

### THIRD DIVISION

**[ G.R. No. 208185, September 06, 2017 ]**

**PRISCILLA ZAFRA ORBE, PETITIONER, VS. FILINVEST LAND, INC., RESPONDENT.**

#### DECISION

**LEONEN, J.:**

When Republic Act No. 6552 or the Maceda Law speaks of paying "at least two years of installments" in order for the benefits under its Section 3<sup>[1]</sup> to become available, it refers to the buyer's payment of two (2) years' worth of the stipulated fractional, periodic payments due to the seller. When the buyer's payments fall short of the equivalent of two (2) years' worth of installments, the benefits that the buyer may avail of are limited to those under Section 4.<sup>[2]</sup> Should the buyer still fail to make payments within Section 4's grace period, the seller may cancel the contract. Any such cancellation is ineffectual, however, unless it is made through a valid notarial act.

This resolves a Petition for Review on Certiorari<sup>[3]</sup> under Rule 45 of the 1997 Rules of Civil Procedure praying that the assailed October 11, 2012 Decision<sup>[4]</sup> and July 3, 2013 Resolution<sup>[5]</sup> of the Court of Appeals in CA-G.R. SP No. 118285 be reversed and set aside.

The assailed Court of Appeals October 11, 2012 Decision reversed the prior rulings of the Office of the President, the Board of Commissioners of the Housing and Land Use Regulator; Board (HLURB Board of Commissioners), and of Housing and Land Use Arbiter Leonard Jacinto A. Soriano (Arbiter Soriano) of the Expanded National Capital Region Field Office of the Housing and Land Use Regulatory Board (HLURB Field Office). It held that petitioner Priscilla Zafra Orbe (Orbe) is entitled to the benefits of Section 3 of Republic Act No. 6552.<sup>[6]</sup> The assailed Court of Appeals July 3, 2013 Resolution denied Orbe's Motion for Reconsideration.<sup>[7]</sup>

Sometime in June 2001, Orbe entered into a purchase agreement with respondent Filinvest Land, Inc. (Filinvest) over a 385-square-meter lot identified as Lot 1, Block 10, Phase 1, Highlands Pointe, Taytay, Rizal. The total contract price was P2,566,795.00, payable on installment basis<sup>[8]</sup> under the following terms:

Total Contract Price	:	[P]2,566,795.00
Reservation Fee	:	[P]20,000.00
Down Payments	:	[P]493,357.00
Payable on installments	:	[P]54,818.00 monthly
		from 8/4/01-4/4/02
Balance	:	[P]2,053,436.00
		Payable on installments for a period of 7 years from 5/8/02-4/8/09
First year	:	[P]27,936.84 monthly
Second year	:	[P]39,758.84 monthly
Third year	:	[P]41,394.84 monthly
Fourth year to Seventh year	:	[P]42,138.84 monthly <sup>[9]</sup>

From June 17, 2001 to July 14, 2004, Orbe paid a total of P608,648.20. These were mainly through several Metrobank checks, for which Filinvest issued official receipts.<sup>[10]</sup> Check payments were made as follows:

<b><u>METROBANK CHECK NO.</u></b>	<b><u>DATE</u></b>	<b><u>AMOUNT</u></b>
Metro Bank Check No. 0306533	June 17, 2001	[P]20,000.00
Metro Bank Check No. 0306544	July 29, 2001	[P]54,818.00
Metro Bank Check No. 0306545	Aug. 29, 2001	[P]54,818.00
Metro Bank Check No. 0306546	Sept. 29, 2001	[P]54,818.00
Metro Bank Check No. 032()243	May 8, 2002	[P]100,000.00
Metro Bank Check No. 0320244	May 22, 2002	[P]100,000.00
Metro Bank Check No. 0370882	March 26, 2003	[P]80,000.00
Metro Bank Check No. 0370883	April 26, 2003	[P]75,789.00
Metro Bank Check No. 0401000	Feb. 12, 2004	[P]37,811.00
Metro Bank Check No. 0531301	July 14, 2004	[P]30,000.00 <sup>[11]</sup>

Orbe was unable to make further payments allegedly on account of financial difficulties.<sup>[12]</sup>

On October 4, 2004, Filinvest sent a notice of cancellation,<sup>[13]</sup> which was received by Orbe on October 18, 2004.<sup>[14]</sup> The notice and its accompanying jurat read:

PRISCILLA Z. ORBE  
#107 Morena St. Villaverde Homes  
Novaliches, Q.C.

