

## FIRST DIVISION

[ G.R. NO. 162090, January 31, 2007 ]

**SPOUSES HOWARD T. CO CHIEN AND SUSAN Y. CO CHIEN,  
PETITIONERS, VS. STA. LUCIA REALTY & DEVELOPMENT, INC.,  
AND ALSONS LAND CORPORATION, RESPONDENTS.**

### D E C I S I O N

**PUNO, CJ.:**

This case is a Petition for Certiorari under Rule 45 of the Revised Rules of Court appealing the decision of the Court of Appeals in CA G.R. SP No. 78161 entitled "Spouses Howard T. Co Chien & Susan Y. Co Chien v. Sta. Lucia Realty & Development, Inc. and Alsons Land Corporation."

The facts are undisputed.

Sometime in December 1995, private respondents Sta. Lucia Realty & Development, Inc. (Sta. Lucia) and Alsons Land Corporation (Alsons) offered for sale to the general public parcels of land and golf shares to the Eagle Ridge Golf and Residential Estates (Eagle Ridge) in General Trias, Cavite.<sup>[1]</sup> Sta. Lucia, as the developer, owns 60% of Eagle Ridge while Alsons, the owner of the land, owns the remaining 40% by virtue of a joint venture agreement. Fil-Estate Realty Corporation (Fil-Estate) was commissioned to sell the subdivision lots and/or golf shares under an Exclusive Marketing Agreement executed on December 5, 1995.<sup>[2]</sup>

On December 20, 1995, Sta. Lucia and Alsons entered into a Contract to Sell, including an addendum to the same, with the petitioners, spouses Howard T. Co Chien and Susan Y. Co Chien (Spouses Co Chien). According to the Contract to Sell, Spouses Co Chien shall purchase Lot No. 16, Block No. 1, Phase I of Eagle Ridge with an area of three hundred one (301) square meters for a lump sum price of one million two hundred ninety three thousand three hundred pesos (P1,293,300.00), with one half of the purchase price as down payment to be paid upon signing the contract and the balance upon delivery of the title to the land to Spouses Co Chien. The petitioners were also given a 10% discount on the purchase price and thereafter they paid a down payment of five hundred eighty one thousand five hundred thirty five pesos (P581,535.00), after the discount. It was also agreed in the addendum to the Contract to Sell that the 10% discount deducted from the down payment shall be forfeited and added to the balance, should Spouses Co Chien fail to pay the said balance within seven (7) days from notice that the title to the subject property is ready for delivery.<sup>[3]</sup>

At the time the Contract to Sell was executed, the private respondents did not possess a License to Sell and a Certificate of Registration from the Housing and Land Use Regulatory Board (HLURB) as required under Sections 4 and 5 of Presidential Decree No. 957 (P.D. 957). The License and Certificate were issued only in July

1997, one year and six months after the execution of the Contract to Sell between the petitioners and the private respondents.<sup>[4]</sup>

On January 19, 1998, Sta. Lucia informed the petitioners that the title to the property was ready for delivery and demanded the payment of the balance of the purchase price. Instead of paying the balance, Spouses Co Chien tried to negotiate for a further discount or, in the alternative, to exchange the property for a better lot in Eagle Ridge. When Spouses Co Chien failed to pay within seven days from notice of the availability of the title, the private respondents forfeited the 10% discount previously given to the petitioners in accordance with the contract and its addendum.<sup>[5]</sup>

On June 16, 1999, Spouses Co Chien sent a written demand to Sta. Lucia for the refund of their down payment on the ground that the Contract to Sell was void for the reason that at the time of its execution, December 20, 1995, the private respondents had no Certificate of Registration and License to Sell as required by Sections 4 and 5 of P.D. 957.<sup>[6]</sup> On July 6, 1999, failing to receive a favorable response from the private respondents, Spouses Co Chien filed a complaint with the HLURB.<sup>[7]</sup>

On May 30, 2001, the HLURB Arbiter ruled in favor of Spouses Co Chien ordering Sta. Lucia and Alsons to refund the down payment with legal interest from July 6, 1999 and to further pay the petitioners P10,000.00 as attorney's fees. The HLURB Arbiter ruled that the lack of Certificate of Registration and License to Sell at the time of execution of the Contract to Sell resulted in the nullification of the contract.<sup>[8]</sup>

On appeal, the HLURB Board of Commissioners (the HLURB Board) reversed the HLURB Arbiter's decision and held that the Contract to Sell was valid and ordered Spouses Co Chien to pay the private respondents the balance of P646,150.00 without penalty interest. The HLURB Board also ordered Sta. Lucia and Alsons to pay jointly and severally an administrative fine of P20,000.00 for two counts of violation of Section 4 of P.D. 957 and another P20,000.00 for two counts of violation of Section 5 of the same decree.<sup>[9]</sup>

Spouses Co Chien then appealed to the Office of the President. In a decision dated June 10, 2003, the Office of the President affirmed the decision of the HLURB Board *in toto*. Not satisfied with the aforementioned ruling, Spouses Co Chien filed a Petition for Review with the Court of Appeals.<sup>[10]</sup>

On February 10, 2004, the Court of Appeals denied the petition and affirmed the decision of the Office of the President.<sup>[11]</sup>

Hence, this petition.

