

SECOND DIVISION

[G.R. No. 205113, August 26, 2015]

HONORLITA ASCANO-CUPINO AND FLAVIANA ASCANO-COLOCADO, PETITIONERS, VS. PACIFIC REHOUSE CORPORATION, RESPONDENT.

DECISION

CARPIO, J.:

The Case

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking to reverse the Decision^[1] dated 17 July 2012 and Resolution^[2] dated 8 January 2013 of the Court of Appeals (CA) in CA-G.R. CV No. 90568. The CA reversed and set aside the Decision^[3] dated 15 April 2005 of the Regional Trial Court (RTC) of Trece Martires City, Cavite, Branch 23, in Civil Case No. TM-936.

The Facts

On 1 October 1994, Honorlita Ascano-Cupino^[4] and Flaviana Ascano-Colocado (petitioners), and their sister, Noeminia Ascano, (collectively, the Ascanos)^[5] entered into a Deed of Conditional Sale with Pacific Rehouse Corporation (Pacific). The latter obliged itself to purchase from the Ascanos a parcel of land with an area of 59,753 square meters located in General Trias, Cavite for P5,975,300.

Following the terms of the Deed of Conditional Sale, Pacific paid a down payment of P1,792,590 leaving a balance of P4,182,710, to be paid upon the fulfillment of certain conditions, namely: (1) the completion of all documents necessary for the transfer of the certificate of title of the land; (2) the vendors (the Ascanos) shall guarantee removal of the tenants, squatters and other occupants on the land, with the disturbance compensation to said tenants to be paid by vendors; and (3) submission by vendors to Pacific of the Affidavit of Non-Tenancy and the land operation transfer documents.^[6]

In November 1994, petitioners asked for an additional P600,000 to be deducted from the purchase price, which Pacific paid.^[7]

In 1995, petitioners asked for another P1,000,000, again deductible from the purchase price, purportedly to be used to fulfill the conditions in the Deed of Conditional Sale. Pacific paid the amount.^[8]

On 13 February 1995, petitioners submitted to Pacific a Barangay Agrarian Reform Council Certification stating that the property was untenanted. They also informed Pacific that the other necessary documents were being processed and more

expected to be completed the following month.^[9]

The following month, however, petitioners failed to submit the necessary documents despite several demands from Pacific to do so. Instead, they informed Pacific that they wanted to rescind the contract and refused to accept Pacific's tender of additional payments amounting to P1,005,180.^[10]

In the latter part of March 1995, Pacific, through Melecio P. Fortuno, Jr. (Fortuno), opened a savings account with the Capitol Bank of General Trias, Cavite, in the names of petitioners, depositing in said account the amount of P1,005,180.^[11] Pacific then informed petitioners of the deposit and that "they were authorized to withdraw the same at [their] convenience."^[12]

Thereafter, Pacific learned that petitioners were negotiating the sale of the property with other buyers allegedly for a higher consideration. In September 1995, Pacific effected an annotation of an adverse claim on the property's title.^[13]

Pacific made several demands on petitioners to fulfill their obligations under the Deed of Conditional Sale. Instead of heeding the demands, petitioners, through a certain Atty. Fojas, began negotiating with Pacific for the rescission of the Deed of Conditional Sale.^[14]

On 11 February 1999, Pacific made another demand on petitioners to fulfill all their obligations under the Deed of Conditional Sale or to return all payments it had already made plus legal interest. Petitioners continued to ignore the demand.^[15]

On 2 September 1999, Pacific filed a Complaint for Cancellation of Contract, Sum of Money and Damages before the RTC of Trece Martires City. However, before pre-trial, Pacific discovered that petitioners had withdrawn the P1,005,180 it had deposited with Capitol Bank of General Trias.^[16]

In view of petitioners' action, Pacific filed an Amended Complaint^[17] changing its cause of action from cancellation to specific performance.

On the other hand, petitioners alleged that it was Pacific that defaulted in its payment. They maintained that the real purchase price they agreed upon was P200 per square meter, or a total of P11,950,600, and that allegedly the much lower amount stated in the Deed of Conditional Sale was put there at Pacific's request in order to lower the taxes they would need to pay.^[18]

Petitioners further alleged that in October 2004, the parties had executed an Addendum to Deed of Conditional Sale,^[19] with item "2" of the original deed amended to read as follows:

That full payment of the balance of P4,182,710.00 shall be paid in full to the Vendors by the Vendees within six (6) months from the date of the Deed of Conditional Sale, otherwise, in case of default, the sale shall automatically be cancelled and all monies received by the Vendors shall be refunded to the Vendee, minus the amount of P792,590.00 taken by

the representative of the Vendee for payment of disturbance compensation to tenants.

Petitioners insisted that the Addendum clearly stated that Pacific undertook the obligation to pay the tenants' disturbance compensation with the P792,590 taken by Fortuno as Pacific's authorized representative. However, petitioners averred that the amount was never paid to the tenants, who remained in the subject property, in violation of the conditions set in the deed.^[20]

Pacific, however, refused to acknowledge the Addendum because the same was allegedly not signed by its authorized representative, Dee Hua T. Gatchalian, who was the signatory in the original Deed of Conditional Sale. Pacific also denied that the price they agreed upon was P11,950,600.^[21]

The Decision of the RTC

On 15 April 2005, the RTC promulgated its decision, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered cancelling the contract and the addendum to it entered into by the plaintiff and defendants dated October 1, 1994 and ordering defendants Honorlita Ascaño, Noeminia Ascaño and Flaviana Ascaño to return the amount of Two Million Six Hundred Two Thousand (P2,602,000.00) Pesos to the plaintiff; while Plaintiff is hereby ordered to pay defendants who incurred the following in defending their rights:

1. The amount of One Hundred Fifty Thousand (P150,000.00) Pesos as damages;
2. The amount of One Hundred Thousand (P100,000.00) Pesos as attorney's fees; and
3. The litigation expenses.

