

SECOND DIVISION

[G.R. No. 140715, September 24, 2004]

**JOSEFINA L. VALDEZ AND CARLOS L. VALDEZ, JR., PETITIONERS,
VS. COURT OF APPEALS AND JOSE LAGON, RESPONDENTS.**

DECISION

CALLEJO, SR., J.:

This is a petition for review on certiorari of the Amended Decision^[1] of the Court of Appeals in CA-G.R. CV No. 49413 affirming on appeal the Decision of the Regional Trial Court of Isulan, Sultan Kudarat, Branch 19, in Civil Case No. 778.

The Antecedents

Carlos Valdez, Sr. and Josefina de Leon Valdez were the owners of a parcel of land with an area of 24,725 square meters located in the commercial district of Isulan, Sultan Kudarat. The property was designated as Lot No. 3 of Pls-208-D-13 and was covered by Transfer Certificate of Title (TCT) No. T-19529 (T-1902) issued on August 18, 1967.^[2] When Carlos Valdez, Sr. died intestate on March 26, 1966, he was survived by Josefina and their children, including Carlos Valdez, Jr., a practicing lawyer.

On December 28, 1978, Josefina caused the subdivision survey of the property^[3] into eight (8) lots, *i.e.*, Lots Nos. 3-A to 3-H, all fronting the national road. To enhance the value of the property, she decided to sell a portion thereof to Jose Lagon, a successful businessman in Sultan Kudarat who owned a construction firm as well as real estate and business enterprises: the Lagon Enterprises and the Rural Bank of Isulan. He was also one of the clients of her son, Carlos, Jr., a practicing lawyer.

On May 1, 1979, Josefina executed a Special Power of Attorney authorizing her son, Carlos, Jr. to sell a portion of Lot No. 3-C and Lot. No. 3-D to Lagon. The lots subject of the sale had an area of 4,094 square meters, with a frontage of 64.3 square meters. Part of the consideration of the transaction was the condition that Lagon cause the transfer of the Rural Bank of Isulan to the subject property and construct a commercial building beside the bank.^[4] On May 9, 1979, Josefina, through her son and attorney-in-fact, Carlos, Jr., executed a Deed of Absolute Sale of a portion of Lot No. 3 with a frontage of 64.3 square meters facing the national highway and the National Grains Authority office going towards the Buencamino Movie House starting from the corner.^[5] However, the condition imposed by Josefina was not incorporated in the deed; what was appended thereto was the Special Power of Attorney executed by Josefina. It was indicated in the said deed that the property was to be sold for P80,000 cash and that Lagon had already paid the said amount to Carlos, Jr. In reality, however, Lagon purchased the 4,094-square-meter property at

₱40.00 per square meter, or for the amount of ₱163,760^[6] inclusive of Carlos, Jr.'s personal account to Lagon in the amount of ₱73,760. Lagon had not yet remitted to Josefina the said amount of ₱163,760.

On April 21, 1981, Lagon gave to Carlos, Jr. PCIB Check No. 55007805 in the amount of ₱8,196.00 dated April 21, 1981, and PCIB Check No. 55007806 postdated June 15, 1981 in the amount of ₱81,880.00 both checks totaling ₱90,076.00 in full payment of the purchase price of the property, after deducting the account of Carlos, Jr. amounting to ₱73,684.00. Josefina acknowledged the checks, through Carlos, Jr., who signed a cash voucher for the same.^[7] Carlos, Jr. was able to encash PCIB Check No. 55007805, but returned the other check to Lagon's wife, Nenita, after the latter paid him ₱20,000.00 thereby leaving a balance of ₱61,880.00 of the purchase price.^[8]

Carlos, Jr. prepared an Affidavit dated April 27, 1981 signed by Lagon, where the latter undertook to transfer the Rural Bank of Isulan to the property and construct a commercial building thereon, to be in full operation within a period of five (5) years from May 9, 1979, the date of the deed of absolute sale, or until May 9, 1984,^[9] as part of the condition of the sale; and that if Lagon failed to do so, the deed of absolute sale shall be declared null and void without need of demand therefor.^[10] Lagon also made it clear in the said affidavit that the consideration of the said Deed of Absolute Sale was not only the ₱80,000.00 purchase price, but also that the subject property be commercialized.^[11]

However, Lagon failed to start the construction of a commercial building and to transfer the rural bank thereon; he, likewise, failed to pay the balance of the purchase price amounting to ₱61,880.00. Consequently, Josefina and Carlos, Jr. refused to deliver to Lagon a torrens title over the purchased property. On September 4, 1981, Carlos, Jr. wrote Lagon demanding the payment of ₱61,800.00 within ten days from notice thereof, otherwise, the sale would be considered rescinded.^[12] Still, Lagon failed to pay or even respond to the letter. Carlos, Jr. again wrote Lagon on September 25, 1981, and this time proposed the reduction of the area of the property subject of the sale to correspond to the payment so far made by Lagon in the total amount of ₱90,676.00.^[13] There was no response from Lagon.

