

SECOND DIVISION

[G.R. NO. 165005, September 16, 2005]

**SPOUSES ROBERTO AND NATIVIDAD VALDERAMA,^[1]
PETITIONERS, VS. SALVACION V. MACALDE, FOR HERSELF AND
HER BROTHERS AND SISTERS, SUBSTITUTED BY FLORDELIZA V.
MACALDE, RESPONDENTS.**

DECISION

CALLEJO, SR., J.:

Before us is a petition for review on *certiorari* of the Decision^[2] of the Court of Appeals (CA) in CA-G.R. CV No. 48899.

The case stemmed from the following facts:

Years before World War II, the parents of Salvacion V. Macalde rented a lot located at No. 551 Pampanga Street, Tondo, Manila. Their house was constructed on a two-thirds portion of the said property, with an area of 175 square meters. It was in that house that Salvacion was born in 1934. Sometime in 1977, Herminia Albano, who was engaged in the buy-and-sell of PX goods, acquired the said lot. Thereafter, Transfer Certificate of Title (TCT) No. 129569 was issued in her name. Macalde and her siblings leased the property from Albano and paid their monthly rentals to her. On the remaining one-third portion of the parcel of land stood an apartment which was being leased to the spouses Roberto and Natividad Valderama.

On June 11, 1978, then President Ferdinand E. Marcos issued Presidential Decree (P.D.) No. 1517 proclaiming specific parcels of urban lands as Urban Land Reform Zones (otherwise known as "Urban Zones"). Under Section 6 of the law, "legitimate tenants within the urban zones who had been residing on the land for ten years or more, who have built their homes on the land, and residents who have legally occupied the lands by contract continuously for the last ten years, shall not be dispossessed of the land and shall be allowed the right of first refusal to purchase the same within a reasonable time and at reasonable prices under terms and conditions to be determined by the Urban Zone Expropriation and Land Management Committee" created under the law. Section 7 further provides that, in case the tenants and residents are unable to purchase the said land, the government shall acquire the same and/or the improvements thereon by expropriation or other land acquisition techniques provided under Section 11 of the said decree. Landowners, tenants and residents are also required to declare any proposal to sell, lease or encumber lands and improvements thereon, including the proposed price, rent or value of encumbrances and secure approval of said proposed transactions.^[3]

On May 14, 1980, former President Marcos issued Proclamation (Proc.) No. 1967, declaring the Metropolitan Manila area as an Urban Zone. On April 13, 1983, Proc. No. 2284 was issued amending Proc. No. 1967. The proclamation identified 244

sites in Metro Manila as areas for priority development, including Albano's property.

Sometime in November 1990, Albano offered to sell the property to Salvacion Macalde and her siblings. In a Letter^[4] dated November 9, 1990, Macalde, in her behalf and in behalf of her siblings, informed Albano of her desire and readiness to buy the property, and suggested that they discuss the price, as well as the other terms and conditions of the sale at the soonest possible time. Beth Diaz, Albano's grandchild, received the letter. Albano did not respond. Nevertheless, Macalde sent a Letter dated November 12, 1990 to the Housing and Land Use Regulatory Board (HLURB), inquiring whether Albano's property was included in the areas for priority development under P.D. No. 1517. In its Reply^[5] dated November 26, 1990, the HLURB informed Macalde that the property was, indeed, within the coverage of Areas for Priority Development under Proc. No. 1967, as amended by Proc. No. 2284.

In the meantime, Macalde and her siblings continued paying their rentals to Albano for the property. In fact, Macalde paid the amount of P3,321.00 on March 5, 1991, representing the rental of the property for the period of July 1990 to March 1991.^[6] On March 14, 1991, Albano told Macalde, for the first time, that she had already sold the property. However, Albano did not divulge to Macalde the identity of the person to whom she sold the property. In a Letter dated March 21, 1991, Macalde complained to Albano about the sale of the property to another, despite her prior offer to buy the property way back in November 1990. She also requested Albano to rescind the sale of the property, insofar as the portion occupied by their house was concerned.^[7] Sometime later, Macalde learned that Natividad Valderama was the purchaser of Albano's property. Forthwith, on March 26, 1991, Macalde wrote the spouses Valderama, and expressed her willingness to buy the two-thirds portion of the property where their ancestral house was constructed.^[8] Macalde enclosed therein a copy of her letter to Albano dated March 21, 1991.

