

FIRST DIVISION

[G.R. No. 147695, September 13, 2007]

**MANUEL C. PAGTALUNAN, PETITIONER, VS. RUFINA DELA CRUZ
VDA. DE MANZANO, RESPONDENT.**

D E C I S I O N

AZCUNA, J.:

This is a petition for review on *certiorari* under Rule 45 of the Rules of Court of the Court of Appeals' (CA) Decision promulgated on October 30, 2000 and its Resolution dated March 23, 2001 denying petitioner's motion for reconsideration. The Decision of the CA affirmed the Decision of the Regional Trial Court (RTC) of Malolos, Bulacan, dated June 25, 1999 dismissing the case of unlawful detainer for lack of merit.

The facts are as follows:

On July 19, 1974, Patricio Pagtalunan (Patricio), petitioner's stepfather and predecessor-in-interest, entered into a Contract to Sell with respondent, wife of Patricio's former mechanic, Teodoro Manzano, whereby the former agreed to sell, and the latter to buy, a house and lot which formed half of a parcel of land, covered by Transfer Certificate of Title (TCT) No. T-10029 (now TCT No. RT59929 [T-254773]), with an area of 236 square meters. The consideration of P17,800 was agreed to be paid in the following manner: P1,500 as downpayment upon execution of the Contract to Sell, and the balance to be paid in equal monthly installments of P150 on or before the last day of each month until fully paid.

It was also stipulated in the contract that respondent could immediately occupy the house and lot; that in case of default in the payment of any of the installments for 90 days after its due date, the contract would be automatically rescinded without need of judicial declaration, and that all payments made and all improvements done on the premises by respondent would be considered as rentals for the use and occupation of the property or payment for damages suffered, and respondent was obliged to peacefully vacate the premises and deliver the possession thereof to the vendor.

Petitioner claimed that respondent paid only P12,950. She allegedly stopped paying after December 1979 without any justification or explanation. Moreover, in a "*Kasunduan*"^[1] dated November 18, 1979, respondent borrowed P3,000 from Patricio payable in one year either in one lump sum payment or by installments, failing which the balance of the loan would be added to the principal subject of the monthly amortizations on the land.

Lastly, petitioner asserted that when respondent ceased paying her installments, her status of buyer was automatically transformed to that of a lessee. Therefore, she continued to possess the property by mere tolerance of Patricio and, subsequently,

of petitioner.

On the other hand, respondent alleged that she paid her monthly installments religiously, until sometime in 1980 when Patricio changed his mind and offered to refund all her payments provided she would surrender the house. She refused. Patricio then started harassing her and began demolishing the house portion by portion. Respondent admitted that she failed to pay some installments after December 1979, but that she resumed paying in 1980 until her balance dwindled to P5,650. She claimed that despite several months of delay in payment, Patricio never sued for ejectment and even accepted her late payments.

Respondent also averred that on September 14, 1981, she and Patricio signed an agreement (Exh. 2) whereby he consented to the suspension of respondent's monthly payments until December 1981. However, even before the lapse of said period, Patricio resumed demolishing respondent's house, prompting her to lodge a complaint with the Barangay Captain who advised her that she could continue suspending payment even beyond December 31, 1981 until Patricio returned all the materials he took from her house. This Patricio failed to do until his death.

Respondent did not deny that she still owed Patricio P5,650, but claimed that she did not resume paying her monthly installment because of the unlawful acts committed by Patricio, as well as the filing of the ejectment case against her. She denied having any knowledge of the *Kasunduan* of November 18, 1979.

Patricio and his wife died on September 17, 1992 and on October 17, 1994, respectively. Petitioner became their sole successor-in-interest pursuant to a waiver by the other heirs. On March 5, 1997, respondent received a letter from petitioner's counsel dated February 24, 1997 demanding that she vacate the premises within five days on the ground that her possession had become unlawful. Respondent ignored the demand. The *Punong Barangay* failed to settle the dispute amicably.

On April 8, 1997, petitioner filed a Complaint for unlawful detainer against respondent with the Municipal Trial Court (MTC) of Guiguinto, Bulacan praying that, after hearing, judgment be rendered ordering respondent to immediately vacate the subject property and surrender it to petitioner; forfeiting the amount of P12,950 in favor of petitioner as rentals; ordering respondent to pay petitioner the amount of P3,000 under the *Kasunduan* and the amount of P500 per month from January 1980 until she vacates the property, and to pay petitioner attorney's fees and the costs.

On December 22, 1998, the MTC rendered a decision in favor of petitioner. It stated that although the Contract to Sell provides for a rescission of the agreement upon failure of the vendee to pay any installment, what the contract actually allows is properly termed a resolution under Art. 1191 of the Civil Code.

The MTC held that respondent's failure to pay not a few installments caused the resolution or termination of the Contract to Sell. The last payment made by respondent was on January 9, 1980 (Exh. 71). Thereafter, respondent's right of possession *ipso facto* ceased to be a legal right, and became possession by mere tolerance of Patricio and his successors-in-interest. Said tolerance ceased upon demand on respondent to vacate the property.

The dispositive portion of the MTC Decision reads:

Wherefore, all the foregoing considered, judgment is hereby rendered, ordering the defendant:

- a. to vacate the property covered by Transfer Certificate of Title No. T-10029 of the Register of Deeds of Bulacan (now TCT No. RT-59929 of the Register of Deeds of Bulacan), and to surrender possession thereof to the plaintiff;
- b. to pay the plaintiff the amount of P113,500 representing rentals from January 1980 to the present;
- c. to pay the plaintiff such amount of rentals, at P500/month, that may become due after the date of judgment, until she finally vacates the subject property;
- d. to pay to the plaintiff the amount of P25,000 as attorney's fees.

SO ORDERED.^[2]

On appeal, the RTC of Malolos, Bulacan, in a Decision dated June 25, 1999, reversed the decision of the MTC and dismissed the case for lack of merit. According to the RTC, the agreement could not be automatically rescinded since there was delivery to the buyer. A judicial determination of rescission must be secured by petitioner as a condition precedent to convert the possession *de facto* of respondent from lawful to unlawful.

The dispositive portion of the RTC Decision states:

WHEREFORE, judgment is hereby rendered reversing the decision of the Municipal Trial Court of Guiguinto, Bulacan and the ejectment case instead be dismissed for lack of merit.^[3]

The motion for reconsideration and motion for execution filed by petitioner were denied by the RTC for lack of merit in an Order dated August 10, 1999.

Thereafter, petitioner filed a petition for review with the CA.

In a Decision promulgated on October 30, 2000, the CA denied the petition and affirmed the Decision of the RTC. The dispositive portion of the Decision reads:

WHEREFORE, the petition for review on certiorari is Denied. The assailed Decision of the Regional Trial Court of Malolos, Bulacan dated 25 June 1999 and its Order dated 10 August 1999 are hereby AFFIRMED.

SO ORDERED. ^[4]

The CA found that the parties, as well as the MTC and RTC failed to advert to and to apply Republic Act (R.A.) No. 6552, more commonly referred to as the Maceda Law, which is a special law enacted in 1972 to protect buyers of real estate on installment payments against onerous and oppressive conditions.

The CA held that the Contract to Sell was not validly cancelled or rescinded under Sec. 3 (b) of R.A. No. 6552, and recognized respondent's right to continue

occupying unmolested the property subject of the contract to sell.

The CA denied petitioner's motion for reconsideration in a Resolution dated March 23, 2001.

Hence, this petition for review on *certiorari*.

Petitioner contends that:

- A. Respondent Dela Cruz must bear the consequences of her deliberate withholding of, and refusal to pay, the monthly payment. The Court of Appeals erred in allowing Dela Cruz who acted in bad faith from benefiting under the Maceda Law.
- B. The Court of Appeals erred in resolving the issue on the applicability of the Maceda Law, which issue was not raised in the proceedings *a quo*.
- C. Assuming *arguendo* that the RTC was correct in ruling that the MTC has no jurisdiction over a rescission case, the Court of Appeals erred in not remanding the case to the RTC for trial.^[5]

Petitioner submits that the Maceda Law supports and recognizes the right of vendors of real estate to cancel the sale outside of court, without need for a judicial declaration of rescission, citing *Luzon Brokerage Co., Inc., v. Maritime Building Co., Inc.*^[6]

Petitioner contends that respondent also had more than the grace periods provided under the Maceda Law within which to pay. Under Sec. 3^[7] of the said law, a buyer who has paid at least two years of installments has a grace period of one month for every year of installment paid. Based on the amount of P12,950 which respondent had already paid, she is entitled to a grace period of six months within which to pay her unpaid installments after December, 1979. Respondent was given more than six months from January 1980 within which to settle her unpaid installments, but she failed to do so. Petitioner's demand to vacate was sent to respondent in February 1997.

There is nothing in the Maceda Law, petitioner asserts, which gives the buyer a right to pay arrearages after the grace periods have lapsed, in the event of an invalid demand for rescission. The Maceda Law only provides that actual cancellation shall take place after 30 days from receipt of the notice of cancellation or demand for rescission and upon full payment of the cash surrender value to the buyer.

Petitioner contends that his demand letter dated February 24, 1997 should be considered the notice of cancellation since the demand letter informed respondent that she had "long ceased to have any right to possess the premises in question due to [her] failure to pay without justifiable cause." In support of his contention, he cited *Layug v. Intermediate Appellate Court*^[8] which held that "the additional formality of a demand on [the seller's] part for rescission by notarial act would appear, in the premises, to be merely circuitous and consequently superfluous." He stated that in *Layug*, the seller already made a written demand upon the buyer.