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SECOND DIVISION

[G.R. No. 182720, March 02, 2010]

G.G. SPORTSWEAR MFG. CORP., PETITIONER, VS. WORLD CLASS PROPERTIES, INC., RESPONDENT.

D E C I S I O N

BRION, J.:

Through its petition for review on *certiorari*, the petitioner G.G. Sportswear Mfg. Corp. (*GG Sportswear*) seeks to reverse the December 19, 2007 decision[1] and the January 2, 2008 resolution[2] of the Court of Appeals (*CA*) denying: (1) the rescission of its Reservation Agreement with the respondent, World Class Properties, Inc. (*World Class*) and (2) a refund of the payments made pursuant to this Agreement.

The facts, as culled from the records, are briefly summarized below.

World Class is the owner/developer of Global Business Tower (now Antel Global Corporate Center), an office condominium project located on Julia Vargas Avenue and Jade Drive, Ortigas Center, Pasig City slated for completion on December 15, 1998.

GG Sportswear, a domestic corporation, offered to purchase the 38th floor penthouse unit and 16 parking slots for 32 cars in World Class's condominium project for the discounted, pre-selling price of P89,624,272.82. After GG Sportswear paid the P500,000.00 reservation fee, the parties, on May 15, 1996, signed a Reservation Agreement (*Agreement*)[3] that provides for the schedule of payments, including the stipulated monthly installments on the down payment and the balance on the purchase price, as follows:[4]

Item	Amount to be paid	Monthly Installment	Duration
20% Down Payment	P 17,924,854.56		
	less: 500,000.00 (Reservation Fee)		
		P 1,742,485.45	May 1996 to Feb 1997
	P 17,424,854.56		
60% Payment	53,774,563.69	1,792,485.45	Mar 1997 to Aug 1999
20% Final	17,924,854.56		Upon turn-over

Payment	
TOTAL PRICE	**P 89,624,272.82**

Based on the Agreement, the **contract to sell** pertaining to the entire 38th floor Penthouse unit and the parking slots would be executed **upon the payment of thirty percent (30%) of the total purchase price.**[5] It also stipulated that all its provisions would be deemed incorporated in the contract to sell and other documents to be executed by the parties thereafter. The Agreement also specified that the failure of the buyer to pay any of the installments on the stipulated date would give the developer the right either to: (1) charge 3% interest per month on all unpaid receivables, or (2) rescind and cancel the Agreement without the need of any court action and, upon cancellation, automatically forfeit the reservation fee and other payments made by the buyer.[6]

From May to December 1996, GG Sportswear timely paid the installments due; the **eight monthly installment payments** amounted to a total of **P19,717,339.50**, or **21%** of the total contract price.

In a letter dated January 30, 1997,[7] GG Sportswear requested the return of the outstanding postdated checks it previously delivered to World Class because it (GG Sportswear) intended to replace these old checks with new ones from the corporation's new bank. World Class acceded, but suggested the execution of a new Reservation Agreement to reflect the arrangement involving the replacement checks, with the retention of the other terms and conditions of the old Agreement.[8] GG Sportswear did not object to the execution of a new Reservation Agreement, but **requested that World Class defer the deposit of the replacement checks for 90 days**.[9] World Class denied this request, contending that a deferment would delay the subsequent monthly installment payments.[10] It likewise demanded that GG Sportswear immediately pay its **overdue January 1997 installment** to avoid the penalties[11] provided in the Agreement.[12]

On March 5, 1997, GG Sportswear delivered the replacement checks and **paid the January 1997 installment payment which had been delayed by two months**. World Class in turn issued a *second* Reservation Agreement, which it transmitted to GG Sportswear for the latter's conformity. World Class also sent GG Sportswear a *provisional* Contract to Sell,[13] which stated that the condominium project would be ready for turnover to the buyer not later than **December 15, 1998.**