Albano and the spouses Valderama rejected Macalde's offer, and the latter brought the matter to the *Barangay Lupon* for conciliation. However, the parties failed to settle the case amicably.^[9]

In the meantime, Macalde discovered that Albano had executed a Deed of Absolute Sale over the property in favor of Natividad Valderama, and that TCT No. 129569 was cancelled and, in lieu thereof, TCT No. 198661 was issued to "Natividad Valderama, married to Roberto Valderama."^[10]

On December 5, 1991, Macalde, for herself and on behalf of her brothers and sisters, namely, Ma. Patria, Juan, Jr., Bienvenido, Fredeswinda, Ricardo and Flordeliza, all surnamed Macalde, filed a Complaint^[11] against Herminia Albano and the spouses Valderama for the annulment of sale, cancellation of title, reconveyance and damages with the Regional Trial Court (RTC) of Manila, Branch 2. The case was docketed as Civil Case No. 91-59504.

The Macaldes averred therein that they had a preferential right to buy the property under P.D. No. 1517, and prayed:

Wherefore, it is most respectfully prayed of the Honorable Court that –

1. Transfer Certificate of Title No. 198661, Registry of Deeds of Manila, in the name of Natividad Valderama married to Roberto Valderama (Annex "I"), be ordered cancelled;

The deed of sale by and between Herminia Albano and Natividad Valderama, vendor and vendee, respectively, dated May 28, 1990, regarding TCT No. 129569 (Annex "J") be declared null and void;

The subject parcel of land be ordered partitioned or subdivided, 2/3 to and in favor of Salvacion Macalde, 1/3 to remain in the name of Natividad Valderama, and proper transfer titles thereto issue. The plaintiff shall pay defendant Natividad Valderama P200,000.00 correspondingly.

2. Order the defendants, jointly and solidarily, to pay the plaintiff, collectively with her brothers and sisters, the following:
 - a. P70,000.00 moral damages;
 - b. P10,000.00 attorney's fees; to double this rate in case of appeal;
 - c. P800.00 appearance fee of counsel per hearing;
 - d. P8,000.00 litigation expenses for documentation, transportation and other necessary expenses, or in such higher sums as may be proved.

Plaintiff prays for other available reliefs.^[12]

In her answer,^[13] Albano alleged, *inter alia*, that the property with an area of 175 square meters was not within the coverage of the law. She insisted that as the owner of the property, she had that right to dispose the same, and the Macaldes had been notified of her intention to sell the property but that they ignored the offer.

In their answer to the complaint, the spouses Valderama averred that the Macaldes had waived their preferential right to buy the property since they failed to exercise their right when Albano first offered the property to them. They insisted that no right of the plaintiffs had been violated; Albano assured them that she had already offered the subject property to the plaintiffs, and that they did not exercise their right to purchase the same. They claimed that while the amount of P300,000.00 was stated in the deed of sale as the purchase price, they had actually paid P750,000.00 to Albano in installment. They further alleged that it was the amount of P300,000.00 in the deed of sale that motivated the Macaldes to pursue the purchase of the property.

On March 26, 1992, the Valderama spouses filed a cross-claim^[14] against Albano for the amount of P750,000.00 which they claimed they had paid for the subject property. They prayed that Albano reimburse them the difference, in the event that the RTC ordered the re-selling of the disputed portion to the Macaldes for only P300,000.00 pursuant to the deed of sale.

