

## SECOND DIVISION

[ G.R. No. 204160, September 22, 2014 ]

**SPOUSES MICHELLE M. NOYNAY AND NOEL S. NOYNAY,  
PETITIONERS, VS. CITIHOMES BUILDER AND DEVELOPMENT,  
INC., RESPONDENT.**

### D E C I S I O N

**MENDOZA, J.:**

In this petition for review on *certiorari*<sup>[1]</sup> under Rule 45 of the Rules of Court, Spouses Noel and Michelle Noynay (*Spouses Noynay*) assail the July 16, 2012 Decision<sup>[2]</sup> of the Court of Appeals (CA) and October 15, 2012 Resolution,<sup>[3]</sup> which *affirmed with modification* the September 17, 2010 Decision<sup>[4]</sup> of the Regional Trial Court, Branch 21, Malolos, Bulacan (*RTC*). Earlier, the RTC reversed the March 26, 2010 Decision<sup>[5]</sup> of the Municipal Trial Court for Cities, San Jose Del Monte, Bulacan (*MTCC*), which dismissed the complaint<sup>[6]</sup> for unlawful detainer filed by Citihomes Builder and Development, Inc. (*Citihomes*) against Spouses Noynay for lack of cause of action.

#### ***The Facts:***

On December 29, 2004, Citihomes and Spouses Noynay executed a contract to sell<sup>[7]</sup> covering the sale of a house and lot located in San Jose Del Monte, Bulacan, and covered by Transfer Certificate of Title (*TCT*) No. T-43469. Under the terms of the contract, the price of the property was fixed at P915,895.00, with a downpayment of P183,179.00, and the remaining balance to be paid in 120 equal monthly installments with an annual interest rate of 21% commencing on February 8, 2005 and every 8th day of the month thereafter.

Subsequently, on May 12, 2005, Citihomes executed the Deed of Assignment of Claims and Accounts<sup>[8]</sup> (*Assignment*) in favor of United Coconut Planters Bank (*UCPB*) on May 12, 2005. Under the said agreement, UCPB purchased from Citihomes various accounts, including the account of Spouses Noynay, for a consideration of P100,000,000.00. In turn, Citihomes assigned its rights, titles, interests, and participation in various contracts to sell with its buyers to UCPB.

In February of 2007, Spouses Noynay allegedly started to default in their payments. Months later, Citihomes decided to declare Spouses Noynay delinquent and to cancel the contract considering that nine months of agreed amortizations were left unpaid. On December 8, 2007, the notarized Notice of Delinquency and Cancellation of the Contract To Sell,<sup>[9]</sup> dated November 21, 2007, was received by Spouses Noynay. They were given 30 days within which to pay the arrears and failure to do so would authorize Citihomes to consider the contract as cancelled.

On June 15, 2009, Citihomes sent its final demand letter asking Spouses Noynay to vacate the premises due to their continued failure to pay the arrears. Spouses Noynay did not heed the demand, forcing Citihomes to file the complaint for unlawful detainer before the MTCC on July 29, 2009.

In the said complaint, Citihomes alleged that as per Statement of Account as of March 18, 2009, Spouses Noynay had a total arrears in the amount of P272,477.00, inclusive of penalties. Thus, Citihomes prayed that Spouses Noynay be ordered to vacate the subject property and pay the amount of P8,715.97 a month as a reasonable compensation for the use and occupancy to commence from January 8, 2007 until Spouses Noynay vacate the same.

In its March 26, 2010 Decision,<sup>[10]</sup> the MTCC dismissed the complaint. It considered the annotation in the certificate of title, which was dated prior to the filing of the complaint, which showed that Citihomes had executed the Assignment favor of UCPB, as having the legal effect of divesting Citihomes of its interest and right over the subject property. As far as the MTCC was concerned, Citihomes did not have a cause of action against Spouses Noynay.

The RTC, however, *reversed* the ruling of the MTCC. In its September 17, 2010 Decision,<sup>[11]</sup> the RTC stated that the MTCC erred in interpreting the deed of assignment as having the effect of relinquishing all of Citihomes' rights over the subject property. The RTC explained that the assignment was limited only to the installment accounts receivables due from Spouses Noynay and did not include the transfer of title or ownership over the property. It pointed out that Citihomes remained as the registered owner of the subject property, and so it had the right to ask for the eviction of Spouses Noynay. As to the issue of who had the better right of possession, the RTC ordered that the records be remanded to the MTCC for the proper determination.