Re: Account No.	6181426
Project	HIGH
Phase	1
Block	10
Lot	1

Gentlemen (sic):

Our records show that your account remains unpaid despite our written request for your payment. We have in fact given you sixty (60) days to update but you failed to settle your account. Accordingly, please be informed that we are now hereby canceling your account effective thirty (30) days from receipt hereof,

Very  
truly  
yours,

COLLECTION  
DEPARTMENT

By:

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MA.  
LOUELLA  
D.  
SENIA

Republic of the Philippines )  
Makati City )S.S.

SUBSCRIBED AND SWORN to before me this OCT 06 2004, affiant exhibiting to me Community Tax Certificate No. 05465460 issued on February 09, 2004 at Manila.

(sgd.)  
AVELIO  
L.  
SALCEDO

NOTARY  
PUBLIC  
UNTIL  
DECEMBER  
31,  
2004  
PTR  
NO.  
3703389  
3/01/04  
SAN  
JUAN  
IBP  
NO.609984  
2/04/04  
PASIG  
CITY

Doc. No. 314  
Page No. 64  
Book No. XVIII  
Series of 2004<sup>[15]</sup>

Noting that "efforts . . . to seek for a reconsideration of said cancellation . . . proved futile," and that the parcel had since been sold by Filinvest to a certain Ruel Ymana "in evident bad faith,"<sup>[16]</sup> Orbe filed against Filinvest a Complaint for refund with damages dated November 13, 2007 before the HLURB Field Office.<sup>[17]</sup> Orbe emphasized that she had made payments "beginning June, 2001 up to October, 2004."<sup>[18]</sup> She further asserted that the October 4, 2004 Notice did not amount to an "effective cancellation by notarial act."<sup>[19]</sup>

In its Answer with Counterclaim, Filinvest asserted that Orbe failed to make *24 monthly amortization payments* on her account, and thus, could not benefit from Section 3 of Republic Act No. 6552. According to Filinvest, the P608,648.20 paid by Orbe from June 17, 2001 to July 14, 2004 covered only the reservation fee, down payment, and late payment charges, exclusive of the monthly amortization payments stipulated in the Purchase Agreement.<sup>[20]</sup>

In his July 25, 2008 Decision,<sup>[21]</sup> Arbiter Soriano of the HLURB Field Office ruled in favor of Orbe. He held that since Orbe made payments "from 17 June 2001 to 14 July 2004, or a period of more than two years,"<sup>[22]</sup> all of which should be credited to the principal,<sup>[23]</sup> she was entitled to a refund of the cash surrender value equivalent to 50% of the total payments she had made, pursuant to Section 3 of Republic Act No. 6552.<sup>[24]</sup>

Filinvest appealed to the HLURB Board of Commissioners.<sup>[25]</sup>

In its April 15, 2009 Decision,<sup>[26]</sup> the HLURB Board of Commissioners affirmed Arbiter Soriano's Decision.<sup>[27]</sup> It disagreed with Arbiter Soriano's conclusion that Orbe had paid two (2) years' installments. It specifically noted rather, that the buyer's payments fell two (2) months short of the equivalent of two years of installments.<sup>[28]</sup> It added, however, that "[e]quity . . . should come in especially where, as here, the payment period is relatively short and the monthly installment is relatively of substantial amounts."<sup>[29]</sup> Thus, it concluded that Orbe was still entitled to a 50% refund.<sup>[30]</sup>

Filinvest then appealed to the Office of the President.<sup>[31]</sup>

In its February 4, 2011 Decision,<sup>[32]</sup> the Office of the President sustained the conclusion that Orbe was entitled to a 50% refund. It disagreed with the HLURB Board of Commissioners' finding that Section 3's benefits were available to Orbe purely as a matter of equity. It agreed instead with Arbiter Soriano's reliance on how Orbe "ha[d] made installment payments for more than two (2) years."<sup>[33]</sup>

Filinvest made another appeal to the Court of Appeals,<sup>[34]</sup> arguing that:

[W]hat [Republic Act No. 6552] requires for refund of the cash surrender value is not the length of time of at least two years from the first payment to the last payment, but the number of installments paid, that is, at least two ears of installments or twenty[-]four (24) monthly installments paid.<sup>[35]</sup>

Thus, Section 3, which requires the refund of the cash surrender value, will only apply when the buyer has made at least 24 installment payments.<sup>[36]</sup>

In its assailed October 11, 2012 Decision,<sup>[37]</sup> the Court of Appeals reversed the prior rulings of the Office of the President, of the HLURB Board of Commissioners, and of Arbiter Soriano; and dismissed Orbe's Complaint.<sup>[38]</sup>

The Court of Appeals reasoned that the phrase "two years of installments" under Section 3 means that total payments made should at least be equivalent to *two years' worth of installments*.<sup>[39]</sup> Considering that Orbe's total payment of P608,648.20 was short of the required two (2) years' worth of installments, she could not avail of the benefits of Section 3.<sup>[40]</sup> What applied instead was Section 4, enabling a grace period of 60 days from the day the installment became due and further enabling the seller to cancel or rescind the contract through a notarial act, should the buyer still fail to pay within the grace period.<sup>[41]</sup> It found Filinvest to have sent Orbe a valid, notarized notice of cancellation thereby precluding any further relief.<sup>[42]</sup>

In its assailed July 3, 2013 Resolution,<sup>[43]</sup> the Court of Appeals denied Orbe's Motion for Reconsideration.

Hence, the present petition was filed.<sup>[44]</sup>

For resolution is the issue of whether or not petitioner Priscilla Zafra Orbe is entitled to a refund or to any other benefit under Republic Act No. 6552.

The Court of Appeals correctly held that petitioner was not entitled to benefits under Section 3 of Republic Act No. 6552 as she had failed to pay two (2) years' worth of installments pursuant to the terms of her original agreement with respondent. It also correctly held that with the shortage in petitioner's payment, what applies is Section 4, instead of Section 3. This means that respondent could cancel the contract since petitioner failed to pay within the 60-day grace period.

The Court of Appeals, however, failed to realize that the notice of cancellation made by respondent was an invalid notarial act. Failing to satisfy all of Section 4's requisites for a valid cancellation, respondent's cancellation was ineffectual. The contract between petitioner and respondent should then be deemed valid and subsisting.<sup>[45]</sup> Considering however, that respondent has since sold the lot to another person, an equitable ruling is proper. Therefore, this Court rules in a manner consistent with how it resolved *Olympia Housing v. Panasiatic Travel*,<sup>[46]</sup> *Pagtalunan v. Vda. de Manzano*,<sup>[47]</sup> *Active Realty and Development v. Daroya*,<sup>[48]</sup> *Associated Marine Officers and Seamen's Union of the Philippines PTGWO-ITF v. Decena*,<sup>[49]</sup> and *Gatchalian Realty v. Angeles*.<sup>[50]</sup>

## I

Republic Act No. 6552, the Realty Installment Buyer Act or more popularly referred to as the Maceda Law, named after its author, the late Sen. Ernesto Maceda, was adopted with the purpose of "protect[ing] buyers of real estate on installment payments against onerous and oppressive conditions."<sup>[51]</sup> It "delineat[es] the rights and remedies of . . . buyers and protect[s] them from one-sided and pernicious contract stipulations":<sup>[52]</sup>

Its declared public policy is to protect buyers of real estate on installment basis against onerous and oppressive conditions. The law seeks to address the acute housing shortage problem in our country that has prompted thousands of

middle and lower class buyers of houses, lots and condominium units to enter into all sorts of contracts with private housing developers involving installment schemes. Lot buyers, mostly low income earners eager to acquire a lot upon which to build their homes, readily affix their signatures on these contracts, without an opportunity to question the onerous provisions therein as the contract is offered to them on a "take it or leave it" basis. Most of these contracts of adhesion, drawn exclusively by the developers, entrap innocent buyers by requiring cash deposits for reservation agreements which often times include, in fine print, onerous default clauses where all the installment payments made will be forfeited upon failure to pay any installment due even if the buyers had made payments for several years. Real estate developers thus enjoy an unnecessary advantage over lot buyers who[m] they often exploit with iniquitous results. They get to forfeit all the installment payments of defaulting buyers and resell the same lot to another buyer with the same exigent conditions. To help especially the low income lot buyers, the legislature enacted R.A. No. 6552 delineating the rights and remedies of lot buyers and protect[ing] them from one-sided and pernicious contract stipulations.<sup>[53]</sup>

Having been adopted with the explicit objective of protecting buyers against what it recognizes to be disadvantageous and onerous conditions, the Maceda Law's provisions must be liberally construed in favor of buyers. Within the bounds of reason, fairness, and justice, doubts in its interpretation must be resolved in a manner that will afford buyers the fullest extent of its benefits.

## II

Sections 3 and 4 of the Maceda Law spell out the rights of defaulting buyers on installment payments, depending on the extent of payments made.

Section 3 governs situations in which a buyer "has paid at least two years of installments":

Section 3. In all transactions or contracts involving the sale or financing of real estate on installment payments, including residential condominium apartments but excluding industrial lots, commercial buildings and sales to tenants under Republic Act Numbered Thirty eight hundred forty-four, as amended by Republic Act Numbered Sixty-three hundred eighty-nine, where the buyer has paid at least two years of installments, the buyer is entitled to the following rights in case he defaults in the payment of succeeding installments:

- (a) To pay, without additional interest, the unpaid installments due within the total grace period earned by him, which is hereby fixed at the rate of one month grace period for every one year of installment payments made: *Provided*, That this right shall be exercised by the buyer only once in every five years of the life of the contract and its extensions, if any.
- (b) If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to fifty per cent of the total payments made and, after five years of installments, an additional five per cent every year but not to exceed ninety per cent of the total payments made: *Provided*, That the actual cancellation of the contract shall take place after thirty days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer.

Down payments, deposits or options on the contract shall be included in the computation of the total number of installment payments made.

Section 4 governs situations "where less than two years of installments were paid":

Section 4, In case where less than two years of installments were paid, the seller shall give the buyer a grace period of not less than sixty days from the date the installment became due. If the buyer fails to pay the installments due at the expiration of the grace period, the seller may cancel the contract after thirty days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act.

In both Sections 3 and 4, defaulting buyers are afforded grace periods in which they may pay the installments due. Should they fail to make payment within the applicable period, cancellation of their agreement with the seller may ensue.

## III

Contrary to petitioner's allegations, she did not pay "at least two years of installments" as to fall within the protection of Section 3.

In a sale by installment, a buyer defers full payment of the purchase price and ratably apportions payment across a period. It is typified by regular, fractional payments. It is these regular, fractional payments that are referred to as "installments."<sup>[54]</sup>

Thus, when Section 3 speaks of paying "at least two years of *installments*," it refers to the equivalent of the totality of payments diligently or consistently made throughout a period of two (2) years. Accordingly, where installments are to be paid on a monthly basis, paying "at least two years of installments" pertains to the aggregate value of 24 monthly installments. As explained in *Gatchalian Realty v. Angeles*:<sup>[55]</sup>

It should be noted that Section 3 of R.A. 6552 and paragraph six of Contract Nos. 2271 and 2272, speak of "two years of installments." *The basis for computation of the term refers to the installments that correspond to the number of months of payments*, and not to the number of months that the contract is in effect as well as any grace period that has been given. Both the law and the contracts thus *prevent any buyer who has not been diligent in paying his monthly installments from unduly claiming the rights provided in Section 3 of R.A. 6552*.<sup>[56]</sup> (Emphasis supplied)

The phrase "at least two years of installments" refers to value and time. It does not only refer to the period when the buyer has been making payments, with total disregard for the value that the buyer has actually conveyed.<sup>[57]</sup> It refers to the proportionate value of the installments made, as well as payments having been made for at least two (2) years.

Laws should never be so interpreted as to produce results that are absurd or unreasonable.<sup>[58]</sup> Sustaining petitioner's contention that she falls within Section 3's protection just because she has been paying for more than two (2) years goes beyond a justified, liberal construction of the Maceda Law. It facilitates arbitrariness, as intermittent payments of fluctuating amounts would become

permissible, so long as they stretch for two (2) years. Worse, it condones an absurdity. It sets a precedent that would endorse minimal, token payments that extend for two (2) years. A buyer could, then, literally pay loose change for two (2) years and still come under Section 3's protection.

Reckoning payment of "at least two years of installments" on the basis of the regular, fractional payments due from the buyer was demonstrated in *Marina Properties Corp. v. Court of Appeals*.<sup>[59]</sup> There, the monthly amortization of P67,024.22 was considered in determining the validity of the cancellation of the contract by the seller:

We likewise uphold the finding that MARINA's cancellation of the Contract To Buy and To Sell was clearly illegal. Prior to MARINA's unilateral act of rescission, H.L. CARLOS had already paid P1,810,330.70, or more than 50% of the contract price of P3,614,000.00. Moreover, the sum H.L. CARLOS had disbursed amounted to more than the total of 24 installments, i.e., two years' worth of installments computed at a monthly installment rate of P67,024.22, inclusive of the downpayment.<sup>[60]</sup>

In *Jestra Development and Management Corporation v. Pacifico*,<sup>[61]</sup> where down payment was itself payable in portions, this Court reckoned the monthly installment payment for the down payment amounting to P121,666.66, rather than the monthly amortization. This Court justified this by referencing Section 3's injunction that "[d]own payments, deposits or options on the contract shall be included in the computation of the total number of installment payments made":

The total purchase price of the property is P2,500,000. As provided in the Reservation Application, the 30% down payment on the purchase price or P750,000 was to be paid in six monthly installments of P121,666.66. Under the Contract to Sell, the 70% balance of P1,750,000.00 on the purchase price was to be paid in 10 years through monthly installments of P34,983, which was later increased to P39,468 in accordance with the agreement to restructure the same.