GG Sportswear did not sign the second Reservation Agreement. Instead, it sent a letter[14] to World Class, requesting that its check dated April 24, 1997 be deposited on May 15, 1997 because it was experiencing financial difficulties. When World Class rejected GG Sportswear's request, GG Sportswear sent another letter informing World Class that **the second Reservation Agreement was incomplete because it did not expressly provide the *time of completion* of the condominium unit.**[15] World Class countered that the provisional Contract to Sell it previously submitted to GG Sportswear expressly provided for the completion date (December 15, 1998) and insisted that GG Sportswear pay its overdue account.[16]

On June 10, 1997, GG Sportswear filed a Complaint[17] with the Housing and Land Use Regulatory Board (*HLURB*) claiming a refund of the installment payments made to World Class because it was **dissatisfied with the completion date** found in the Contract to Sell.

In its Answer,[18] World Class countered that: (1) it is not guilty of breach of contract since it is the petitioner that committed a breach; (2) the complaint is an afterthought since GG Sportswear is suffering from financial difficulties; (3) the petitioner's dissatisfaction with the **expected date of completion** of the unit as indicated in the proposed Contract to Sell is not a valid and sufficient ground for refund; (4) a refund is justified only in cases where the owner/developer *fails to develop* the project within the specified period of time under Presidential Decree (P.D.) No. 957,[19] *which period has not yet arrived*; and (5) the petitioner was *already in default when it filed the complaint* and therefore came to court with unclean hands.

On September 12, 2005, HLURB Arbiter Atty. Dunstan T. San Vicente (*Arbiter*) rendered a decision[20] *rescinding* the Agreement, after finding that World Class violated Sections 4 and 5 of P.D. No. 957 by **entering into the Agreement without the required Certificate of Registration and License to Sell** (*CR/LS*).[21] He also implied that a refund is proper in this case under Article 1416 of the Civil Code. As a consequence, he ordered World Class to *refund* the amount of P19,717,339.50 paid by GG Sportswear with 6% legal interest thereon, and to pay 10% of the principal amount as attorney's fees. He likewise found World Class *administratively liable* and ordered it to pay a fine of P10,000.00.

World Class appealed to the HLURB Board of Commissioners (*Board*). On January 31, 2006, the Board *modified* the Arbiter's decision by ruling that *the Agreement could no longer be rescinded for lack of a CR/LS because World Class had already been issued a License to Sell on August 1, 1996, or before the complaint was filed*.[22] Notwithstanding this pronouncement, the Board still awarded a *refund* in GG Sportswear's favor. The Board reasoned that World Class had only until August 1998 to complete the project under its first License to Sell. However, World Class, by its own actions, impliedly admitted that it would be **incapable of completing its project by this time;** it repackaged the project and had applied for and been issued a new License to Sell, which granted World Class until December 1999 to complete the project.[23] In essence, the Board equated World Class's "incapability" to finish the project within the time specified in its first License to Sell with a developer's "failure to develop" a condominium project - an omission sanctioned under P.D. No. 957 and entitled a buyer to a refund of all payments made.[24]

In its decision[25] of September 11, 2006, the Office of the President (*OP*) denied World Class's appeal by quoting extensively from the Arbiter's decision. The OP subsequently denied World Class's motion for reconsideration in its November 13, 2006 order.[26]

In its petition for review[27] before the CA, World Class essentially argued that the OP committed a grave abuse of discretion when it upheld the Board's ruling that GG Sportswear was entitled to a refund.

The CA, in its decision[28] of December 19, 2007, *reversed* the OP decision and *denied* GG Sportswear's prayers for rescission of the Agreement and refund of the payments made. It explained that the OP should have given weight to the Board's modified finding that "*the absence of the certificate of registration and license to sell no longer existed at the time of the filing of the complaint and could no longer be used as basis to demand rescission.*" Since GG Sportswear never appealed this finding, it had already attained finality and must bind the OP.

On the awarded refund, the CA held that the OP erroneously based GG Sportswear's right to recovery of payments on Article 1416 of the Civil Code (as what the Arbiter's decision[29] suggested), which entitles a plaintiff to recover the amounts paid under a contract that *violates mandatory or prohibitory laws*. Since World Class already had a CR/LS when GG Sportswear filed its complaint, GG Sportswear could no longer demand rescission and refund under Sections 4 and 5 of P.D. No. 957.

The appellate court also found no merit in GG Sportswear's argument that it was entitled to rescind the Agreement and demand a refund because World Class failed to provide a Contract to Sell for the subject units. Under the Agreement, the Contract to Sell would be executed only upon payment of thirty (30%) of the total value of the sale; since GG Sportswear had only paid 21% of the total contract price, it could not demand the execution of the Contract to Sell. The CA likewise denied GG Sportswear's motion for reconsideration.[30]

Hence, GG Sportswear filed with this Court the present petition for review on *certiorari*,[31] claiming that the CA erred when: (1) it relied heavily on the Board's finding that the Agreement could no longer be rescinded because the CR/LS had already been issued at the time the complaint was filed, which was a mere *obiter dictum*; and (2) it held that GG Sportswear was not entitled to the execution of a Contract to Sell because it had not yet paid 30% of the total value of the sale.

THE RULING OF THE COURT

We find the petition devoid of merit.

The Board ruling that the Agreement could not be rescinded based on lack of a CR/LS had already attained finality.

We explained the concept of an *obiter dictum* in *Villanueva v. Court of Appeals*[32] by saying:

> It has been held that an adjudication on any point within the issues presented by the case cannot be considered as *obiter dictum*, and this rule applies to all pertinent questions, although only incidentally involved, which are presented and decided in the regular course of the consideration of the case, and led up to the final conclusion, and to any statement as to matter on which the decision is predicated. Accordingly, **a point expressly decided does not lose its value as a precedent because the disposition of the case is**, or might have been, **made on some other ground, or even though, by reason of other points in**

> **the case, the result reached might have been the same if the court had held, on the particular point, otherwise than it did. A decision which the case could have turned on is not regarded as *obiter dictum* merely because, owing to the disposal of the contention, it was necessary to consider another question, nor can an additional reason in a decision, brought forward after the case has been disposed of on one ground, be regarded as *dicta*.** So, also, where a case presents two (2) or more points, any one of which is sufficient to determine the ultimate issue, but the court actually decides all such points, the case as an authoritative precedent as to every point decided, and none of such points can be regarded as having the status of a *dictum*, and one point should not be denied authority merely because another point was more dwelt on and more fully argued and considered, nor does a decision on one proposition make statements of the court regarding other propositions *dicta*.[33] [emphasis supplied.]

The Board's pronouncement in its January 31, 2006 decision - that the Agreement could no longer be rescinded because the CR/LS had already been issued at the time the complaint was filed - cannot be considered a mere *obiter dictum* because it touched upon a matter squarely raised by World Class in its petition for review, specifically, the issue of whether GG Sportswear was entitled to a refund on the ground that it did not have a CR/LS at the time the parties entered into the Agreement.

With this ruling, the Board reversed the Arbiter's ruling on this particular issue, expressly stating that "*the absence of the certificate of registration and license to sell no longer existed at the time of the filing of the complaint and could no longer be used as basis to demand rescission*." **This ruling became final when GG Sportswear chose not to file an appeal with the OP.** Thus, even if the Board ultimately awarded a refund to GG Sportswear based entirely on another ground, the Board's ruling on the non-rescissible character of the Agreement is binding on the parties.

Consequently, the OP had no jurisdiction to revert to the Arbiter's earlier declaration that the Agreement was void due to World Class's lack of a CR/LS, a finding that clearly contradicted the Board's final and executory ruling.

There was no breach on the part of World Class to justify the rescission and refund.

GG Sportswear likewise has no legal basis to demand either the rescission of the Agreement or the refund of payments it made to World Class under the Agreement.

Unless the parties stipulated it, rescission is allowed only when the breach of the contract is substantial and fundamental to the fulfillment of the obligation.[34] Whether the breach is slight or substantial is largely determined by the attendant circumstances.[35]

GG Sportswear anchors its claim for rescission on two grounds: (a) its