

THIRD DIVISION

[G.R. No. 204039, January 10, 2018]

UNITED COCONUT PLANTERS BANK, PETITIONER, V. SPOUSES WALTER UY AND LILY UY, RESPONDENTS.

DECISION

MARTIRES, J.:

This petition for review on certiorari seeks to reverse and set aside the 23 May 2012 Decision^[1] and the 18 October 2012 Resolution^[2] of the Court of Appeals (CA) in CA-G.R. SP No. 118534 which affirmed with modification the 24 March 2010 Decision^[3] of the Office of the President (OP).

THE FACTS

Prime Town Property Group, Inc. (PPGI) and E. Ganzon Inc. were the joint developers of the Kiener Hills Mactan Condominium Project (*Kiener Hills*). In 1997, spouses Walter and Lily Uy (*respondents*) entered into a Contract to Sell with PPGI for a unit in Kiener Hills. The total contract price amounted to P1,151,718.75 payable according to the following terms: (a) P100,000.00 as down payment; and (b) the balance paid in 40 monthly installments at P26,297.97 from 16 January 1997 to 16 April 2000.^[4]

On 23 April 1998, PPGI and petitioner United Coconut Planters Bank (UCPB) executed the following: Memorandum of Agreement (MOA),^[5] and Sale of Receivables and Assignment of Rights and Interests.^[6] By virtue of the said agreements, PPGI transferred the right to collect the receivables of the buyers, which included respondents, of units in Kiener Hills. The parties entered into the said agreement as PPGI's partial settlement of its P1,814,500,000.00 loan with UCPB.^[7]

On 17 April 2006, the Housing and Land Use Regulatory Board Regional Office (HLURB Regional Office) received respondents' complaint for sum of money and damages against PPGI and UCPB. They claimed that in spite of their full payment of the purchase price, PPGI failed to complete the construction of their units in Kiener Hills.^[8]

The HLURB Regional Office Decision

In its 29 November 2006 decision,^[9] the HLURB Regional Office found that respondents were entitled to a refund in view of PPGI's failure to complete the construction of their units. Nonetheless, it found that UCPB cannot be solidarity liable with PPGI because only the accounts receivables were conveyed to UCPB and not the entire condominium project. The HLURB Regional Office suspended the

proceedings as to PPGI on account of its being in corporate rehabilitation. The dispositive portion reads:

WHEREFORE, premises considered, decision is hereby rendered suspending the proceedings of the present case. The complainants are therefore directed to file their claim before the Rehabilitation Receiver.

No judgment as to cost.^[10]

Unsatisfied, respondents appealed before the HLURB-Board of Commissioners (*HLURB Board*).

The HLURB Board Decision

In its 17 September 2007 decision,^[11] the HLURB Board reversed and set aside the HLURB Regional Office decision. It agreed that the proceedings against PPGI should be suspended on account of its corporate rehabilitation. Nevertheless, the HLURB Board found UCPB solidarity liable with PPGI because it stepped into the latter's shoes insofar as Kiener Hills is concerned pursuant to the MOA between them. It noted that UCPB was PPGI's successor-in-interest, such that the delay in the completion of the condominium project could be attributable to it and subject it to liability. The HLURB Board ruled that as PPGI's assignee, UCPB was bound to refund the payments made, without prejudice to its right of action against PPGI. Thus, it pronounced:

WHEREFORE, premises considered, the appeal is **GRANTED** and the decision of the Regional Office is **SET ASIDE** and a new one is entered as follows:

1. Respondent UCPB is hereby ordered to refund to the complainant the amount of P1,151,718.75 with interest at the legal rate of 6% per annum reckoned from the date of extrajudicial demand on May 24, 2005 until fully paid without prejudice to whatever claims UCPB may have against PPGI; and
2. Respondent UCPB and PPGI, jointly and severally, are declared liable to the complainant for payment of exemplary damages in the amount of P30,000.00; and attorney's fees in the amount of P30,000.00.^[12]

Aggrieved, UCPB appealed before the OP.

