

SECOND DIVISION

[G.R. No. 202358, November 27, 2013]

GATCHALIAN REALTY, INC., PETITIONER, VS. EVELYN M. ANGELES, RESPONDENT.

D E C I S I O N

CARPIO, J.:

The Case

G.R. No. 202358 is a petition for review^[1] assailing the Decision^[2] promulgated on 11 November 2011 as well as the Resolution^[3] promulgated on 19 June 2012 by the Court of Appeals (CA) in CA-G.R. SP No. 105964. The CA reversed and set aside the 8 October 2008 Order^[4] of Branch 197 of the Regional Trial Court of Las Piñas City (RTC) in Civil Case No. LP-07-0143. The CA also dismissed the unlawful detainer case filed by Gatchalian Realty, Inc. (GRI) against Evelyn M. Angeles (Angeles).

The Metropolitan Trial Court (MeTC) rendered on 28 February 2006 a decision^[5] in Civil Case No. 6809 in favor of GRI and against Angeles. In its decision^[6] dated 13 February 2008, the RTC set aside the decision of the MeTC and dismissed the ejectment case filed by GRI against Angeles. The RTC reversed itself in an Order^[7] dated 17 June 2008, and affirmed with modification the decision of the MeTC. The RTC denied Angeles' Motion for Reconsideration in an Order dated 8 October 2008.

The Facts

The CA recited the facts as follows:

On 28 December 1994, [Angeles] purchased a house (under Contract to Sell No. 2272) and lot (under Contract to Sell No. 2271) from [GRI] valued at Seven Hundred Fifty Thousand Pesos (Php 750,000.00) and Four Hundred Fifty Thousand Pesos (Php 450,000.00), respectively, with twenty-four percent (24%) interest per annum to be paid by installment within a period of ten years.

The house and lot were delivered to [Angeles] in 1995. Nonetheless, under the contracts to sell executed between the parties, [GRI] retained ownership of the property until full payment of the purchase price.

After sometime, [Angeles] failed to satisfy her monthly installments with [GRI]. [Angeles] was only able to pay thirty-five (35) installments for Contract to Sell No. 2271 and forty-eight (48) installments for Contract to Sell No. 2272. According to [GRI], [Angeles] was given at least twelve

(12) notices for payment in a span of three (3) years but she still failed to settle her account despite receipt of said notices and without any valid reason. [Angeles] was again given more time to pay her dues and likewise furnished with three (3) notices reminding her to pay her outstanding balance with warning of impending legal action and/or rescission of the contracts, but to no avail. After giving a total of fifty-one (51) months grace period for both contracts and in consideration of the continued disregard of the demands of [GRI], [Angeles] was served with a notice of notarial rescission dated 11 September 2003 by registered mail which she allegedly received on 19 September 2003 as evidenced by a registry return receipt.

Consequently [Angeles] was furnished by [GRI] with a demand letter dated 26 September 2003 demanding her to pay the amount of One Hundred Twelve Thousand Three Hundred Four Pesos and Forty Two Centavos (Php 112,304.42) as outstanding reasonable rentals for her use and occupation of the house and lot as of August 2003 and to vacate the same. She was informed in said letter that the fifty percent (50%) refundable amount that she is entitled to has already been deducted with the reasonable value for the use of the properties or the reasonable rentals she incurred during such period that she was not able to pay the installments due her. After deducting the rentals from the refundable amount, she still had a balance of One Hundred Twelve Thousand Three Hundred Four Pesos and Forty Two Centavos (Php 112,304.42) which she was required to settle within fifteen (15) days from receipt of the letter.

Allegedly, [Angeles] subsequently sent postal money orders through registered mail to [GRI]. In a letter dated 27 January 2004 [Angeles] was notified by [GRI] of its receipt of a postal money order sent by [Angeles]. More so, she was requested to notify [GRI] of the purpose of the payment. [Angeles] was informed that if the postal money order was for her monthly amortization, the same will not be accepted and she was likewise requested to pick it up from [GRI's] office. On 29 January 2004, another mail with a postal money order was sent by [Angeles] to [GRI]. In her 6 February 2004 letter, [GRI] was informed that the postal money orders were supposed to be payments for her monthly amortization. Again, in its 8 February 2004 letter, it was reiterated by [GRI] that the postal money orders will only be accepted if the same will serve as payment of her outstanding rentals and not as monthly amortization. Four (4) more postal money orders were sent by [Angeles] by registered mail to [GRI].