In the meantime, TCT No. T-19529 was cancelled on October 9, 1981 by eight (8) titles bearing the following particulars:

TCT No.	Lot No.	Area
16436	3-A	2,586 sq. meters ^[14]
16437	3-B	2,802 sq. meters ^[15]
16438	3-C	2,534 sq. meters ^[16]
16439	3-D	3,198 sq. meters ^[17]
16440	3-E	3,359 sq. meters ^[18]
16441	3-F	2,952 sq. meters ^[19]
16442	3-G	3,650 sq. meters ^[20]
16443	3-H	3,644 sq. meters ^[21]

All the foregoing subdivision titles were under the name of "Josefina L. Valdez, married to Carlos Valdez, Sr."

On December 31, 1982, Josefina and her children executed a deed of extrajudicial settlement of the estate of Carlos Valdez, Sr. in which the heirs waived all their rights over the estate in favor of their mother, Josefina.

On December 1, 1983, Geodetic Engineer Santiago C. Alhambra conducted a subdivision survey of Lot No. 3-C, covered by TCT No. 16438 into three (3) subdivision lots with the following areas: Lot No. 3-C-1 with 449 square meters; Lot No. 3-C-2 consisting of 350 square meters; and, Lot No. 3-C-3, 1,735 square meters. Engr. Alhambra prepared a subdivision plan on his survey which he submitted to the Bureau of Lands on December 12, 1983. Lagon paid for his professional services.

Porfirio L. Cubar, the Bank Manager of the Philippine Commercial Industrial Bank (PCIB) in Isulan talked to Carlos, Jr. and offered to buy, in behalf of the PCIB, Lot No. 3-C-2 for P100.00 per square meter. Carlos, Jr. agreed. Josefina executed a deed of absolute sale on May 8, 1984, over Lot No. 3-C-2 for P35,000.00 in favor of PCIB.^[22] Carlos, Jr. later learned that Lagon had been saying that he was responsible for the sale of Lot No. 3-C-2 to the PCIB, but the latter informed Carlos, Jr. in a Letter dated September 13, 1984 that Lagon had nothing to do with the sale.^[23]

On October 3, 1984, the Register of Deeds cancelled TCT No. 16438 and issued TCT No. 18817 over Lot No. 3-C-2 in the name of PCIB.^[24] The expenses for the issuance of the said title under the name of the bank were for the account of Josefina.^[25]

On June 11, 1987, the deed of extrajudicial settlement earlier executed by the heirs of Carlos Valdez, Sr. was filed and registered in the Office of the Register of Deeds.^[26] On June 16, 1987, Josefina executed a Deed of Sale over Lot 3-D in favor of Engr. Rolendo Delfin, who was issued TCT No. 20380 for the property.^[27]

In the meantime, in August 1987, a question ensued in connection with Lagon's failure to pay the balance of the purchase price of the property, to cause the construction of a commercial building and the transfer of the Rural Bank of Isulan to Lot No. 3, as undertaken by him in his Affidavit dated April 27, 1981. As a reminder, Carlos, Jr. furnished Lagon with a machine copy of the said affidavit on August 12, 1987. On August 13, 1987, Lagon's counsel, Atty. Ernesto I. Catedral, wrote Carlos, Jr., pointing out that he had earlier sought Lagon's consent for the construction of the PCIB Branch in Lot No. 3. Catedral posited that by consenting to the sale of the property to PCIB and the construction thereon of its branch office, Lagon thereby substantially complied with his undertaking under the deed of absolute sale. The lawyer asked Carlos, Jr. to set a conference to thresh out possibilities of an amicable settlement of the matter.^[28]

On September 21, 1987, Carlos, Jr. furnished Atty. Catedral with copies of documents, including a Special Power of Attorney, executed by Josefina in favor of Carlos, Jr., the deed of absolute sale over Lot No. 3 in favor of Lagon and the deed

of absolute sale executed by Josefina in favor of PCIB, among others.^[29] Lagon, through his counsel, Atty. Rex G. Rico, reiterated his request for a conference on May 23, 1988.^[30] However, Carlos, Jr. was not available on the said date.

