

FIRST DIVISION

[G.R. No. 119255, April 09, 2003]

**TOMAS K. CHUA, PETITIONER, VS. COURT OF APPEALS AND
ENCARNACION VALDES-CHOY, RESPONDENTS.**

D E C I S I O N

CARPIO, J.:

The Case

This is a petition for review on certiorari seeking to reverse the decision^[1] of the Court of Appeals in an action for specific performance^[2] filed in the Regional Trial Court^[3] by petitioner Tomas K. Chua ("Chua") against respondent Encarnacion Valdes-Choy ("Valdes-Choy"). Chua sought to compel Valdes-Choy to consummate the sale of her paraphernal house and lot in Makati City. The Court of Appeals reversed the decision^[4] rendered by the trial court in favor of Chua.

The Facts

Valdes-Choy advertised for sale her paraphernal house and lot ("Property") with an area of 718 square meters located at No. 40 Tampingco Street corner Hidalgo Street, San Lorenzo Village, Makati City. The Property is covered by Transfer Certificate of Title No. 162955 ("TCT") issued by the Register of Deeds of Makati City in the name of Valdes-Choy. Chua responded to the advertisement. After several meetings, Chua and Valdes-Choy agreed on a purchase price of P10,800,000.00 payable in cash.

On 30 June 1989, Valdes-Choy received from Chua a check for P100,000.00. The receipt ("Receipt") evidencing the transaction, **signed** by Valdes-Choy as seller, and Chua as buyer, reads:

30 June 1989

R E C E I P T

RECEIVED from MR. TOMAS K. CHUA PBCom Check No. 206011 in the amount of ONE HUNDRED THOUSAND PESOS ONLY (P100,000.00) as EARNEST MONEY for the sale of the property located at 40 Tampingco cor. Hidalgo, San Lorenzo Village, Makati, Metro Manila (Area : 718 sq. meters).

The balance of TEN MILLION SEVEN HUNDRED THOUSAND (P10,700,000.00) is payable on or before 15^[5] July 1989. Capital Gains Tax for the account of the seller. *Failure to pay balance on or before 15*

July 1989 forfeits the earnest money. This provided that all papers are in proper order.^[6]

CONFORME: ENCARNACION VALDES
Seller

TOMAS K. CHUA
Buyer

x x x.^[7]

In the morning of 13 July 1989, Chua secured from Philippine Bank of Commerce ("PBCom") a manager's check for P480,000.00. Strangely, after securing the manager's check, Chua immediately gave PBCom a verbal stop payment order claiming that this manager's check for P480,000.00 "was lost and/or misplaced."^[8] On the same day, after receipt of Chua's verbal order, PBCom Assistant Vice-President Julie C. Pe notified in writing^[9] the PBCom Operations Group of Chua's stop payment order.

In the afternoon of 13 July 1989, Chua and Valdes-Choy met with their respective counsels to execute the necessary documents and arrange the payments.^[10] Valdes-Choy as vendor and Chua as vendee **signed** two Deeds of Absolute Sale ("Deeds of Sale"). The first Deed of Sale covered the house and lot for the purchase price of P8,000,000.00.^[11] The second Deed of Sale covered the furnishings, fixtures and movable properties contained in the house for the purchase price of P2,800,000.00.^[12] The parties also computed the capital gains tax to amount to P485,000.00.

On 14 July 1989, the parties met again at the office of Valdes-Choy's counsel. Chua handed to Valdes-Choy the PBCom manager's check for P485,000.00 so Valdes-Choy could pay the capital gains tax as she did not have sufficient funds to pay the tax. Valdes-Choy issued a receipt showing that Chua had a remaining balance of P10,215,000.00 after deducting the advances made by Chua. This receipt reads:

July 14, 1989

Received from MR. TOMAS K. CHUA PBCom. Check No. 325851 in the amount of FOUR HUNDRED EIGHTY FIVE THOUSAND PESOS ONLY (P485,000.00) as Partial Payment for the sale of the property located at 40 Tampingco Cor. Hidalgo St., San Lorenzo Village, Makati, Metro Manila (Area 718 sq. meters), covered by TCT No. 162955 of the Registry of Deeds of Makati, Metro Manila.

The total purchase price of the above-mentioned property is TEN MILLION EIGHT HUNDRED THOUSAND PESOS only, broken down as follows:

SELLING PRICE P10,800,000.00

EARNEST P100,000.00

MONEY PARTIAL PAYMENT	485,000.00	
		<u>585,000.00</u>

BALANCE DUE TO ENCARNACION VALDEZ-CHOY	P10,215,000.00
	VVVVVVVVVVVV

PLUS P80,000.00 for documentary stamps paid in advance by seller	<u>80,000.00</u>
	P10,295,000.00

x x x. [13]