After the trial on the merits, the RTC rendered its Decision^[15] on August 8, 1994, in favor of the Macaldes. The decretal portion reads as follows:

WHEREFORE, prescinding from the foregoing, judgment is hereby rendered:

1. The questioned deed of sale dated May 28, 1990 (Exhibit J) is partially annulled insofar as it affects the two-thirds (2/3) portion of the lot in question being occupied by the plaintiffs who built their ancestral home;
2. Perforce, TCT No. T-198661, of the land records of the City of Manila (Exhibit I) issued in the name of Natividad Valderama married to Roberto Valderama dated July 9, 1991, is likewise ordered partially cancelled insofar as it affects the 2/3 portion occupied by the plaintiffs;
3. Defendant Natividad Valderama and her husband, are ordered to execute the corresponding Deed of Reconveyance in favor of the plaintiffs represented by Salvacion V. Macalde, covering the said two-thirds (2/3) portion of the lot in question presently occupied by the plaintiffs, for a consideration of P500,000.00 upon full payment of said amount within a reasonable time of thirty (30) days from receipt of this decision together with and including the interest cost on said amount of 12% per annum, starting from May 28, 1990 up to the date of actual reconveyance, which is estimated to be P240,000.00 more or less for a total [a]mount of P740,000.00. Failing which, plaintiffs are deemed to have waived their right of first refusal and the questioned sale in favor of the Valderamas shall ipso facto be affirmed with full force and legal effect including their title thereto;
4. The spouses Natividad Valderama and Roberto Valderama are declared the absolute owners of the undivided one-third (1/3) portion of the lot where their ancestral home stands, with all the rights blossoming forth from such ownership;
5. Should the reconveyance be consummated, the parties may hire the services of a geodetic surveyor of their choice to effect the soonest segregation and titling of their respective lots;
6. Defendants are ordered to jointly and severally pay plaintiffs the sum of P10,000.00 by way of reasonable attorney's fees.
7. Defendants to pay the costs.

SO ORDERED. ^[16]

The Macaldes appealed the decision and averred that:

1. The Honorable Trial Court erred in finding that the purchase price of the disputed parcel of land is P740,000.00, when the facts and the law show that it is only P300,000.00.
2. The Honorable Trial Court erred in imposing the burden of interest cost of 12% per annum against the appellants, when the same was

not pleaded nor taken up on the merits.

3. The Honorable Trial Court erred in denying an award of damages in favor of the plaintiff-appellants, who have shown in evidence vivid moral shock, mental torture and serious anxiety.^[17]

On October 29, 2003, the CA rendered judgment partially granting the appeal. The *fallo* of the decision reads:

WHEREFORE, the instant appeal is hereby **PARTIALLY GRANTED**. The *ITEM NO. 3* in the assailed decision dated August 8, 1994 of the Regional Trial Court of Manila, Branch 2 in Civil Case No. 91-59504 is hereby MODIFIED to read as follows:

Conformably with PD 1517 or the Urban Land Reform Law, the Urban Zone and Land Management Committee is hereby directed to ascertain and determine the reasonable price and the other terms and conditions of the sale, by Valderama to plaintiffs-appellants, covering the portion of the land under TCT No. 198661 occupied by the latter's ancestral house;

The plaintiffs-appellants are granted the period of 30 days to exercise their right of first refusal, from receipt of, and in accordance with, the terms and conditions set by the Urban Zone and Land Management Committee.

The rest of the decision is hereby affirmed in all other respect.

SO ORDERED.^[18]

The CA ruled that under P.D. No. 1517, Albano cannot, on her own, fix the purchase price of the property, as it was yet to be determined by the Urban Zone Expropriation and Land Management Committee under P.D. No. 1517, in relation to Republic Act No. 7279.

The CA also held that since the controversy did not involve an obligation to pay money or interest on liquidated claims or damages, or a court judgment awarding a sum of money, no interest on the purchase price of the property should be imposed. It found no basis to award any moral or exemplary damages, since the Macaldes failed to present any evidence to warrant such award.^[19] The CA, likewise, denied the spouses Valderama's motion for reconsideration of the said decision.^[20]

In the present recourse, the spouses Valderama, as petitioners, raise the following issues:

- I. IS THE FORMER OWNER OF THE PROPERTY WHO OFFERED TO SELL IT TO THE TENANT UNDER PD No. 1517 WHO COULD NOT AFFORD TO BUY AND THEREFORE WAIVED SAID RIGHT NO LONGER OBLIGED TO REFER THE OFFER TO SELL TO THE URBAN ZONE AND LAND MANAGEMENT COMMITTEE UNDER PD 1517 TO DETERMINE