The OP Decision

In its 24 March 2010 decision, the OP affirmed the decision of the HLURB Board. It explained that the agreement between PPGI and UCPB clearly transferred all rights, titles, interests, and participations over Kiener Hills to the latter. It concluded that as successor-in-interest, UCPB now had the obligations relating to Kiener Hills, including the reimbursement of payments to respondents. The OP added that benefit of suspension of actions only attached to PPGI and not to UCPB. Thus:

WHEREFORE, based on the foregoing, the decision appealed from is hereby **AFFIRMED**.^[13]

Undeterred, UCPB appealed before the CA.

The CA Ruling

In its assailed 23 May 2012 decision, the CA affirmed with modification the OP decision. While the appellate court agreed that respondents are entitled to a full refund of the payments they may have made, it ruled that UCPB is not solidarily liable with PPGI, and as such cannot be held liable for the full satisfaction of respondents' payments. It limited UCPB's liability to the amount respondents have paid upon the former's assumption as the party entitled to receive payments or on 23 April 1998 when the MOA and AIR Agreement were made between UCPB and PPGI.

In addition, the appellate court noted the pronouncements of the CA in *United Coconut Planters Bank v. O'Halloran (O'Halloran)*.^[14] It explained that it involved similar facts and issues where the CA ruled that the assignment of the receivables did not make UCPB the developer of Kiener Hills it being merely the assignee of the receivables under the contract to sell and, as such, UCPB cannot be deemed as the debtor with respect to the construction, development, and delivery of the subject condominium units. Thus, the CA ruled:

WHEREFORE, in view of all the foregoing, the instant Petition for Review is **PARTIALLY GRANTED**. The promulgated Decision dated 24 March 2010 and Resolution dated 16 February 2011 are hereby **AFFIRMED with MODIFICATION**, as follows:

- 1) UCPB is ordered to pay Spouses Uy the amount of P552,152.34, with legal interest at 6% per annum from the filing of the complaint until fully paid without prejudice to whatever claims UCPB may have against Primetown; and
- 2) Without prejudice to a separate action Spouses Uy may file against Primetown, Primetown is liable to pay Spouses Uy the amount of P599,566.41 with legal interest at 6% per annum from the filing of the complaint until fully paid.^[15]

UCPB moved for reconsideration but it was denied by the CA in its assailed 18 October 2012 resolution.

Hence, this appeal raising the following:

ISSUES

I

[WHETHER] THE HONORABLE COURT OF APPEALS GRIEVOUSLY ERRED WHEN IT MISCONSTRUED THE APPLICABILITY TO THE INSTANT CASE OF THE FINAL AND EXECUTORY DECISION IN UNITED COCONUT PLANTERS BANK V. JOHN P. O'HALLORAN AND JOSEFINA O'HALLORAN (CA-G.R. SP NO. 101699, 23 JULY 1999) UNDER THE PRINCIPLE OF STARE DECISIS; AND

II

[WHETHER] THE HONORABLE COURT OF APPEALS GRIEVOUSLY ERRED IN RULING THAT UCPB IS LIABLE TO THE RESPONDENTS FOR THE AMOUNT THE RESPONDENTS DID NOT PAY THE BANK AND WHICH UCPB DID NOT RECEIVE.^[16]

OUR RULING

The petition is meritorious.

Issues that may be raised on appeal

Respondents assailed that the CA erred in applying *O'Halloran* because the circumstances were different, notably the issue that estoppel did not arise in the said case. In addition, they argued that *O'Halloran* and the other cases cited by UCPB are not binding pursuant to the doctrine of *stare decisis* because they were decided by the CA and not by this Court. As such, respondents posited that only decisions of the Court, excluding all other courts such as the CA, form part of the legal system.

