

THIRD DIVISION

[G.R. No. 177936, January 18, 2012]

**STARBRIGHT SALES ENTERPRISES, INC., PETITIONER, VS.
PHILIPPINE REALTY CORPORATION, MSGR. DOMINGO A.
CIRILOS, TROPICANA PROPERTIES AND DEVELOPMENT
CORPORATION AND STANDARD REALTY CORPORATION,
RESPONDENTS.**

DECISION

ABAD, J.:

The present case involves a determination of the perfection of contract of sale.

The Facts and the Case

On April 17, 1988 Ramon Licup wrote Msgr. Domingo A. Cirilos, offering to buy three contiguous parcels of land in Parañaque that The Holy See and Philippine Realty Corporation (PRC) owned for P1,240.00 per square meter. Licup accepted the responsibility for removing the illegal settlers on the land and enclosed a check for P100,000.00 to "close the transaction."^[1] He undertook to pay the balance of the purchase price upon presentation of the title for transfer and once the property has been cleared of its occupants.

Msgr. Cirilos, representing The Holy See and PRC, signed his name on the *conforme* portion of the letter and accepted the check. But the check could not be encashed due to Licup's stop-order payment. Licup wrote Msgr. Cirilos on April 26, 1988, requesting that the titles to the land be instead transferred to petitioner Starbright Sales Enterprises, Inc. (SSE). He enclosed a new check for the same amount. SSE's representatives, Mr. and Mrs. Cu, did not sign the letter.

On November 29, 1988 Msgr. Cirilos wrote SSE, requesting it to remove the occupants on the property and, should it decide not to do this, Msgr. Cirilos would return to it the P100,000.00 that he received. On January 24, 1989 SSE replied with an "updated proposal."^[2] It would be willing to comply with Msgr. Cirilos' condition provided the purchase price is lowered to P1,150.00 per square meter.

On January 26, 1989 Msgr. Cirilos wrote back, rejecting the "updated proposal." He said that other buyers were willing to acquire the property on an "as is, where is" basis at P1,400.00 per square meter. He gave SSE seven days within which to buy the property at P1,400.00 per square meter, otherwise, Msgr. Cirilos would take it that SSE has lost interest in the same. He enclosed a check for P100,000.00 in his letter as refund of what he earlier received.

On February 4, 1989 SSE wrote Msgr. Cirilos that they already had a perfected contract of sale in the April 17, 1988 letter which he signed and that, consequently,

he could no longer impose amendments such as the removal of the informal settlers at the buyer's expense and the increase in the purchase price.

SSE claimed that it got no reply from Msgr. Cirilos and that the next thing they knew, the land had been sold to Tropicana Properties on March 30, 1989. On May 15, 1989 SSE demanded rescission of that sale. Meanwhile, on August 4, 1989 Tropicana Properties sold the three parcels of land to Standard Realty.

Its demand for rescission unheeded, SSE filed a complaint for annulment of sale and reconveyance with damages before the Regional Trial Court (RTC) of Makati, Branch 61, against The Holy See, PRC, Msgr. Cirilos, and Tropicana Properties in Civil Case 90-183. SSE amended its complaint on February 24, 1992, impleading Standard Realty as additional defendant.

The Holy See sought dismissal of the case against it, claiming that as a foreign government, it cannot be sued without its consent. The RTC held otherwise but, on December 1, 1994,^[3] the Court reversed the ruling of the RTC and ordered the case against The Holy See dismissed. By Order of January 26, 1996 the case was transferred to the Parañaque RTC, Branch 258.

SSE alleged that Licup's original letter of April 17, 1988 to Msgr. Cirilos constituted a perfected contract. Licup even gave an earnest money of P100,000.00 to "close the transaction." His offer to rid the land of its occupants was a "mere gesture of accommodation if only to expedite the transfer of its title."^[4] Further, SSE claimed that, in representing The Holy See and PRC, Msgr. Cirilos acted in bad faith when he set the price of the property at P1,400.00 per square meter when in truth, the property was sold to Tropicana Properties for only P760.68 per square meter.

Msgr. Cirilos maintained, on the other hand, that based on their exchange of letters, no contract of sale was perfected between SSE and the parties he represented. And, only after the negotiations between them fell through did he sell the land to Tropicana Properties.

In its Decision of February 14, 2000, the Parañaque RTC treated the April 17, 1988 letter between Licum and Msgr. Cirilos as a perfected contract of sale between the parties. Msgr. Cirilos attempted to change the terms of contract and return SSE's initial deposit but the parties reached no agreement regarding such change. Since such agreement was wanting, the original terms provided in the April 17, 1988 letter continued to bind the parties.

On appeal to the Court of Appeals (CA), the latter rendered judgment on November 10, 2006,^[5] reversing the Parañaque RTC decision. The CA held that no perfected contract can be gleaned from the April 17, 1988 letter that SSE had relied on. Indeed, the subsequent exchange of letters between SSE and Msgr. Cirilos show that the parties were grappling with the terms of the sale. Msgr. Cirilos made no unconditional acceptance that would give rise to a perfected contract.

As to the P100,000.00 given to Msgr. Cirilos, the CA considered it an option money that secured for SSE only the privilege to buy the property even if Licup called it a "deposit." The CA denied SSE's motion for reconsideration on May 2, 2007.