On the same day, 14 July 1989, Valdes-Choy, accompanied by Chua, deposited the P485,000.00 manager's check to her account with Traders Royal Bank. She then purchased a Traders Royal Bank manager's check for P480,000.00 payable to the Commissioner of Internal Revenue for the capital gains tax. Valdes-Choy and Chua returned to the office of Valdes-Choy's counsel and handed the Traders Royal Bank check to the counsel who undertook to pay the capital gains tax. It was then also that Chua **showed** to Valdes-Choy a PBCom manager's check for P10,215,000.00 representing the balance of the purchase price. Chua, however, did not give this PBCom manager's check to Valdes-Choy because the TCT was still registered in the name of Valdes-Choy. Chua required that the Property be registered first in his name before he would turn over the check to Valdes-Choy. This angered Valdes-Choy who tore up the Deeds of Sale, claiming that what Chua required was not part of their agreement. [14]

On the same day, 14 July 1989, Chua confirmed his stop payment order by submitting to PBCom an affidavit of loss [15] of the PBCom Manager's Check for P480,000.00. PBCom Assistant Vice-President Pe, however, testified that the manager's check was nevertheless honored because Chua subsequently verbally advised the bank that he was lifting the stop-payment order due to his "special arrangement" with the bank. [16]

On 15 July 1989, the deadline for the payment of the balance of the purchase price, Valdes-Choy suggested to her counsel that to break the impasse Chua should deposit in escrow the P10,215,000.00 balance. [17] Upon such deposit, Valdes-Choy was willing to cause the issuance of a new TCT in the name of Chua even without receiving the balance of the purchase price. Valdes-Choy believed this was the only way she could protect herself if the certificate of title is transferred in the name of the buyer before she is fully paid. Valdes-Choy's counsel promised to relay her suggestion to Chua and his counsel, but nothing came out of it.

On 17 July 1989, Chua filed a complaint for specific performance against Valdes-Choy which the trial court dismissed on 22 November 1989. On 29 November 1989, Chua re-filed his complaint for specific performance with damages. After trial in due

course, the trial court rendered judgment in favor of Chua, the dispositive portion of which reads:

Applying the provisions of Article 1191 of the new Civil Code, since this is an action for specific performance where the plaintiff, as vendee, wants to pursue the sale, and in order that the fears of the defendant may be allayed and still have the sale materialize, judgment is hereby rendered:

- I. 1. Ordering the defendant to deliver to the Court not later than five (5) days from finality of this decision:
 - a. the owner's duplicate copy of TCT No. 162955 registered in her name;
 - b. the covering tax declaration and the latest tax receipt evidencing payment of real estate taxes;
 - c. the two deeds of sale prepared by Atty. Mark Bocobo on July 13, 1989, duly executed by defendant in favor of the plaintiff, whether notarized or not; and
2. Within five (5) days from compliance by the defendant of the above, ordering the plaintiff to deliver to the Branch Clerk of Court of this Court the sum of P10,295,000.00 representing the balance of the consideration (with the sum of P80,000.00 for stamps already included);
3. Ordering the Branch Clerk of this Court or her duly authorized representative:
 - a. to make representations with the BIR for the payment of capital gains tax for the sale of the house and lot (not to include the fixtures) and to pay the same from the funds deposited with her;
 - b. to present the deed of sale executed in favor of the plaintiff, together with the owner's duplicate copy of TCT No. 162955, real estate tax receipt and proof of payment of capital gains tax, to the Makati Register of Deeds;
 - c. to pay the required registration fees and stamps (if not yet advanced by the defendant) and if needed update the real estate taxes all to be taken from the funds deposited with her; and
 - d. surrender to the plaintiff the new Torrens title over the property;
4. Should the defendant fail or refuse to surrender the two deeds of sale over the property and the fixtures that were prepared by Atty. Mark Bocobo and executed by the parties, the Branch Clerk of Court of this Court is hereby authorized and empowered to prepare, sign and

execute the said deeds of sale for and in behalf of the defendant;

5. Ordering the defendant to pay to the plaintiff
 - a. the sum of P100,000.00 representing moral and compensatory damages for the plaintiff; and
 - b. the sum of P50,000.00 as reimbursement for plaintiff's attorney's fees and cost of litigation.
6. Authorizing the Branch Clerk of Court of this Court to release to the plaintiff, to be taken from the funds said plaintiff has deposited with the Court, the amounts covered at paragraph 5 above;
7. Ordering the release of the P10,295,000.00 to the defendant after deducting therefrom the following amounts:
 - a. the capital gains tax paid to the BIR;
 - b. the expenses incurred in the registration of the sale, updating of real estate taxes, and transfer of title; and
 - c. the amounts paid under this judgment to the plaintiff.
8. Ordering the defendant to surrender to the plaintiff or his representatives the premises with the furnishings intact within seventy-two (72) hours from receipt of the proceeds of the sale;
9. No interest is imposed on the payment to be made by the plaintiff because he had always been ready to pay the balance and the premises had been used or occupied by the defendant for the duration of this case.

II.

- In the event that specific performance cannot be done for reasons or causes not attributable to the plaintiff, judgment is hereby rendered ordering the defendant:
1. To refund to the plaintiff the earnest money in the sum of P100,000.00, with interest at the legal rate from June 30, 1989 until fully paid;
 2. To refund to the plaintiff the sum of P485,000.00 with interest at the legal rate from July 14, 1989 until fully paid;
 3. To pay to the plaintiff the sum of P700,000.00 in the concept of moral damages and the additional sum of P300,000.00 in the concept of exemplary damages; and
 4. To pay to the plaintiff the sum of P100,000.00 as