Thousand Pesos (P860,000.00) with legal interests thereon from June 30, 1996 until fully paid; the amount of P20,000.00 as attorney's fees and the cost of suit.

The counterclaim of the defendants for moral and exemplary damages and for attorney's fees is dismissed for lack of merit.

SO ORDERED.<sup>[10]</sup>

The RTC treated the action as one for collection of a sum of money and for damages and considered the document as a perfected contract of sale. On 19 April 1999, petitioners filed a *Motion for Reconsideration* which the RTC denied in an *Order*<sup>[11]</sup> dated 2 July 1999.

Both parties appealed the RTC *Decision*. However, finding no reversible error in the appealed decision, the Court of Appeals, in its *Decision*,<sup>[12]</sup> affirmed the same and dismissed both appeals. Only petitioners elevated the controversy to this Court.

Petitioners raised the nature of the subject document as the primary legal issue. They contend that there was no perfected contract of sale as distinguished from a contract to sell. They likewise posed as sub-issues the purpose for which the checks were issued, whether replacement of the crew was an act of ownership or

administration, whether petitioners failed to protest the dilapidated condition of the vessels, and whether the instances when the vessels went out to sea proved that the vessels were not seaworthy.<sup>[13]</sup> It is also alleged in the petition that the true agreement as between the parties was that of a loan.

Evidently, the petition hinges on the true nature of the document dated 1 April 1996. Normally, the Court is bound by the factual findings of the lower courts, and accordingly, should affirm the conclusion that the document in question was a perfected contract of sale. However, we find that both the RTC and the Court of Appeals gravely misapprehended the nature of the said document, and a reevaluation of the document is in order.<sup>[14]</sup> Even if such reevaluation would lead the court to examine issues not raised by the parties, it should be remembered that the Court has authority to review matters even if not assigned as errors in the appeal, if it is found that their consideration is necessary in arriving at a just decision of the case.<sup>[15]</sup>

In doing so, we acknowledge that the contending parties offer vastly differing accounts as to the true nature of the agreement. Still, we need not look beyond the document dated 1 April 1996 and the stipulations therein in order to ascertain what obligations, if any, have been contracted by the party. The parol evidence rule forbids any addition to or contradiction of the terms of a written agreement by testimony or other evidence purporting to show that different terms were agreed upon by the parties, varying the purport of the written

contract. Whatever is not found in the writing is understood to have been waived and abandoned.<sup>[16]</sup>

We disagree with the RTC and the Court of Appeals that the document is a perfected contract of sale. A contract of sale is defined as an agreement whereby one of the contracting parties obligates himself to transfer the ownership of and to deliver a determinate thing, and the other to pay therefore a price certain in money or its equivalent.<sup>[17]</sup> It must evince the consent on the part of the seller to transfer and deliver and on the part of the buyer to pay.<sup>[18]</sup>

An examination of the document reveals that there is no perfected contract of sale. The agreement may confirm the receipt by respondents of the two vessels and their purchase price. However, there is no equivocal agreement to transfer ownership of the vessel, but a mere commitment that "documents pertaining to the sale and agreement of payments'[are] to follow." Evidently, the document or documents which would formalize the transfer of ownership and contain the terms of payment of the purchase price, or the period when such would become due and demandable, have yet to be executed. But no such document was executed and no such terms were stipulated upon.

The fact that there is a stated total purchase price should not lead to the conclusion that a contract of sale had been perfected. In numerous cases,<sup>[19]</sup> the most recent of which is *Swedish Match, AB v. Court of Appeals*,<sup>[20]</sup> we held that before a valid and binding contract of sale can exist, the manner of payment of the purchase price must first be established, as such stands as essential to the validity of the sale. After all, such agreement on the terms of payment is integral to the element of a