SO ORDERED.^[22]

The RTC held:

In this case, parties admitted that there was a Deed of Conditional Sale and an addendum to it executed by the parties. That based on this contract, plaintiff paid defendant the amount of One Million Seven Hundred Ninety Two Thousand Five Hundred Ninety (PI ,792,590.00) [Pesos] (Exh. "K"), Six Hundred Thousand (P600,000.00) Pesos (Exh. "M"), One Million (PI,000,000.00) Pesos (Exh[.] "Q") and Five Hundred Five Thousand One Hundred Eighty (P505,[180].00) Pesos (Exh. "Q") and those payments were all received by defendants, that when Plaintiff deposited the balance of One Million (P1,000,000.00) pesos as full

payment for the property, defendants refused to withdraw it from the bank until plaintiff for failure of the defendants] to withdraw their tender of payment, withdraw the amount deposited.

Defendants in their defense alleged that they refused to withdraw the amount as full payment since plaintiff failed to pay their tenants and the latter were still occupying their property. With respect to this, plaintiff alleged that it is the duty of the party defendants to pay their tenants as per their agreement but defendants countered that as per their addendum, which was incorporated in their Contract to Sell, a part of what they received from the plaintiff was given to Mr. Melecio Fortuno to pay the tenants amounting to Seven Hundred Ninety Two Thousand (P792,000.00) Pesos; that with respect to the claims of the defendants], plaintiff denied that Mr. Melecio Fortuno (now deceased) is not their (sic) authorized agent to transact in behalf of the plaintiff.

With respect to this, the Court can very well see that this claim of the plaintiff cannot be given merit. Plaintiff cannot deny that in their letter addressed to Honorlita and Flaviano (sic) Ascaio (Exhibit "G"), the signature of Melecio Fortuno appeared as authorized representative of the plaintiff and this cannot be denied by plaintiff. The fact that it was this person who received the amount of P792,000.00 as payment for the tenant shov/s that defendants cannot be faulted when they refused to accept the full payment for their property considering that the tenants are still occupying defendants' land despite the latter giving the amount to be paid to the tenant.

However, plaintiff in his (sic) complaint prays for the rescission or cancellation of contract and to this allegation, the Court has no recourse but to grant this prayer since parties are no longer willing to proceed with their contract and in rescission, the parties are duty bound to return what they received. With respect to damages, expenses and attorney's fees alleged by the parties, the Court from the pieces of evidence submitted so maintains that plaintiff is not entitled since defendants] [are] not at fault.^[23]

Pacific filed a motion for reconsideration of the RTC's decision. However, the motion was denied in an Order²⁴ dated 9 May 2006, prompting it to file an appeal before the CA.²⁵

The Decision of the CA

In the assailed decision dated 17 July 2012, the CA granted the appeal, thus:

WHEREFORE, premises considered, the instant Appeal is GRANTED. The appealed Decision dated 15 April 2005 is hereby REVERSED and SET ASIDE. Accordingly, this Court ORDERS:

(1) the plaintiff-appellant to pay the defendants-appellees the amount of One Million Five Hundred Seventy Seven Thousand Five Hundred Thirty

Pesos (P1,577,530.00), upon the execution by the defendants-appellees of the Deed of Absolute Sale in favor of the plaintiff-appellant and delivery to the latter all documents necessary for the transfer of the title to the subject property; and

(2) the defendants-appellees shall, at their expense, commence the necessary proceedings for the eviction of the tenants and/or informal settlers in the property until the same is cleared of the same.

No pronouncement as to costs.

SO ORDERED.^[26]

The CA held that "the trial court erred in deciding the case on the basis of the original complaint." The CA noted that Pacific amended its complaint from cancellation of contract to specific performance, which was done with leave of and allowed by the RTC.^[27]

The CA also held that rescission was not warranted in this case. It ruled that petitioners "were clearly the ones who failed in their obligation under the contract."^[28] Pacific then is the *injured party* entitled to choose between rescission of the contract and fulfillment of the obligation. Pacific chose the latter, as stated in their Amended Complaint for specific performance.^[29]

Lastly, the CA found that it was proven and undisputed that a total of P4,497,770 had already been paid by Pacific leaving only a balance of P4,577,530.

Petitioners filed a motion for reconsideration, which was denied in a Resolution dated 8 January 2013.^[30]

Petition for Review with Prayer for TRO

Petitioners filed the present petition for review asking the Court to reverse the decision of the CA and reinstate the decision of the RTC with the deletion of the order to return the payments received.^[31]

Petitioners also prayed for the issuance of a temporary restraining order (TRO) arguing that Pacific was likely to move for a writ of execution once the CA issues an entry of judgment, causing them grave and irreparable damage.

In its Resolution dated 4 March 2013, the Court granted the request for TRO upon payment of a cash or surety bond in the amount of P4.4 million.^[32] However, petitioners later withdrew their application for TRO 'ecause they could no longer afford to pay or secure a surety bond.^[33]

Petitioners' Arguments

Petitioners aver that the CA erred in ordering specific performance instead of rescission, arguing that the cancellation of the Deed of Conditional Sale was justified