

SECOND DIVISION

[G.R. No. 199990, February 04, 2015]

**SPOUSES ROLANDO AND HERMINIA SALVADOR, PETITIONERS,
VS. SPOUSES ROGELIO AND ELIZABETH RABAJA AND ROSARIO
GONZALES, RESPONDENTS.**

DECISION

MENDOZA, J.:

This is a petition for review on *certiorari* seeking to reverse and set aside the August 22, 2011 Decision^[1] and the January 5, 2012 Resolution^[2] of the Court of Appeals (CA) in CA-G.R. CV No. 90296 which affirmed with modification the March 29, 2007 Decision of the Regional Trial Court Branch 214 (*RTC-Branch 214*), Mandaluyong City in Civil Case No. MC-03-2175, for rescission of a contract (*rescission case*).

The Facts

This case stemmed from a dispute involving the sellers, petitioner spouses Rolando and Herminia Salvador (*Spouses Salvador*); the sellers' agent, Rosario Gonzales (*Gonzales*); and the buyers, respondent Spouses Rogelio and Elizabeth Rabaja (*Spouses Rabaja*), over a parcel of land situated at No. 25, Merryland Village, 375 Jose Rizal Street, Mandaluyong City (*subject property*), covered by Transfer Certificate of Title (*TCT*) No. 13426 and registered in the names of Spouses Salvador. From 1994 until 2002, Spouses Rabaja were leasing an apartment in the subject lot.

Sometime in July 1998, Spouses Rabaja learned that Spouses Salvador were looking for a buyer of the subject property. Petitioner Herminia Salvador (*Herminia*) personally introduced Gonzales to them as the administrator of the said property. Spouses Salvador even handed to Gonzales the owner's duplicate certificate of title over the subject property. On July, 3, 1998, Spouses Rabaja made an initial payment of P48,000.00 to Gonzales in the presence of Herminia. Gonzales then presented the Special Power of Attorney^[3] (*SPA*), executed by Rolando Salvador (*Rolando*) and dated July 24, 1998. On the same day, the parties executed the Contract to Sell^[4] which stipulated that for a consideration of P5,000,000.00, Spouses Salvador sold, transferred and conveyed in favor of Spouses Rabaja the subject property. Spouses Rabaja made several payments totalling P950,000.00, which were received by Gonzales pursuant to the SPA provided earlier as evidenced by the check vouchers signed by Gonzales and the improvised receipts signed by Herminia.

Sometime in June 1999, however, Spouses Salvador complained to Spouses Rabaja that they did not receive any payment from Gonzales. This prompted Spouses Rabaja to suspend further payment of the purchase price; and as a consequence, they received a notice to vacate the subject property from Spouses Salvador for

non-payment of rentals.

Thereafter, Spouses Salvador instituted an action for ejectment against Spouses Rabaja. In turn, Spouses Rabaja filed an action for rescission of contract against Spouses Salvador and Gonzales, the subject matter of the present petition.

In the action for ejectment, the complaint was filed before the Metropolitan Trial Court of Mandaluyong City, Branch 60 (*MeTC*), where it was docketed as Civil Case No. 17344. In its August 14, 2002 Decision,^[5] the MeTC ruled in favor of Spouses Salvador finding that valid grounds existed for the eviction of Spouses Rabaja from the subject property and ordering them to pay back rentals. Spouses Salvador were able to garnish the amount of P593,400.00^[6] from Spouses Rabaja's time deposit account pursuant to a writ of execution issued by the MeTC.^[7] Spouses Rabaja appealed to the Regional Trial Court, Branch 212, Mandaluyong City (*RTC-Br. 212*) which reversed the MeTC ruling in its March 1, 2005 decision.^[8] The RTC-Br. 212 found that no lease agreement existed between the parties. Thereafter, Spouses Salvador filed an appeal with the CA which was docketed as **CA-G.R. SP No. 89259**. On March 31, 2006, the CA ruled in favor of Spouses Salvador and *reinstated* the MeTC ruling ejecting Spouses Rabaja.^[9] Not having been appealed, the CA decision in CA-G.R. SP No. 89259 became final and executory on May 12, 2006.^[10]

Meanwhile, the rescission case filed by Spouses Rabaja against Spouses Salvador and Gonzales and docketed as Civil Case No. MC No. 03-2175 was also raffled to RTC-Br. 212. In their complaint,^[11] dated July 7, 2003, Spouses Rabaja demanded the rescission of the contract to sell praying that the amount of P950,000.00 they previously paid to Spouses Salvador be returned to them. They likewise prayed that damages be awarded due to the contractual breach committed by Spouses Salvador.

Spouses Salvador filed their answer with counterclaim and cross-claim^[12] contending that there was no meeting of the minds between the parties and that the SPA in favor of Gonzales was falsified. In fact, they filed a case for falsification against Gonzales, but it was dismissed because the original of the alleged falsified SPA could not be produced. They further averred that they did not receive any payment from Spouses Rabaja through Gonzales. In her defense, Gonzales filed her answer^[13] stating that the SPA was not falsified and that the payments of Spouses Rabaja amounting to P950,000.00 were all handed over to Spouses Salvador.

The pre-trial conference began but attempts to amicably settle the case were unsuccessful. It was formally reset to February 4, 2005, but Spouses Salvador and their counsel failed to attend. Consequently, the RTC issued the pre-trial order^[14] declaring Spouses Salvador in default and allowing Spouses Rabaja to present their evidence *ex parte* against Spouses Salvador and Gonzales to present evidence in her favor.

A motion for reconsideration,^[15] dated March 28, 2005, was filed by Spouses Salvador on the said pre-trial order beseeching the liberality of the court. The rescission case was then re-raffled to RTC-Br. 214 after the Presiding Judge of RTC-Br. 212 inhibited herself. In the Order,^[16] dated October 24, 2005, the RTC-Br. 214

denied the motion for reconsideration because Spouses Salvador provided a flimsy excuse for their non-appearance in the pre-trial conference.

Thereafter, trial proceeded and Spouses Rabaja and Gonzales presented their respective testimonial and documentary evidence.

RTC Ruling

On March 29, 2007, the RTC-Br. 214 rendered a decision^[17] in favor of Spouses Rabaja. It held that the signature of Spouses Salvador affixed in the contract to sell appeared to be authentic. It also held that the contract, although denominated as "contract to sell," was actually a contract of sale because Spouses Salvador, as vendors, did not reserve their title to the property until the vendees had fully paid the purchase price. Since the contract entered into was a reciprocal contract, it could be validly rescinded by Spouses Rabaja, and in the process, they could recover the amount of P950,000.00 jointly and severally from Spouses Salvador and Gonzales. The RTC stated that Gonzales was undoubtedly the attorney-in-fact of Spouses Salvador absent any taint of irregularity. Spouses Rabaja could not be faulted in dealing with Gonzales who was duly equipped with the SPA from Spouses Salvador.

The RTC-Br. 214 then ruled that the amount of P593,400.00 garnished from the time deposit account of Spouses Rabaja, representing the award of rental arrearages in the separate ejectment suit, should be returned by Spouses Salvador.^[18] The court viewed that such amount was part of the purchase price of the subject property which must be returned. It also awarded moral and exemplary damages in favor of Spouses Rabaja and attorney's fees in favor of Gonzales. The dispositive portion of the said decision reads:

WHEREFORE, this court renders judgment as follows:

- a. Ordering the "Contract to Sell" entered into by the plaintiff and defendant spouses Rolando and Herminia Salvador on July 24, 1998 as RESCINDED;
- b. Ordering defendant spouses Rolando and Herminia Salvador and defendant Rosario S. Gonzales jointly and severally liable to pay plaintiffs:
 1. the amount of NINE HUNDRED FIFTY THOUSAND PESOS (P950,000.00), representing the payments made by the latter for the purchase of subject property;
 2. the amount of TWENTY THOUSAND PESOS (P20,000.00), as moral damages;
 3. the amount of TWENTY THOUSAND PESOS (P20,000.00), as exemplary damages;
 4. the amount of ONE HUNDRED THOUSAND PESOS (P100,000.00), as attorney's fees;

5. the cost of suit.

- c. Ordering defendant Spouses Rolando and Herminia Salvador to pay plaintiffs the amount of FIVE HUNDRED NINETY THREE THOUSAND PESOS (P593,000.00) (sic), representing the amount garnished from the Metrobank deposit of plaintiffs as payment for their alleged back rentals;
- d. Ordering the defendant Spouses Rolando and Herminia Salvador to pay defendant Rosario Gonzales on her cross-claim in the amount of ONE HUNDRED THOUSAND PESOS (P100,000.00);
- e. Dismissing the counterclaims of the defendants against the plaintiff.

SO ORDERED.^[19]

Gonzales filed a motion for partial reconsideration, but it was denied by the RTC-Br. 114 in its Order,^[20] dated September 12, 2007. Undaunted, Spouses Salvador and Gonzales filed an appeal before the CA.

CA Ruling

On March 29, 2007, the CA affirmed the decision of the RTC-Br. 114 with modifications. It ruled that the "contract to sell" was indeed a contract of sale and that Gonzales was armed with an SPA and was, in fact, introduced to Spouses Rabaja by Spouses Salvador as the administrator of the property. Spouses Rabaja could not be blamed if they had transacted with Gonzales.

The CA then held that Spouses Salvador should return the amount of P593,400.00 pursuant to a separate ejectment case, reasoning that Spouses Salvador misled the court because an examination of **CA-G.R. SP No. 89260** showed that Spouses Rabaja were not involved in that case. CA-G.R. SP No. 59260 was an action between Spouses Salvador and Gonzales only and involved a completely different residential apartment located at 302-C Jupiter Street, Dreamland Subdivision, Mandaluyong City.

The CA, however, ruled that Gonzales was not solidarily liable with Spouses Salvador. The agent must expressly bind himself or exceed the limit of his authority in order to be solidarily liable. It was not shown that Gonzales as agent of Spouses Salvador exceeded her authority or expressly bound herself to be solidarily liable. The decretal portion of the CA decision reads:

WHEREFORE, the appeal is PARTLY GRANTED. The assailed Decision dated March 29, 2007 and the Order dated September 12, 2007, of the Regional Trial Court, Branch 214, Mandaluyong City, in Civil Case No. MC-03-2175, are AFFIRMED with MODIFICATION in that Rosario Gonzalez is not jointly and severally liable to pay Spouses Rabaja the amounts enumerated in paragraph (b) of the Decision dated March 29, 2007.

SO ORDERED.^[21]

Spouses Salvador filed a motion for reconsideration but it was denied by the CA in its January 5, 2012 Resolution.

Hence, this petition.

ASSIGNMENT OF ERRORS

I

THE COURT OF APPEALS ERRED IN NOT FINDING THAT THE LOWER COURT GRAVELY ABUSED ITS DISCRETION IN DECLARING PETITIONERS IN DEFAULT AND IN DEPRIVING THEM OF THE OPPORTUNITY TO CROSS-EXAMINE RESPONDENTS SPS. RABAJA AS WELL AS TO PRESENT EVIDENCE FOR AND IN THEIR BEHALF, GIVEN THE MERITORIOUS DEFENSES RAISED IN THEIR ANSWER THAT CATEGORICALLY AND DIRECTLY DISPUTE RESPONDENTS SPS. RABAJA'S CAUSE OF ACTION.

II

THE COURT OF APPEALS ERRED IN NOT FINDING THAT THE TRIAL COURT GRAVELY ERRED IN GIVING CREDENCE TO THE TESTIMONY OF RESPONDENT GONZALES THAT PAYMENTS WERE INDEED REMITTED TO AND RECEIVED BY PETITIONER HERMINIA SALVADOR EVEN AS THE IMPROVISED RECEIPTS WERE EVIDENTLY MADE UP AND FALSIFIED BY RESPONDENT GONZALES.

III

THE COURT OF APPEALS ERRED IN NOT FINDING THAT THE TRIAL COURT GRAVELY ERRED IN RESCINDING THE CONTRACT TO SELL WHEN THERE IS NOTHING TO RESCIND AS NO VALID CONTRACT TO SELL WAS ENTERED INTO, AND IN DIRECTING THE REFUND OF THE AMOUNT OF P950,000.00 WHEN THE EVIDENCE CLEARLY SHOWS THAT SAID AMOUNT WAS PAID TO AND RECEIVED BY RESPONDENT GONZALES ALONE WHO MISAPPROPRIATED THE SAME.

IV

THE COURT OF APPEALS ERRED IN AFFIRMING THE TRIAL COURT'S DECISION FOR PETITIONERS TO RETURN THE AMOUNT OF P543,400.00 REPRESENTING RENTALS IN ARREARS GARNISHED OR WITHDRAWN BY VIRTUE OF A WRIT OF EXECUTION ISSUED IN AN EJECTMENT CASE WHICH WAS TRIED AND DECIDED BY ANOTHER COURT.

V

THE COURT OF APPEALS ERRED IN NOT FINDING THAT THE LOWER COURT GRAVELY ERRED IN AWARDING DAMAGES TO