Spouses Noynay then went to the CA. On July 16, 2012, the CA *affirmed* the conclusion of the RTC that Citihomes still had the right and interest over the property in its capacity as the registered owner. Moreover, the issue on who, between the parties had a better possessory right over the property, was resolved in favor of Citihomes.

In disposing the issue of possession, the CA primarily recognized the relevance of Republic Act (R.A.) No. 6552, otherwise known as the Realty Installment Buyer Act (*Maceda Law*), in determining the limits of the right to possess of Spouses Noynay in their capacity as defaulting buyers in a realty installment scheme. Under the said law, the cancellation of a contract would only follow if the requirements set forth therein had been complied with, particularly the giving of a "notice of delinquency and cancellation of the contract" to the defaulting party and, in some cases, the payment to the buyer of the cash surrender value if at least two years of installments had been paid. The CA noted that Spouses Noynay failed to complete the minimum two (2) years of installment, despite the allegation that three (3) years of amortizations had already been paid. As an effect, the CA pronounced that the termination of the contract was validly effected by the expiration of the 30-day period from the time the notice of cancellation was received by Spouses Noynay. From that moment, the CA treated Spouses Noynay to have lost the right to possess the property. In addition, the CA made Spouses Noynay liable for the payment of

monthly rentals from the time their possession became illegal.

Spouses Noynay moved for reconsideration, but the CA denied their motion.

Hence, this petition.

### **ISSUE**

The lone issue presented for resolution is whether Citihomes has a cause of action for ejectment against Spouses Noynay. In effect, Spouses Noynay would have this Court determine whether Citihomes may rightfully evict them.

#### *Position of Spouses Noynay*

Spouses Noynay insist that by virtue of the assignment of rights which Citihomes executed in favor of UCPB, Citihomes did not have a cause of action against them because it no longer had an interest over the subject property. Contrary to the findings of the CA, the monthly installments amounting to three years were already paid, by reason of which, Section 3(b) of the Maceda Law should apply. This means that for the cancellation to be effective, the cash surrender value should have been paid first to them by Citihomes; and that because no payment was made, it follows that no valid cancellation could also be effected. This allegedly strengthened their right to the possession of the property even to this day.

#### *Position of Citihomes*

Citihomes counters that it has the right to ask for the eviction of the petitioners in its capacity as the registered owner despite the assignment of rights it made to UCPB. It believes that because Spouses Noynay failed to pay at least two (2) years of installments, the cancellation became effective upon the expiration of the 30-day period following the receipt of the notice of delinquency and cancellation notice and without the need for the payment of the cash surrender value under Section 3(b) of the Maceda Law.

### **Ruling of the Court**

Cause of action has been defined as an act or omission by which a party violates a right of another.<sup>[12]</sup> It requires the existence of a legal right on the part of the plaintiff, a correlative obligation of the defendant to respect such right, and an act or omission of such defendant in violation of the plaintiff's rights.<sup>[13]</sup> A complaint should not be dismissed for insufficiency of cause of action if it appears clearly from the complaint and its attachments that the plaintiff is entitled to relief. <sup>[14]</sup> The complaint, however, may be dismissed for lack of cause of action *later* after questions of fact have been resolved on the basis of stipulations, admissions or evidence presented.<sup>[15]</sup>

Relative thereto, a plaintiff in an unlawful detainer case which seeks recovery of the property must prove one's legal right to evict the defendant, a correlative obligation on the part of such defendant to respect the plaintiff's right to evict, and the defendant's act or omission in the form of refusal to vacate upon demand when his possession ultimately becomes illegal.

At first glance, the main thrust of the discussion in the lower courts is the issue on whether Citihomes had such right to evict Spouses Noynay. At its core is the ruling of the MTCC that the right to demand the eviction of Spouses Noynay was already transferred to UCPB from the moment the Assignment was executed by Citihomes, which was done prior to the institution of the unlawful detainer case. Thus, based on the evidence presented during the trial, the MTCC held that Citihomes did not have a cause of action against Spouses Noynay. The RTC held otherwise justifying that Citihomes may still be the right party to evict Spouses Noynay in its capacity as the registered owner of the property. The CA affirmed the RTC on this point.

