

THIRD DIVISION

[G.R. No. 156200, March 31, 2004]

**MEGAWORLD PROPERTIES AND HOLDINGS, INC., PETITIONER,
VS. HON. JUDGE BENEDICTO G. COBARDE, IN HIS CAPACITY AS
THE PRESIDING JUDGE OF THE REGIONAL TRIAL COURT,
BRANCH 53, LAPU-LAPU CITY; JUAN GATO, IN HIS CAPACITY AS
THE SHERIFF OF THE REGIONAL TRIAL COURT, BRANCH 53,
LAPU-LAPU CITY; SERECIO MATTHEW B. JO AND IDA HENARES,
RESPONDENTS.**

D E C I S I O N

CORONA, J.:

This is a case involving the failure to pay the balance of a real estate broker's commission.

The antecedents show that sometime in July 1995, Mar y Cielo Leisure Resort, Inc. (MYC) secured the services of private respondents, Matthew Jo and Ida Henares, to broker a joint venture between MYC and petitioner Megaworld Properties and Holdings, Inc. for the latter to develop MYC's prime parcels of land with vast beach fronts located in Lapu-Lapu City, Cebu^[1] into a world-class residential/commercial condominium complex. It was agreed that private respondents would be paid a 3% brokers' fee based on the total consideration to be received by MYC from petitioner in the joint venture. A development agreement was then drawn up by petitioner Megaworld, AEV Properties, Inc. and Acoland, Inc. as developers, and MYC, through its owners Manuel, Virginia, Mariano and Richard all surnamed Zamora (Zamora family). Petitioner Megaworld was designated the exclusive marketing agent for the project.

However, before the development agreement could be implemented, or in March 1996, private respondents filed a civil complaint against petitioner Megaworld, MYC, the Zamora family, among others, for allegedly resorting to deceitful conduct to avoid payment of their 3% brokers'/consultants' fee. Private respondents alleged that MYC entered into simulated deeds of conveyance with certain individual members of the Zamora family to make it appear that MYC was not the owner of the properties subject of the development agreement.

To avert a full-blown trial and to save the joint venture project, the parties entered into a compromise agreement. Under the said agreement, MYC and the Zamora family committed themselves to pay private respondents a settlement amount of P29 million.^[2] As agreed, P3.9 million of the total amount was paid by MYC and the Zamora family to private respondents upon the signing of the compromise agreement, *with the balance of P25.1 million to be paid out of the share of MYC and/or the Zamora family from the proceeds of the joint venture project* under the

development agreement. The pertinent portions of the compromise agreement stated that:

x x x

4. MYC and the ZAMORA FAMILY agree to pay the FIRST PARTY a settlement amount of TWENTY NINE MILLION PESOS (29,000,000.00) Philippine Currency. Thus, upon signing of this Compromise Agreement, MYC and the ZAMORA FAMILY shall pay the FIRST PARTY P3.9 Million, plus interests earned therefrom from January 1996 up to the signing hereof. *The balance of P25.1 Million shall be paid as follows:*

- a. Thirty Percent (30%) of whatever amount or consideration MYC and/or the ZAMORA FAMILY will receive from the Joint Venture Agreement shall be applied against the P25.1 Million liability through payment by the DEVELOPERS directly to the FIRST PARTY. x x x.

x x x

6. The DEVELOPERS undertake to withhold, pay and immediately deliver directly to the FIRST PARTY the latter's 30% share until the P25.1 Million Pesos is fully paid in accordance with the conditions set forth (sic) in paragraph 4 but in no case shall the full payment be more than three (3) years from the execution of this Agreement. However, in the event the Thirty Percent (30%) of the amount or consideration MYC and/or the ZAMORA FAMILY will receive from the Joint Venture Agreement within the three-year period fails to reach P25.1 Million or the development has been delayed and MYC and the ZAMORA FAMILY have not received any proceeds from the Joint Venture Agreement, the DEVELOPERS shall advance the balance thereof due to the FIRST PARTY, which amount shall be deducted, without interest, from the share of MYC and/or the ZAMORA FAMILY under the Joint Venture Agreement.^[3] (*underscoring ours*)

On January 24, 1997, judgment^[4] was rendered based on the above compromise agreement. However, more than three years passed and petitioner Megaworld, MYC and the Zamora family still had not paid private respondents the balance of P25.1 million brokers' fee. Consequently, private respondents filed a motion for execution of the judgment by compromise agreement which the court *a quo* granted. It likewise issued a notice of garnishment against petitioner's deposits in Manila Banking Corporation,^[5] among other banks. Aggrieved, petitioner appealed to the Court of Appeals which, however, denied its petition and ordered the implementation of the writ of execution of the judgment on the compromise agreement.^[6] The appellate court further held that:

x x x

x x x. The July 27, 1997 Judgment based on a Compromise Agreement had already been partially fulfilled when the private respondents were paid P3.9 Million under paragraph (4) of the compromise agreement. Petitioner cannot now question the legality of a partially-performed

compromise judgment after more than three (3) years from its promulgation without violating the principles of *res judicata*.^[7]

Petitioner moved for a reconsideration of the CA's decision but the same was denied.^[8] Hence, this appeal.