For her continued failure to satisfy her obligations with [GRI] and her refusal to vacate the house and lot, [GRI] filed a complaint for unlawful detainer against [Angeles] on 11 November 2003.^[8]

The MeTC's Ruling

The MeTC of Branch 79, Las Piñas City ruled in favor of GRI. The MeTC determined that the case was for an unlawful detainer, and thus assumed jurisdiction. The MeTC further held that the facts show that GRI was able to establish the validity of the

rescission:

A careful scrutiny of the evidence presented by both parties regarding payments made clearly show that [Angeles] defaulted in the payment of the monthly installments due. Repeated notices and warnings were given to her but she still and failed to update her account (Exhibits "E" to "E-1" and "G" to "G-2", [GRI's] Position Paper). This is a clear violation of the condition of their contracts. An ample grace period, i.e., 51 months, was granted to her by [GRI] but she still failed to pay the whole amount due as provided in paragraph 6 of the contracts and Section 3 of RA 6552. [Angeles] has been in arrears beyond the grace period provided under the contracts and law. The last payment received by [GRI], which represents [Angeles'] 35th installment, was made in July 2002. On the other hand, the last payment, which represents her 48th installment, [was] received [by GRI] in April 1999. Thus, [GRI], as seller, can terminate or rescind the contract by giving her the notice of notarial rescission of the contracts. The notarial rescission of the contracts was executed on September 26, 2003 and served upon [Angeles].^[9]

Although the MeTC agreed with Angeles that her total payment is already more than the contracted amount, the MeTC found that Angeles did not pay the monthly amortizations in accordance with the terms of the contract. Interests and penalties accumulated and increased the amount due. Furthermore, the MeTC found the monthly rentals imposed by GRI reasonable and within the range of the prevailing rental rates in the vicinity. Compensation between GRI and Angeles legally took effect in accordance with Article 1290^[10] of the Civil Code. The MeTC ruled that GRI is entitled to ₱1,060,896.39 by way of reasonable rental fee less ₱574,148.40 as of May 2005, thus leaving a balance of ₱486,747.99 plus the amount accruing until Angeles finally vacates the subject premises.

The dispositive portion of the MeTC's Decision reads:

WHEREFORE, in view of the foregoing, the Court renders judgment for [GRI] and against [Angeles] and all persons claiming rights under her, as follows:

1. Ordering [Angeles] and all persons claiming rights under her to immediately vacate the property subject of this case situated at Blk. 3, Lot 8, Lanzones St., Phase 3-C, Gatchalian Subdivision, Las Piñas City and surrender possession thereof to [GRI];
2. Ordering the encashment of the Postal Money Order (PMO) in the total amount of Php 120,000.00 in favor of [GRI];
3. Ordering [Angeles] to pay [GRI] the outstanding amount of Php 486,747.99 representing reasonable monthly rentals of the subject premises as of May 2005 less the amount of the postal money orders [worth] Php 120,000.00 and all the monthly rentals that will accrue until she vacates the subject premises and have possession thereof turned

over to [GRI], plus the interests due thereon at the rate of twelve percent (12%) per annum from the time of extra-judicial demand;

4. Ordering [Angeles] to pay [GRI] the amount of Php 20,000.00 as attorney's fees; and

5. Costs of suit.

[Angeles'] counterclaims are hereby dismissed for lack of merit.

SO ORDERED.^[11]

On 21 March 2006, Angeles filed a notice of appeal with the MeTC. A week later, on 28 March 2006, Angeles filed a motion to dismiss based on lack of jurisdiction. The Las Piñas RTC denied Angeles' motion to dismiss in an order dated 28 July 2006.