On the other hand, UCPB countered that the only issue to be resolved in the present petition is the actual amount of its liability. It explained that the assailed CA decision had become final and executory after respondents failed to appeal the same. UCPB pointed out that the issues respondents raised were already ventilated before the appellate court. It believed that respondents should have filed their own appeal to assail the issues they found questionable.

It must be remembered that when a case is appealed, the appellate court has the power to review the case in its entirety.^[17] In *Heirs of Alcaraz v. Republic of the Phils.*,^[18] the Court explained that an appellate court is empowered to make its own judgment as it deems to be a just determination of the case, to wit:

In any event, when petitioners interposed an appeal to the Court of Appeals, the appealed case was thereby thrown wide open for review by that court, which is thus necessarily empowered to come out with a judgment as it thinks would be a just determination of the controversy. Given this power, the appellate court has the authority to either affirm, reverse or modify the appealed decision of the trial court. To withhold from the appellate court its power to render an entirely new decision would violate its power of review and would, in effect, render it incapable of correcting patent errors committed by the lower courts.^[19]

Thus, when UCPB appealed the present controversy before the Court, it was not merely limited to determine whether the CA accurately set UCPB's liability against respondents. It is also empowered to determine whether the appellate court's determination of liability was correct in the first place. This is especially true considering that the issue of the nature of UCPB's liability is closely intertwined and inseparable from the determination of the amount of its actual liability.

Stare Decisis applies only to cases decided by the Supreme Court

As above-mentioned, respondents bewail the reliance of the CA on *O'Halloran* arguing that it was not a binding precedent since it was not issued by this Court. In

De Mesa v. Pepsi-Cola Products Phils. Inc.,^[20] the Court explained that the doctrine of *stare decisis* deems decisions of this Court binding on the lower courts, to wit:

The principle of *stare decisis et non quieta movere* is entrenched in Article 8 of the Civil Code, to wit:

x x x x

It enjoins adherence to judicial precedents. **It requires our courts to follow a rule already established in a final decision of the Supreme Court.** That decision becomes a judicial precedent to be followed in subsequent cases by all courts in the land. The doctrine of *stare decisis* is based on the principle that once a question of law has been examined and decided, it should be deemed settled and closed to further argument.^[21] (emphasis and underscoring supplied)

In other words, the doctrine of *stare decisis* becomes operative only when judicial precedents are set by pronouncements of this Court to the exclusion of lower courts. It is true regardless whether the decisions of the lower courts are logically or legally sound as only decisions issued by this Court become part of the legal system. At the most, decisions of lower courts only have a persuasive effect. Thus, respondents are correct in contesting the application of the doctrine of *stare decisis* when the CA relied on decisions it had issued.

UCPB only jointly liable to PPGI in reimbursing unit-owners of Kiener Hills

With that said, the Court still finds that the CA did not err in ruling that UCPB was only jointly, and not solidarily liable to PPGI against respondents. In *Spouses Choi v. UCPB (Spouses Choi)*,^[22] the Court had definitely ruled on UCPB's liability to the purchasers of Kiener Hills, viz:

The primordial issue to be resolved is whether, under the Agreement between Primetown and UCPB, UCPB assumed the liabilities and obligations of Primetown under its contract to sell with Spouses Choi. An assignment of credit has been defined as an agreement by virtue of which the owner of a credit, known as the assignor, by a legal cause — such as sale, *dation* in payment or exchange or donation — and without need of the debtor's consent, transfers that credit and its accessory rights to another, known as the assignee, who acquires the power to enforce it to the same extent as the assignor could have enforced it against the debtor. In every case, the obligations between assignor and assignee will depend upon the judicial relation which is the basis of the assignment. An assignment will be construed in accordance with the rules of construction governing contracts generally, the primary object being always to ascertain and carry out the intention of the parties. This intention is to be derived from a consideration of the whole instrument, all parts of which should be given effect, and is to be sought in the words and language employed.

In the present case, the Agreement between Primetown and UCPB provided that Primetown, in consideration of P748,000,000.00,