On August 4, 1988, Josefina executed a real estate mortgage over Lot No. 3-C-3 covered by TCT No. 18818 in favor of the Development Bank of the Philippines (DBP) as security for a loan of P150,000.00.^[31] Josefina executed a deed of absolute sale over Lot No. 3-C-1 in favor of her son, Carlos, Jr. on February 21, 1989. The Register of Deeds thereafter issued TCT No. 21943 in the latter's name on February 28, 1989.^[32] In the meantime, in 1984, Carlos, Jr. had an edifice constructed on the property where he put up his law office, a nipa hut behind the PCIB branch, the Ivy Pharmacy, the "K House" and the headquarters of the Nationalista Party.^[33]

On September 24, 1990, Lagon filed a Complaint against Josefina, and Carlos, Jr., in his capacity as attorney-in-fact of Josefina, for specific performance and damages with a prayer for a temporary restraining order and writ of preliminary injunction. He prayed that, after due proceedings, judgment be rendered in his favor, thus:

WHEREFORE, it is respectfully prayed that upon the filing of this complaint, a restraining order be issued enjoining defendants from selling, disposing or otherwise encumbering the property subject of this case; after due hearing, a writ of preliminary prohibitory injunction be issued in the same tenor as that of the restraining order; and after trial on the merits, judgment be rendered in favor of plaintiff and against the defendants:

- a) Making the writ of preliminary prohibitory injunction permanent;
- b) Ordering defendants to immediately and without delay, deliver to plaintiff the possession of and the transfer certificate of title over the remaining area of that parcel of land they sold to plaintiff;
- c) Ordering defendants to pay plaintiff, jointly and severally, the following sums:
 - i. P500,000.00 representing opportunity loss;
 - ii. P50,000.00 for and as attorney's fees;
 - iii. P20,000.00 for and as expenses of litigation; and
 - iv. P50,000.00 for and as moral, exemplary, temperate and nominal damages.

Other reliefs, just and equitable under the premises, are likewise prayed for.^[34]

Lagon testified that Josefina failed to deliver the title to the property he purchased from her, as well as the possession thereof; hence, he was not certain of the metes and bounds of the property and could not secure a building permit for the transfer and construction of the Rural Bank of Isulan, as well as the commercial building. Besides, Carlos, Jr. secured his permission for the construction of the PCIB commercial building on Lot No. 3-C-2 which was sold to him by Josefina, and even agreed to the deduction of the purchase price thereof; hence, the balance was only

₱26,880. Lagon demanded that the title to the property be turned over to him and the occupants thereof be evicted therefrom so that he could comply with the conditions of the sale for the construction of the commercial building and the transfer of the Isulan Rural Bank. However, Carlos, Jr. dilly-dallied, saying that the heirs of Carlos, Sr. needed time to execute the extrajudicial settlement of his estate, and thus failed to deliver said title to him. Lagon averred that his consent to the construction by the PCIB of its branch on a portion of the property he had purchased from Josefina constituted substantial compliance of his undertaking under the deed of absolute sale and the affidavit he executed in favor of Josefina. He also alleged that he signed the affidavit prepared by Carlos, Jr. without reading and understanding the same. He pointed out that although Lot No. 3 had already been sold to him by Josefina, she still sold Lot No. 3-C-3 to her son, Carlos, Jr.; Lot No. 3-D to Engr. Rolendo Delfin; and mortgaged Lot No. 3-D to DBP which acquired title over the property.

In their answer to the complaint, Josefina and her son, the defendants therein, alleged that Lagon had no cause of action against them because he failed to comply with the terms of the deed of absolute sale, his undertaking under his affidavit, and to pay the purchase price of the property in full. Carlos, Jr. denied securing Lagon's consent to the construction of the PCIB branch on Lot 3-C-2, and agreeing to deduct ₱35,000 from the balance of Lagon's account for the purchase price of the property. Josefina and Carlos, Jr. interposed counterclaims for damages and attorney's fees.

Lagon withdrew his petition for the issuance of a writ of preliminary injunction which the trial court granted, per its Order dated February 24, 1993.

On January 20, 1995, the trial court rendered judgment in favor of Lagon. The *fallo* of the decision reads:

WHEREFORE, upon all the foregoing considerations, judgment is hereby rendered:

1. ORDERING defendant Josefina L. Valdez, by herself, or through her duly authorized attorney-in-fact, defendant Carlos L. Valdez, Jr., to execute the necessary registrable document of deed of absolute sale in favor of the plaintiff over the remaining area of that parcel of land, the defendant sold to plaintiff on May 9, 1979, particularly Lot 3-C-3, Psd-12-005408 covered under Transfer Certificate of Title No. T-18816, in the name of defendant Josefina de Leon Vda. de Valdez, and for the latter to deliver to plaintiff the possession of and the transfer certificate of title thereof, and ORDERING further the defendants to pay, jointly and severally, plaintiff the current fair market value of the remaining area of the land sold to the latter which defendants may not be able to deliver and transfer ownership thereof to the plaintiff, minus the amount of ₱26,880.00 representing the unpaid balance of the agreed purchase price of the 4,094 square meter-portion of land sold to plaintiff in the total amount of ₱163,760.00;
2. ORDERING defendants to pay plaintiff, jointly and severally, the sums of: