

SECOND DIVISION

[G.R. No. 176791, November 14, 2012]

**COMMUNITIES CAGAYAN, INC., PETITIONER, VS. SPOUSES
ARSENIO (DECEASED) AND ANGELES NANOL AND ANYBODY
CLAIMING RIGHTS UNDER THEM, RESPONDENTS.**

D E C I S I O N

DEL CASTILLO, J.:

Laws fill the gap in a contract.

This Petition for Review on *Certiorari*^[1] under Rule 45 of the Rules of Court assails the December 29, 2006 Decision^[2] and the February 12, 2007 Order^[3] of the Regional Trial Court (RTC), Cagayan de Oro City, Branch 18, in Civil Case No. 2005-158.

Factual Antecedents

Sometime in 1994, respondent-spouses Arsenio and Angeles Nanol entered into a Contract to Sell^[4] with petitioner Communities Cagayan, Inc.,^[5] whereby the latter agreed to sell to respondent-spouses a house and Lots 17 and 19^[6] located at Block 16, Camella Homes Subdivision, Cagayan de Oro City,^[7] for the price of P368,000.00.^[8] Respondent-spouses, however, did not avail of petitioner's in-house financing due to its high interest rates.^[9] Instead, they obtained a loan from Capitol Development Bank, a sister company of petitioner, using the property as collateral.^[10] To facilitate the loan, a simulated sale over the property was executed by petitioner in favor of respondent-spouses.^[11] Accordingly, titles were transferred in the names of respondent-spouses under Transfer Certificates of Title (TCT) Nos. 105202 and 105203, and submitted to Capitol Development Bank for loan processing.^[12] Unfortunately, the bank collapsed and closed before it could release the loan.^[13]

Thus, on November 30, 1997, respondent-spouses entered into another Contract to Sell^[14] with petitioner over the same property for the same price of P368,000.00.^[15] This time, respondent-spouses availed of petitioner's in-house financing^[16] thus, undertaking to pay the loan over four years, from 1997 to 2001.^[17]

Sometime in 2000, respondent Arsenio demolished the original house and constructed a three-story house allegedly valued at P3.5 million, more or less.^[18]

In July 2001, respondent Arsenio died, leaving his wife, herein respondent Angeles, to pay for the monthly amortizations.^[19]

On September 10, 2003, petitioner sent respondent-spouses a notarized Notice of Delinquency and Cancellation of Contract to Sell^[20] due to the latter's failure to pay the monthly amortizations.

In December 2003, petitioner filed before Branch 3 of the Municipal Trial Court in Cities of Cagayan de Oro City, an action for unlawful detainer, docketed as C3-Dec-2160, against respondent-spouses.^[21] When the case was referred for mediation, respondent Angeles offered to pay P220,000.00 to settle the case but petitioner refused to accept the payment.^[22] The case was later withdrawn and consequently dismissed because the judge found out that the titles were already registered under the names of respondent-spouses.^[23]

Unfazed by the unfortunate turn of events, petitioner, on July 27, 2005, filed before Branch 18 of the RTC, Cagayan de Oro City, a Complaint for Cancellation of Title, Recovery of Possession, Reconveyance and Damages, ^[24] docketed as Civil Case No. 2005-158, against respondent-spouses and all persons claiming rights under them. Petitioner alleged that the transfer of the titles in the names of respondent-spouses was made only in compliance with the requirements of Capitol Development Bank and that respondent-spouses failed to pay their monthly amortizations beginning January 2000.^[25] Thus, petitioner prayed that TCT Nos. T-105202 and T-105203 be cancelled, and that respondent Angeles be ordered to vacate the subject property and to pay petitioner reasonable monthly rentals from January 2000 plus damages.^[26]

In her Answer,^[27] respondent Angeles averred that the Deed of Absolute Sale is valid, and that petitioner is not the proper party to file the complaint because petitioner is different from Masterplan Properties, Inc.^[28] She also prayed for damages by way of compulsory counterclaim.^[29]

In its Reply,^[30] petitioner attached a copy of its Certificate of Filing of Amended Articles of Incorporation^[31] showing that Masterplan Properties, Inc. and petitioner are one and the same. As to the compulsory counterclaim for damages, petitioner denied the same on the ground of "lack of knowledge sufficient to form a belief as to the truth or falsity of such allegation."^[32]

Respondent Angeles then moved for summary judgment and prayed that petitioner be ordered to return the owner's duplicate copies of the TCTs.^[33]

Pursuant to Administrative Order No. 59-2005, the case was referred for mediation.^[34] But since the parties failed to arrive at an amicable settlement, the case was set for preliminary conference on February 23, 2006.^[35]

On July 7, 2006, the parties agreed to submit the case for decision based on the pleadings and exhibits presented during the preliminary conference. ^[36]

Ruling of the Regional Trial Court

On December 29, 2006, the RTC rendered judgment declaring the Deed of Absolute Sale invalid for lack of consideration.^[37] Thus, it disposed of the case in this wise:

WHEREFORE, the Court hereby declares the Deed of Absolute Sale **VOID**. Accordingly, Transfer Certificate[s] of Title Nos. 105202 and 105203 in the names of the [respondents], Arsenio (deceased) and Angeles Nanol, are ordered **CANCELLED**. The [respondents] and any person claiming rights under them are directed to turn-over the possession of the house and lot to [petitioner], Communities Cagayan, Inc., subject to the latter's payment of their total monthly installments and the value of the new house minus the cost of the original house.

SO ORDERED.^[38]

Not satisfied, petitioner moved for reconsideration of the Decision but the Motion^[39] was denied in an Order^[40] dated February 12, 2007.

Issue

Instead of appealing the Decision to the Court of Appeals (CA), petitioner opted to file the instant petition directly with this Court on a pure question of law, to wit:

WHETHER X X X THE ACTION [OF] THE [RTC] BRANCH 18 X X X IN ORDERING THE RECOVERY OF POSSESSION BY PETITIONER '*subject to the latter's payment of their total monthly installments and the value of the new house minus the cost of the original house*' IS CONTRARY TO LAW AND JURISPRUDENCE X X X.^[41]

Petitioner's Arguments

Petitioner seeks to delete from the dispositive portion the order requiring petitioner to reimburse respondent-spouses the total monthly installments they had paid and the value of the new house minus the cost of the original house.^[42] Petitioner claims that there is no legal basis for the RTC to require petitioner to reimburse the cost of the new house because respondent-spouses were in bad faith when they renovated and improved the house, which was not yet their own.^[43] Petitioner further contends that instead of ordering mutual restitution by the parties, the RTC should have applied Republic Act No. 6552, otherwise known as the Maceda Law,^[44] and that instead of awarding respondent-spouses a refund of all their monthly amortization payments, the RTC should have ordered them to pay petitioner monthly rentals.^[45]

Respondent Angeles' Arguments

Instead of answering the legal issue raised by petitioner, respondent Angeles asks for a review of the Decision of the RTC by interposing additional issues.^[46] She maintains that the Deed of Absolute Sale is valid.^[47] Thus, the RTC erred in

cancelling TCT Nos. 105202 and 105203.

Our Ruling

The petition is partly meritorious.

At the outset, we must make it clear that the issues raised by respondent Angeles may not be entertained. For failing to file an appeal, she is bound by the Decision of the RTC. Well entrenched is the rule that "a party who does not appeal from a judgment can no longer seek modification or reversal of the same. He may oppose the appeal of the other party only on grounds consistent with the judgment."^[48] For this reason, respondent Angeles may no longer question the propriety and correctness of the annulment of the Deed of Absolute Sale, the cancellation of TCT Nos. 105202 and 105203, and the order to vacate the property.

Hence, the only issue that must be resolved in this case is whether the RTC erred in ordering petitioner to reimburse respondent-spouses the "total monthly installments and the value of the new house minus the cost of the original house."^[49] Otherwise stated, the issues for our resolution are:

- 1) Whether petitioner is obliged to refund to respondent-spouses all the monthly installments paid; and
- 2) Whether petitioner is obliged to reimburse respondent-spouses the value of the new house minus the cost of the original house.

Respondent-spouses are entitled to the cash surrender value of the payments on the property equivalent to 50% of the total payments made.

Considering that this case stemmed from a Contract to Sell executed by the petitioner and the respondent-spouses, we agree with petitioner that the Maceda Law, which governs sales of real estate on installment, should be applied.

Sections 3, 4, and 5 of the Maceda Law provide for the rights of a defaulting buyer, to wit:

Section 3. In all transactions or contracts involving the sale or financing of real estate on installment payments, including residential condominium apartments but excluding industrial lots, commercial buildings and sales to tenants under Republic Act Numbered Thirty-eight hundred forty-four, as amended by Republic Act Numbered Sixty-three hundred eighty-nine, where the buyer has paid at least two years of installments, the buyer is entitled to the following rights in case he defaults in the payment of succeeding installments:

(a) To pay, without additional interest, the unpaid installments due within the total grace period earned by him which is hereby fixed at the rate of one month grace period for every one year of installment payments made: Provided, That this right shall be exercised by the buyer only once

in every five years of the life of the contract and its extensions, if any.

(b) If the contract is canceled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to fifty percent of the total payments made, and, after five years of installments, an additional five per cent every year but not to exceed ninety per cent of the total payments made: Provided, That the actual cancellation of the contract shall take place after thirty days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer.

Down payments, deposits or options on the contract shall be included in the computation of the total number of installment payments made. (Emphasis supplied.)

Section 4. In case where less than two years of installments were paid, the seller shall give the buyer a grace period of not less than sixty days from the date the installment became due.

If the buyer fails to pay the installments due at the expiration of the grace period, the seller may cancel the contract after thirty days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act.

Section 5. Under Sections 3 and 4, the buyer shall have the right to sell his rights or assign the same to another person or to reinstate the contract by updating the account during the grace period and before actual cancellation of the contract. The deed of sale or assignment shall be done by notarial act.

In this connection, we deem it necessary to point out that, under the Maceda Law, the actual cancellation of a contract to sell takes place after 30 days from receipt by the buyer of the notarized notice of cancellation,^[50] and upon full payment of the cash surrender value to the buyer.^[51] In other words, before a contract to sell can be validly and effectively cancelled, the seller has (1) to send a notarized notice of cancellation to the buyer and (2) to refund the cash surrender value.^[52] Until and unless the seller complies with these twin mandatory requirements, the contract to sell between the parties remains valid and subsisting.^[53] Thus, the buyer has the right to continue occupying the property subject of the contract to sell,^[54] and may “still reinstate the contract by updating the account during the grace period and before the actual cancellation”^[55] of the contract.

In this case, petitioner complied only with the first condition by sending a notarized notice of cancellation to the respondent-spouses. It failed, however, to refund the cash surrender value to the respondent-spouses. Thus, the Contract to Sell remains valid and subsisting and supposedly, respondent-spouses have the right to continue occupying the subject property. Unfortunately, we cannot reverse the Decision of the RTC directing respondent-spouses to vacate and turn-over possession of the subject property to petitioner because respondent-spouses never appealed the