

SECOND DIVISION

[G.R. No. 111858, May 14, 1997]

**TROPICAL HOMES, INC., PETITIONER, VS. THE HONORABLE COURT OF APPEALS &
PEOPLE'S HOMESITE AND HOUSING CORPORATION, RESPONDENTS.
D E C I S I O N**

ROMERO, J.:

Assailed in this petition for review is the decision of the Court of Appeals dated September 14, 1993, rendered in CA-G.R. CV 34989, which affirmed in toto the award by the trial court of a sum of money with legal interest, liquidated damages and costs of suit in favor of private respondent PEOPLE'S HOMESITE AND HOUSING CORPORATION (hereinafter, "PHHC").^[1]

The records reveal that on December 21, 1964, PHHC sold twelve (12) parcels of land (the properties) in Parañaque, Rizal with an area of more or less one hundred (100) hectares and covered by Transfer Certificates of Title (TCTs) Nos. 118717, 118718, 118719, 118720, 118723, 118724, 118725, 118726, 118727, 118728, 118729, issued in the name of PHHC to petitioner for a consideration of P4.20 million, which amount was later reduced to P3.45 million when the former credited to the latter the sum of P750,000.00, representing payments by petitioner's predecessors-in-interest, the Better Living, Inc. and the Earthwealth (Phil.) Ltd., to PHHC. The contract stipulated, among other things, that the P3.45 million would be paid in the following manner:

"xxx

xxx

xxx

2) Upon the execution and registration of this final Deed of Sale with Mortgage, the balance of P3,480,000.00^[2] shall then be paid as follows:

a) P1,727,500.00 shall be paid upon the said signing and registration of this final Deed of Sale with Mortgage and the remaining balance thereafter shall be paid within 18 months from signing of this contract and in equal amortization as follows:

1. P574,166.68 within the first six (6) months;
2. P574,166.68 within the next six (6) months;
3. P574,166.68 within the last six (6) months of the term of payment.

xxx

xxx

xxx"

The parties also agreed "that the failure on the part of the Tropical to pay the first amortization or installment as agreed upon will render immediately due and demandable the whole amount of the consideration herein, and the PHHC may thereafter foreclose its mortgage as hereinafter provided. In case of resort to court action to enforce its rights, the PHHC shall further be entitled to liquidated damages equivalent to 25% of the entire amount due, without need of proving actual damages, in addition to legal interests and other legal charges that may be found due the PHHC."^[3]

Pursuant to their agreement, petitioner should have paid PHHC the amount of P1,727,500.00 upon registration of the Deed of Absolute Sale with Mortgage (the contract) with the Register of Deeds of Rizal on February 12, 1965 and the amount of P574,166.68 not later than July 12, 1965. Petitioner, however, only paid PHHC the amount of P150,000.00 on December 21, 1964, and the amount of P1,000,000.00 on April 20, 1965. Several other payments were later made but not in accordance with the manner of payment stipulated in the contract.

Despite these breaches, PHHC, suprisingly, never foreclosed its mortgage on the properties. Petitioner's continuing non-compliance with the terms of the contract, however, soon prompted PHHC to make a written demand dated September 23, 1965, requiring the former to pay and settle its account amounting to P1,151,666.68 at the time. This demand, however, apparently went unheeded as petitioner still failed to

completely settle its account and fulfill its undertaking under the contract, although it made token payments from time to time. Thus, as of April 15, 1967 petitioner's account already totalled P1,866,454.12, inclusive of all interests which accrued up to August 4, 1966 and in the period from August 5, 1966 until April 15, 1967 as shown by Bill No. 53-67 dated April 1967, reproduced below:

Bill No. 53-67, April 12, 1967

To payment of balance of selling price of
1,000,000.0 sq. m. of Parañaque Property, per
attached statement, as follows:

| | |
|---|---------------|
| Selling price of 1,000,000.00 sq. m. | P4,200,000.00 |
| Less: Amounts paid by Earth-wealth & Better Living, Inc. | 750,000.00 |
| Amount transferred to Tropical Homes, Inc | 3,450,000.00 |
| Interest up to August 4, 1966 | 106,815.93 |
| T o t a l | 3,556,815.93 |
| Less: Total paid | 1,765,169.20 |
| Selling price unpaid as of Aug. 4, 1966 | 1,791,646.73 |
| Add: Interest accrued (Aug. 5/66-April 15/67) | 74,807.39 |
| Total account as of April 15, 1967 | P1,866,454.12 |

NOTE: Daily interest @ 6% per annum on
P1,791,646.73: P294.52.

Petitioner proposed to settle said total account with its approved GSIS loan of P1,714,000.00, and with respect to the balance of P152,454.12, it offered as security two (2) time deposit certificates in the amount of P200,000.00 conditioned upon the release of the mortgage lien on its TCT No. 140829.

Upon PHHC's acceptance of this proposal, petitioner transferred its GSIS credit memo, whereby the proceeds of its GSIS loan in the amount of P1,714,000.00 were applied to its outstanding account with PHHC; Tropical then indorsed to PHHC Certificate of Time Deposit Nos. 2124 and 2146 issued by the Overseas Bank of Manila as security for the balance of P154,221.22; PHHC, in turn, released TCT No. 140829 from the mortgage. Thereafter, PHHC authorized petitioner to secure a surety bond to guarantee the payment of interest that may be found due upon adjudication by the then General Auditing Office.

When PHHC subsequently demanded payment of the remaining P154,221.22, however, petitioner objected, claiming that it had made an overpayment of P29,167.20 because it was not liable to pay interest on the unpaid balance of its account with PHHC, an allegation which was, of course, denied by the latter. With no settlement in sight, these conflicting claims eventually reached the Office of the Auditor General which, in a decision dated January 8, 1970, rejected PHHC's claim to further payment, as well as petitioner's claim for reimbursement or refund of alleged excess payments.^[4]

Apparently dissatisfied with the decision, PHHC appealed to the Office of the President and successfully secured a favorable modification of the said ruling to the effect that its acceptance of the GSIS credit memo did not wipe out its claim against Tropical for accrued interests.^[5] Despite denial of its motion for reconsideration and demand to pay by PHHC, however, petitioner obstinately refused to settle its obligation, prompting PHHC to file an action against petitioner on December 26, 1974, for collection of its credit, which it claimed had reached P216,951.23 as of January 31, 1974, in addition to legal interest on the principal sum of P154,221.22. Petitioner admitted all the factual allegations in PHHC's complaint except its liability for liquidated damages and the amount of P154,221.22, as well as the allegation that its unpaid account was already in the sum of P216,951.23. It argued that the passage of PHHC Board Resolution No. 801 FY 1965-1966 (the resolution) on April 14, 1966,^[6] constituted an amendment of the contract as to the manner of payment and that it had the effect of a valid waiver on the part of PHHC to charge any accrued interest. As counterclaim, petitioner prayed for the payment of P29,169.20, representing the sum it had allegedly overpaid to PHHC.

After PHHC filed its Answer to petitioner's compulsory counterclaim, the Regional Trial Court of Quezon City, Branch 87, scheduled a pre-trial conference on May 8, 1975. On said date, PHHC's assistant general manager and counsel appeared while only petitioner's counsel attended. The latter presented a Special Power of Attorney (SPA) executed by his client, authorizing him "(t)o appear for and in its behalf in the above-captioned civil case in all circumstances where its appearance is required and to bind it in all said instances."