The Court, however, agrees with the MTCC.

The determination of whether Citihomes has a right to ask for the eviction of Spouses Noynay entirely depends on the review of the Assignment of Claims and Accounts it executed in favor of UCPB. If it turns out that what was assigned merely covered the collectible amounts or receivables due from Spouses Noynay, Citihomes would necessarily have the right to demand the latter's eviction as only an aspect of the contract to sell passed on to UCPB. Simply put, because an assignment covered only credit dues, the relation between Citihomes as the seller and Spouses Noynay as the buyer under their Contract to Sell remained. If on the other hand, it appears that the assignment covered all of Citihomes' rights, obligations and benefits in favor of UCPB, the conclusion would certainly be different.

Under the provisions of the Assignment, it was stipulated that:

NOW, THEREFORE, for and in consideration of the foregoing premises, the ASSIGNOR hereby agrees as follows:

1. The ASSIGNOR hereby assigns, transfers and sets over unto the ASSIGNEE **all its rights, titles and interest in and to, excluding its obligations under the Contract/s to Sell** enumerated and described in the List of Assigned Receivables which is hereto attached and marked as Annex "A" hereof, including any and all sum of money due and payable to the ASSIGNOR, **the properties pertaining thereto**, all replacements, substitution, increases and accretion thereof and thereto which the ASSIGNOR has executed with the Buyers, as defined in the Agreement, and all moneys due, or which may grow upon the sales therein set forth.
2. For purposes of this ASSIGNMENT, the ASSIGNOR hereby delivers to the ASSIGNEE, which hereby acknowledges receipt of the following documents evidencing the ASSIGNOR's title, right, interest, participation and benefit in the assigned Installment Account Receivables listed in Annex "A" and made as integral part hereof.
  - a) Original Contracts to Sell

b) Transfer Certificates of Title

3. The ASSIGNOR, hereby irrevocably appoints the ASSIGNEE to be **its true and lawful agent or representative** for it and in its name and stead, **but for such ASSIGNEE's own benefit**: (1) to sell, assign, transfer, set over, pledge, compromise or discharge the whole, or any part, of said assignment; (2) to do all acts and things necessary, or proper, for any such purpose; (3) **to ask, collect, receive and sue for the moneys due, or which may grow due, upon the said Assignment**; and (4) to substitute one person, or more, with like powers; hereby ratifying and confirming all that said agent or representative, or his substitute, or substitutes, shall lawfully do, by virtue hereof.<sup>[16]</sup>

[Emphases supplied]

Clearly, the conclusion of the MTCC had factual and legal bases. Evident from the tenor of the agreement was the intent on the part of Citihomes, as assignor, to assign all of its rights and benefits in favor of UCPB. Specifically, what Citihomes did was an assignment or transfer of all contractual rights arising from various contracts to sell, including the subject contract to sell, with all the rights, obligations and benefits appurtenant thereto in favor of UCPB for a consideration of P100,000,000.00. Indeed, the intent was more than just an assignment of credit. This intent to assign all rights under the contract to sell was even fortified by the delivery of documents such as the pertinent contracts to sell and the TCTs. Had it been the intent of Citihomes to assign merely its interest in the receivables due from Spouses Noynay, the tenor of the deed of assignment would have been couched in very specific terms.

Included in those matters which were handed over to UCPB were the provisions outlined in Section 6 of the Contract to Sell. In the said provision, Citihomes, as the seller has been given the right to cancel the contract to sell in cases of continuing default by Spouses Noynay, to wit:

SECTION 6. If for any reason, whatsoever, the BUYER fails to pay three (3) consecutive monthly installments, the provision of RA No. 6552 shall apply.

Where the BUYER has paid less than two (2) years of installments and defaults in the payment of three (3) consecutive monthly installment, he shall be given a grace period of not less than sixty (60) days from the date the installment payments became due and payable within which to pay the installments and/or make payments in arrears together with the installments corresponding to the months of the grace period. **In the event the BUYER continues to default in the payment of the installments within or at the expiration of the grace period herein provided, the SELLER shall have the right to cancel this agreement thirty (30) days from the BUYER's receipt of the notice**