While, under the above-quoted Section 3 of R.A. No. 6552, the down payment is included in computing the total number of installment payments made, the proper divisor is neither P34,983 nor P39,468, but P121,666.66, the monthly installment on the down payment.

The P750,000 down payment was to be paid in six monthly installments. If the down payment of P750,000 is to be deducted from the total payment of P846,600, the remainder is only P96,600. Since respondent was able to pay the down payment in full eleven (11) months after the last monthly installment was due, and the sum of P76,600 representing penalty for delay of payment is deducted from the remaining P96,600, only a balance of P20,000 remains.

As respondent failed to pay at least two years of installments, he is not, under above-quoted Section 3 of R.A. No. 6552, entitled to a refund of the cash surrender value of his payments.<sup>[62]</sup>

*Jestra* was wrong to use the installment payments on the down payment as divisor. It is an error to reckon the payment of two (2) years' worth of installments on the apportionment of the down payment because, even in cases where the down payment is broken down into smaller, more affordable portions, payments for it still do not embody the ratable apportionment of the contract price throughout the *entire* duration of the contract term. Rather than the partial payments for the down payment, it is the partition of the contract price into monthly amortizations that manifests the ratable apportionment across a complete contract term that is the essence of sales on installment. The correct standard is that which was used in *Marina*, not in *Jestra*.

*Marina* also correctly demonstrated how Section 3's injunction that "[d]own payments, deposits or options on the contract shall be included in the computation of the total number of installment payments made" should operate. In *Marina*, the total amount of P1,810,330.70 paid by the buyer was inclusive of payments for down payment worth P1,034,200.00 and cash deposit worth P50,000.00. In concluding that the buyer in *Marina* had paid more than two (2) years' or 24 months' worth of installments, what this Court considered was the total amount of P1,810,330.70 and not merely the payments on amortizations.

Following *Marina*, this Court reckons petitioner's satisfaction of the requisite two (2) years' or 24 months' worth of installments using as divisor the monthly amortizations due from petitioner. However, this Court notes that the monthly amortizations due from petitioner were stipulated to escalate on a yearly basis. In keeping with the need to construe the Maceda Law in a manner favorable to the buyer, this Court uses as basis the monthly amortizations set for the first year, i.e., P27,936.84. With this as the divisor, it shall appear that petitioner has only paid 21.786 months' worth of installments. This falls short of the requisite two (2) years' or 24 months' worth of installments.

#### IV

Failing to satisfy Section 3's threshold, petitioner's case is governed by Section 4 of the Maceda Law.

Thus, she was "entitled to a grace period of not less than sixty (60) days from the due date within which to make [her] installment payment. [Respondent], on the other hand, ha[d] the right to cancel the contract after thirty (30) days from receipt by [petitioner] of the notice of cancellation."<sup>[63]</sup>

For cancellations under Section 4 to be valid, three (3) requisites must concur. First, the buyer must have been given a 60-day grace period but failed to utilize it. Second, the seller must have sent a notice of cancellation or demand for rescission by notarial act. And third, the cancellation shall take effect only after 30 days of the buyer's receipt of the notice of cancellation:

Essentially, the said provision provides for three (3) requisites before the seller may actually cancel the subject contract: **first**, the seller shall give the buyer a **60-day grace period** to be reckoned from the date the installment became due; **second**, the seller must give the buyer a **notice of cancellation/demand for rescission by notarial act** if the buyer fails to pay the installments due at the expiration of the said grace period; and **third**, the seller may actually cancel the contract only after thirty (30) days from the buyer's receipt of the said notice of cancellation/demand for rescission by notarial act.<sup>[64]</sup> (Emphasis in the original)

Respondent's October 4, 2004 notice indicates that petitioner failed to utilize the 60-day grace period. It also indicates that cancellation was to take effect "thirty (30) days from [its] receipt":