

THIRD DIVISION

[G.R. No. 116211, March 07, 1997]

**MEYNARDO POLICARPIO, PETITIONER, VS. COURT OF APPEALS
AND ROSITO PUECHI S. UY, RESPONDENTS.**

DECISION

PANGANIBAN, J.:

The Court finds occasion to apply the general principles of constructive trust as authorized by the Civil Code in granting this petition and in compelling private respondent to implement his trust relationship with petitioner.

This is a petition under Rule 45 of the Rules of Court to reverse the Decision^[1] of public respondent^[2] in CA-G.R. CV No. 32821 promulgated on March 21, 1994, and the Resolution^[3] promulgated on July 5, 1994, denying petitioner's motion for reconsideration.

The dispositive portion of the assailed Decision reads:^[4]

"WHEREFORE, in view of the foregoing, judgment is hereby rendered:

1. REVERSING and SETTING ASIDE the appealed decision dated 10 September 1990;
2. DISMISSING the Complaint; and
3. Without pronouncement as to costs."

The Facts

The facts of the case, as culled from the challenged Decision, are simple. Petitioner (along with his co-plaintiffs in the antecedent cases, namely, Rodolfo Gayatin, Jose Villacin and Jocelyn Montinola)^[5] and private respondent were former tenants of the 30-door Barretto Apartments formerly owned by Serapia Realty, Inc.. Sometime in April 1984, private respondent was elected President of the Barretto Tenants Association (hereafter referred to as the "Association") which was formed, among others, "to promote, safeguard and protect the general interest and welfare of its members."^[6]

In a letter dated July 30, 1984, private respondent as president of the Association sought the assistance of the then Minister of Human Settlements to cause the expropriation of the subject property under the Urban Land Reform Program for subsequent resale to its tenants. The matter was endorsed to the Human Settlements Regulatory Commission, which in a letter dated November 5, 1984,

signed by Commissioner and Chief Executive Officer Ernesto C. Mendiola, rejected the tenant's request for expropriation. The letter stated in part:[7]

"At the moment, the effects of the provisions of PD 1517, otherwise known as the Urban Land Reform Decree, are limited only to the proclaimed 245 APD's and/or ULRZ's. Be informed further that, pursuant to Rule VIII & IX of the Rules and Regulations of the abovementioned Decree, expropriation will be availed of only as a last resort as there are various modes of Land Acquisition/Disposition techniques which the Ministry can avail of to help bonafide (sic) tenants/residents of a certain area."

Failing to get the assistance of the government, the tenants undertook to negotiate directly with the owners of the Barretto Apartments. Initially, Private Respondent Rosito Uy orally expressed to Mrs. Rosita Barretto Ochoa the tenants' desire to purchase their respective units. Later, in a letter dated May 29, 1985, signed by thirty (30) tenants of the commercial and residential units, the tenants formally expressed to Mrs. Ochoa their intent to purchase.

On July 27, 1985, Serapia Real Estate, Inc., sent to Rosito Uy, in his capacity as president of the Association, the following letter:[8]

"Sir:

This is in response to your letter regarding your intent to buy our property together with its improvements located at corners Haig and Romualdez Streets and along Gen. Kalentong Street, Mandaluyong, Metro Manila. We would like to inform you that we are offering to sell the said property at a price of FOUR MILLION FIVE HUNDRED THOUSAND (P4,500,000.00) PESOS ONLY, under the following Terms and Conditions:

AREA: 2,237 square meters

Manner of Payment: An earnest money of P100,00.00 within 30 days.

Full payment payable within 60 days.

This offer is on a 'FIRST COME FIRST SERVED BASIS' and our price is good only within 60 days or until September 30, 1985 only.

Thank You."

In addition, Serapia Realty, Inc., sent to spouses Gayatin a mimeographed letter stating:[9]

"November 15, 1985

Mr./Mrs. Gayatin

SIR/MADAM:

Please be informed that we are intending to sell the unit you are now occupying.

We are therefore giving you the first priority to purchase the same, if you desire.

We are giving you a period of ten (10) days from receipt hereof to see us(,) otherwise, we will consider your inaction a waiver in (sic) your part to purchase the same.

Very truly yours,

SERAFIA REALTY INC.

By: S/ Mrs. Rosa B. Ochoa

T/ Mrs. Rosa B. Ochoa

Kalentong Mandaluyong,

Metro Manila

(Authorize (sic) representative)"

On November 20, 1985, Rodolfo Gayatin acknowledged receipt of the said letter with a request that he be furnished with the following information:^[10]

- "a. Consideration of the sale;
- b. Terms and conditions of the sale; and
- c. Plan indicating the areas and boundaries of each unit."

Letters acknowledging receipt of Mrs. Ochoa's letter of intent to sell the apartment unit occupied by the tenants were sent by Dionisio Enriquez and Elena J. Bañares. The tenants designated and appointed private respondent as their president to negotiate with Serapia Realty, Inc.. But the negotiations apparently did not ripen into a perfected sale.

One and a half years later, on March 12, 1987, petitioner and his co-plaintiffs were notified that private respondent was the new owner of the apartment units occupied by them. Believing that they had been betrayed by their Association president, petitioner sued for "Redemption and Damages with Prayer For Preliminary Injunction."