Petitioner contends that its obligation under the compromise agreement to advance the balance of respondents' commission of P25.1 million was premised on its being reimbursed from the share of MYC and the Zamora family in the proceeds of the joint venture project.^[9] However, the joint venture project was totally aborted due to causes beyond its control,^[10] among them the unilateral cancellation by MYC and the Zamora family of the development agreement which effectively revoked petitioner's obligation under the compromise agreement to pay the balance of private respondents' brokers' commission.

In their comment, private respondents counter that the judgment based on the compromise agreement has long become final and executory, and was in fact partially executed when MYC and the Zamora family paid private respondents P3.9 million as initial payment of the P29 million settlement amount. They accuse petitioner of bad faith for allegedly delaying the start of the joint venture project and reneging on its obligation under the compromise agreement to advance the balance of private respondents' commission.

The only issue to be resolved is whether petitioner is liable for the balance of private respondents' brokers' commission amounting to P25.1 million as held by the court a quo and the appellate court.

We hold that petitioner is not liable.

As a rule, the findings of fact of the trial court, when affirmed by the Court of Appeals, are binding and conclusive upon the Supreme Court.^[11] However, when the judgment of the Court of Appeals is premised on a misapprehension of facts or a failure to consider certain relevant facts that would lead to a completely different conclusion, a review of its factual findings may be made.^[12] In the case at bar, the Court of Appeals failed to take into account that on February 1, 2000, more than two years after the judgment on the compromise agreement was rendered and partially executed, *MYC and the Zamora family unilaterally cancelled the development agreement*. Thru counsel, they notified petitioner of said termination in their letter which stated that:

x x x

Pursuant to Section 12 1(b) of the Agreement, we hereby put you on notice that *our clients are terminating the agreement, effective sixty (60) days from receipt of this letter*.

On our client's behalf, we also demand that you pay them the amount of P8,000.00 everyday starting June 15, 1996 as liquidated damages in accordance with Section 11.4 Article XI of the agreement, plus the amount conservatively fixed at P128,000,000.00 (P258,000,000.00 less P130,000,000.00 as guaranty deposit) and P20,000,000.00 as loss of

goodwill, representing the damages they sustained as a result of your failure to commence with the project or comply with your obligation under the agreement and destruction of an on-going resort business.^[13]
(underscoring ours)

We hold that the unilateral rescission of the joint venture agreement by MYC and the Zamora family, pursuant to Section 12.1(b)^[14] of the development agreement, effectively discharged petitioner from its obligation under the compromise agreement to advance the balance of respondents' brokers' fee in the amount of P25.1 million. *The terms of the compromise agreement were clear that petitioner's undertaking to advance said amount was subject to reimbursement from the share of MYC and the Zamora family in the proceeds of the joint venture project.* Thus, Section 6 of the compromise agreement stated:

6. x x x the DEVELOPERS shall advance the balance thereof due to the FIRST PARTY, *which amount shall be deducted, without interest, from the share of MYC and/or ZAMORA FAMILY at the rate of Thirty Percent (30%) of whatever proceeds payable to MYC and/or the ZAMORA FAMILY under the Joint Venture Agreement.*^[15]
(underscoring ours)

If the terms of a contract are clear and leave no doubt as to the intention of the contracting parties, the literal meaning of its stipulation shall control.^[16] It is evident from Section 6 of the compromise agreement, *supra*, that *petitioner's obligation to advance the balance of respondents' commission was dependent on the success — meaning, the earnings — of the joint venture project.* This is clear from the stipulation of the parties under the said agreement that whatever amount petitioner advanced to respondents was to be deducted from the share of MYC and/or the Zamora family in the proceeds of the joint venture agreement. Consequently, when MYC and the Zamora family unilaterally cancelled the development agreement, petitioner was effectively deprived of its source of payment to respondents since it was left without recourse to reimbursement. To hold petitioner liable under the circumstances will result in the unjust enrichment of MYC, the Zamora family and the respondents. This we cannot countenance.

We likewise note that it was MYC and the Zamora family that gave respondents the authority^[17] to broker a joint venture agreement between them and petitioner for the development of MYC's prime parcels of land into a world-class residential/commercial condominium complex, in consideration of "three percent (3%) broker's/consultant's fee based on the total consideration the Corporation may receive from Megaworld Properties and Holdings, Inc." In short, respondents were the agents or brokers of MYC and the Zamora family, not the petitioner, and the obligation to pay the brokers' fee therefore rested on MYC and the Zamora family.

We find it totally unreasonable, oppressive even, for respondents to exact its broker's fee from a party which is not even its principal or the entity that engaged its services. Even on the premise that petitioner obligated itself under the compromise agreement to pay respondents the P25.1 million commission, that assumption of liability – if needed it was – was *conditioned on the presence of earnings due MYC and the Zamora family.* But how could there have accrued any earnings for MYC and the Zamora family when the latter unilaterally cancelled the project from which petitioner could draw the payment? To insist on holding