Angeles also filed on 2 October 2006 a Petition for Certiorari with Immediate Issuance of Temporary Restraining Order and Injunction, which was docketed as SCA Case No. 06-008.^[12] On 3 May 2007, Branch 201 of the Las Piñas RTC dismissed Angeles' Petition for Certiorari for forum-shopping.^[13]

GRI, on the other hand, filed a Motion for Execution Pending Appeal. A Writ of Execution Pending Appeal was issued in favor of GRI on 25 August 2006, and the properties were turned over to GRI on 10 October 2006.^[14]

The RTC's Ruling

Angeles' appeal before Branch 197 of the Las Piñas RTC initially produced a result favorable to her. The RTC found that the case was one for ejectment. As an ejectment court, the MeTC's jurisdiction is limited only to the issue of possession and does not include the title or ownership of the properties in question.

The RTC pointed out that Republic Act No. 6552 (R.A. 6552) provides that the non-payment by the buyer of an installment prevents the obligation of the seller to convey title from acquiring binding force. Moreover, cancellation of the contract to sell may be done outside the court when the buyer agrees to the cancellation. In the present case, Angeles denied knowledge of GRI's notice of cancellation. Cancellation of the contract must be done in accordance with Section 3 of R.A. 6552, which requires a notarial act of rescission and refund to the buyer of the cash surrender value of the payments on the properties. Thus, GRI cannot insist on compliance with Section 3(b) of R.A. 6552 by applying Angeles' cash surrender value to the rentals of the properties after Angeles failed to pay the installments due. Contrary to the MeTC's ruling, there was no legal compensation between GRI and Angeles. The RTC ruled:

There being no valid cancellation of the Contract to Sell, this Court finds merit in the appeal filed by [Angeles] and REVERSES the decision of the court a quo. This Court recognized [Angeles'] right to continue occupying the property subject of the Contract to Sell.

WHEREFORE, premises considered, the decision of the lower court is hereby SET ASIDE and the ejectment case filed by [GRI] is hereby DISMISSED.

SO ORDERED.^[15]

GRI filed a Motion for Reconsideration. The RTC issued an Order on 17 June 2008 which ruled that GRI had complied with the provisions of R.A. 6552, and had refunded the cash surrender value to Angeles upon its cancellation of the contract to sell when it deducted the amount of the cash surrender value from rentals due on the subject properties. The RTC relied on this Court's ruling in *Pilar Development Corporation v. Spouses Villar*.^[16] The RTC ruled:

Applying the above Pilar ruling in the present case, the cash surrender value of the payments made by [Angeles] shall be applied to the rentals that accrued on the property occupied by [Angeles], which rental is fixed by this Court in the amount of seven thousand pesos per month (P7,000.00). The total rental payment due to Gatchalian Realty Inc. is six hundred twenty three thousand (P623,000.00) counted from June 1999 to October 2006. According to R.A. 6552, the cash surrender value, which in this case is equivalent to fifty percent (50%) of the total payment made by [Angeles], should be returned to her by [GRI] upon cancellation of the contract to sell on September 11, 2003. Admittedly no such return was ever made by [GRI]. Thus, the cash surrender value, which in this case is equivalent to P182,094.48 for Contract to Sell No. 2271 and P392,053.92 for Contract to Sell No. 2272 or a total cash surrender value of P574,148.40 should be deducted from the rental payment or award owing to [Angeles].

WHEREFORE, premises considered, the Motion for Reconsideration is hereby GRANTED. The earlier decision dated February 13, 2008 is SET ASIDE and the decision of the court a quo is MODIFIED to wit:

1. Ordering [Angeles] and all persons claiming rights under her to immediately vacate the property subject of this case situated at Blk. 3, Lot 8, Lanzones St., Phase 3-C, Gatchalian Subdivision, Las Piñas City and surrender possession thereof to [GRI];
2. Ordering the encashment of the Postal Money Order (PMO) in the total amount of Php 120,000.00 in favor of [GRI];
3. Ordering defendant, Evelyn M. Angeles, to pay plaintiff, Gatchalian Realty Inc., the outstanding rental amount of forty eight thousand eight hundred fifty one pesos and sixty centavos (P48,851.60) and legal interest of six percent (6%) per annum, until the above amount is paid;
4. Ordering [Angeles] to pay [GRI] the amount of Php 20,000.00 as attorney's fees; and
5. Costs of suit.