Private respondent counter-sued for Damages and Accion Publiciana with Preliminary Attachment. Joint trial of the two cases ensued. The trial court found that private respondent had been designated and entrusted by plaintiffs to negotiate with the Barretto family for the sale of the units. It also found that a constructive trust was created between the private respondent as "the cestui que trust [should

be trustee] and plaintiffs as beneficiaries [or cestuis que trust] vis-à-vis the subject units."^[11] The dispositive portion of the trial court decision reads:^[12]

"WHEREFORE, judgment is hereby rendered in the above-entitled cases in favor of plaintiffs Rodolfo Gayatin, Jose Villacin, Jocelyn Montinola and Meynardo Policarpio, and against defendant, Rosito Puechi S. Uy, -

1. Ordering said defendant to execute the corresponding deeds of conveyance in favor of plaintiffs Meynardo Policarpio, Jocelyn Montinola, Jose Villacin and Rodolfo Gayatin covering Door 8, Lot 14; Door 3, Lot 9; Door 2, Lot 9; and Door 1, Lot 9, upon refund by the plaintiffs to the defendant of the sums of P35,200.00; P35,520.00; P35,600.00 and P47,200.00 respectively, without any interest.

Should defendant Uy fail to so execute the deeds of conveyance herein ordered within fifteen (15) days from finality of judgment, the Clerk of this Court will execute the same and the Register of Deeds will be ordered to nullify the certificates of title in the name of said defendant and to issue other certificates of title in favor of the four above-named plaintiffs, respectively; and to pay to the plaintiffs the following sums:

- a) P15,000.00 as attorney's fees;
- b) P40,000.00 as moral damages; and
- c) P20,000.00 as exemplary damages,

all with interest at 12% per annum from date of this decision;

2. Dismissing the Complaint in Civil Case No. 54444 as far as defendant Serapia Real Estate Inc. is concerned;

3. Dismissing defendants' counterclaims in Civil Case No. 54444; and

4. Dismissing Rosito Puechi Uy's complaint in Civil Case No. 55739.

Costs against defendant Uy."

Private respondent appealed the decision to public respondent which as earlier stated reversed the decision and denied the subsequent motion for reconsideration. Hence, this petition only by Meynardo Policarpio. His co-plaintiff in the antecedent case, Jose Villacin, filed a Petition for Intervention^[13] on March 28, 1995, which the First Division of this Court in a Resolution dated June 26, 1995, denied for lack of merit, because Villacin's earlier petition docketed as G.R. No. 116137 (Jose Villacin vs. Court of Appeals, et al.) had already been dismissed for failure to attach an affidavit of service.^[14]

The Issue

The sole issue raised by petitioner in this appeal is:^[15]

"The respondent Court erred in reversing the finding of the trial court that a

constructive trust existed between the plaintiffs and the defendant."

Public respondent, in finding that a constructive trust had not been created, ruled:
[16]

"The contemporary and subsequent acts of the parties herein fail to convince Us that a constructive trust exists for the benefit of the appellees (tenants). A reading of the Articles of Incorporation of Barretto Apartment Tenants Association, Inc. (Exh. 'J') shows that the purpose for its formation is couched in general terms without specifically stipulating the proposed purchase and sale of the apartment units. While it may be conceded that the sale to the tenants was a general concern that would have redounded to their benefit, still it cannot be denied that the transaction could not have been effected unless the tenants and the owners came to terms regarding the sale. The record reveals that appellant (herein private respondent) did in fact send several communications, first to the Ministry of Human Settlements and when this avenue did not prosper, to the Barretto family in an effort to pursue their common desire to own their respective unit(s). The letter to the Minister of Human Settlements is dated July 30, 1984 (Exh. 'J') about a year before the execution of the Articles of Incorporation on 06 August 1985. Incidentally, no evidence appears on record to show that the Association filed the requisite documents for incorporation with the Securities and Exchange Commission.

The Deeds of Absolute Sale in favor of appellant over appellees' unit appear to have been executed on 05 August 1986 (Exhs. 'B' to 'F') or about two (2) years after appellant was designated President of the Association and approximately one (1) year after the Articles of Incorporation were drawn up and signed by the parties. (Exhibit 'S')"

Public respondent contended that plaintiffs were informed of the negotiations for the purchase and sale of property. Further, public respondent said:

"it appears incumbent upon the tenants to verify from time to time on (sic) the progress of the negotiations not only from Mrs. Ochoa but also from appellant who live (sic) in the same apartment complex. Their inaction leads to the impression that they lacked interest to pursue their original plan to purchase the property or they could not agree on the terms and conditions for the sale."^[17]

Before us, petitioner argues that public respondent erred in stating that "there was no common interest on the part of the members of the association to purchase units they were occupying."^[18] He also maintains that it is immaterial whether the intent to buy the units was specifically stated in the purposes of the Association. What is important is that the "contemporary and subsequent acts of parties indicated such a purpose." Petitioner insists that the tenants had authorized and private respondent had agreed to negotiate with the owners regarding the terms of the sale, precisely to conform to the desire of the owners to deal with only one person. Petitioner vehemently denies that the co-tenants of private respondent "had revoked or withdrawn the authority and trust reposed on the private respondent to act as negotiator in their behalf."^[19]

Private respondent rebuts by saying that the entire property consisting of thirty (30) doors was not sold on one particular date. Rather, there were actually two batches