^[7] The trial court, however, was not satisfied with the sufficiency of the SPA and declared petitioner in

default. Dismayed by the order of default, petitioner filed a special civil action for certiorari before this Court, questioning the trial court's alleged grave abuse of discretion. For unknown reasons, a decision granting the writ prayed for was finally rendered on February 24, 1989 or after fourteen (14) long years.^[8]

Following this Court's directive, the trial judge scheduled the case for pre-trial. On March 6, 1990, the parties agreed to submit the case for judgment on the pleadings. Accordingly, after their respective Memoranda had been filed, the trial court rendered its decision^[9] on August 21, 1991, the decretal portion of which states as follows:

"WHEREFORE, judgment is hereby rendered as prayed for in the complaint, ordering the defendant (1) to pay to the plaintiff the amount of P216,951.23, plus legal interest in the amount of P154,221.22, starting from February 1, 1974 until the time of full payment thereof; (2) to pay to the plaintiff liquidated damages equivalent to 25% of the said amount of P216,951.23 and the interest that have accrued up to the filing of the complaint; and to pay costs of suit.

IT IS SO ORDERED."

Aggrieved by the decision of the court a quo, petitioner elevated its case to the Court of Appeals but met the same fate when the appellate court affirmed and virtually adopted the decision of the trial court.^[10] Petitioner would now have this Court reverse the foregoing decisions.

We find no cogent reason to disagree with the decisions of the trial and appellate courts; hence, this petition must fail.

The core of petitioner's arguments is that the resolution constituted an abandonment or a waiver of legal interest which would otherwise accrue or might have accrued under the terms of the contract. Prescinding from this premise, petitioner logically computed its liability to PHHC sans interest. It argued that if the amount it had already paid (P1,765,169.20) were added to its GSIS loan of P1,714,000.00 which was credited to its account with PHHC, the balance would be P3,479,169.20 or P29,169.20 more than the agreed purchase price of P3,450,000.00, clearly an overpayment for which it is entitled to a refund.

Petitioner's flawed logic is devoid of any persuasive value. Contrary to its posture, the terms of the resolution are bereft of any categorical or even implicit indication that PHHC abandoned or otherwise waived its right to collect legal interest arising from default, as well as liquidated damages. The resolution simply states:

"RESOLVED, that in view of the sincere manifestation of the Tropical Homes, Inc. to meet its obligations with the PHHC in accordance with the conditions of the Contract perfected on December 21, 1964 between the Tropical Homes, Inc. and the PHHC, and because the PHHC is cognizant of the tight money situation, the following amendments in the aforesaid Contract as to the manner of payment, are herein incorporated:

1. That the PHHC accepts an increased partial payment of P250,000.00 from the Tropical Homes, Inc.
2. That the PHHC joins the Tropical Homes, Inc. in negotiating with the GSIS for a debit/credit of each other's account for the sum of P1,000,000.00; but it is understood that the responsibility of securing the GSIS approval remains with the Tropical Homes, Inc. and which approval must be secured within a period of ninety (90) days from date hereof.
3. That with respect to the outstanding balance still due to the PHHC, the PHHC hereby stipulates that the same be amortized in twelve (12) equal monthly installments, the first installment payment to begin on May 21, 1966."^[11] (Underscoring supplied).

A careful reading of the above resolution discloses petitioner's continuing obligation under the contract. No new obligation was created by the resolution which could have superseded the original contract. Nowhere is there an explicit statement by PHHC of its intent to abandon or waive any interest accruing in its favor. Instead, what appears unmistakable on its face is the patent intention of PHHC to constitute the terms stated thereunder as mere amendments as regards the manner of payment which was to be incorporated in the original contract. By no stretch of the imagination can the terms be construed as an abandonment or waiver by respondent of payments still due to it.

Evidently the parties to the contract merely intended to restructure the payment scheme of the outstanding account still due and owing to PHHC. Payment of all accrued interests was no longer mentioned since these were already covered by the contract, as amended by the resolution. The contract provided that failure on the part of petitioner to pay the first amortization or installment shall, among other things, result in the liability to pay additional legal interest on the principal amount. This being the case, it would be superfluous to specify