The primary issues in this case are as follows: (1) whether the absence of the Certificate of Registration and License to Sell at the time of execution rendered the Contract to Sell and its addendum null and void; and (2) whether the petitioners are guilty of laches or estoppel.

We will discuss the issues seriatim.

It is the contention of the petitioners that the lack of Certificate of Registration (the Certificate) and License to Sell (the License) on the part of the private respondents at the time the contract was executed rendered the Contract to Sell null and void, thus, entitling them to a refund of their down payment. Spouses Co Chien aver that the use of the words "shall not" and the phrase "unless he shall have first obtained a license to sell within two weeks from the registration of such project" in Section 5 of P.D. 957 indicate that the absence of the Certificate and License render the contract null and void.<sup>[12]</sup> The private respondents, on the other hand, state that the provision of law invoked by Spouses Co Chien does not provide that the absence of the Certificate and License at the time the contract was executed would automatically invalidate the contract.<sup>[13]</sup> The private respondents assert that the Sec. 5, P.D. 957 is merely directory as it does not affect substantial rights, does not relate to the essence of a sale and compliance therewith is simply a matter of administrative convenience.<sup>[14]</sup>

Sections 4 and 5 of P.D. 957 state:

Sec. 4. Registration of Projects

. . . .

The owner or the real estate dealer interested in the sale of lots or units, respectively, in such subdivision project or condominium project **shall register the project with the Authority** by filing therewith a sworn registration statement containing the following information:

. . . .

The subdivision project of the condominium project shall be **deemed registered upon completion of the above publication requirement. The fact of such registration shall be evidenced by a registration certificate** to be issued to the applicant-owner or dealer.

Sec. 5. License to Sell. - **Such owner or dealer to whom has been issued a registration certificate shall not, however, be authorized to sell any subdivision lot or condominium unit in the registered project unless he shall have first obtained a license to sell the project within two weeks from the registration of such project.**

**The Authority, upon proper application** therefor, shall issue to such owner or dealer of a registered project a license to sell the project **if, after an examination** of the registration statement filed by said owner or dealer and all the pertinent documents attached thereto, he **is convinced that the owner or dealer is of good repute, that his business is financially stable, and that the proposed sale of the subdivision lots or condominium units to the public would not be fraudulent.**<sup>[15]</sup>

The same decree further states:

Sec. 38. Administrative Fines. - The Authority may prescribe and impose fines not exceeding ten thousand pesos for violations of the provisions of this Decree or of any rule or regulation thereunder. Fines shall be payable to the Authority and enforceable through writs of execution in accordance with the provisions of the Rules of Court.

Sec. 39. Penalties. - Any person who shall violate any of the provisions of this Decree and/or any rule or regulation that may be issued pursuant to this Decree shall, upon conviction, be punished by a fine of not more than twenty thousand (P20,000.00) pesos and/or imprisonment of not more than ten years: Provided, That in the case of corporations, partnership, cooperatives, or associations, the President, Manager or Administrator or the person who has charge of the administration of the business shall be criminally responsible for any violation of this Decree and/or the rules and regulations promulgated pursuant thereto.<sup>[16]</sup>

P.D. 957 is a law that seeks to regulate the sale of subdivision lots and condominiums in view of the increasing number of incidents wherein "real estate subdivision owners, developers, operators, and/or sellers have reneged on their representations and obligations to provide and maintain properly"<sup>[17]</sup> the basic requirements and amenities, as well as "reports of alarming magnitude...of swindling and fraudulent manipulations perpetrated by unscrupulous subdivision and condominium sellers and operators."<sup>[18]</sup> As such, P.D. 957 requires the registration not just of the developers, sellers, brokers and/or owners of the project but also of the project itself.<sup>[19]</sup> Upon registration of the project, a license to sell must be obtained prior to the sale of the subdivision lots or condominium units therein.<sup>[20]</sup> The law also provides for the suspension and revocation of the registration and license in certain instances, as well as the procedure to be observed in the event thereof.<sup>[21]</sup> Finally, the law provides for administrative fines and other penalties in case of violation of, or non-compliance with its provisions.<sup>[22]</sup>

A review of the relevant provisions of P.D. 957 reveals that while the law penalizes the selling of subdivision lots and condominium units without prior issuance of a Certificate of Registration and License to Sell by the HLURB, it does not provide that the absence thereof will automatically render a contract, otherwise validly entered, void. The penalty imposed by the decree is the general penalty provided for the violation of any of its provisions.<sup>[23]</sup> It is well-settled in this jurisdiction that the clear language of the law shall prevail.<sup>[24]</sup> This principle particularly enjoins strict compliance with provisions of law which are penal in nature, or when a penalty is provided for the violation thereof. With regard to P.D. 957, nothing therein provides for the nullification of a contract to sell in the event that the seller, at the time the contract was entered into, did not possess a certificate of registration and license to sell.<sup>[25]</sup> Absent any specific sanction pertaining to the violation of the questioned provisions (Secs. 4 and 5), the general penalties provided in the law shall be applied. The general penalties for the violation of any provisions in P.D. 957 are provided for in Sections 38 and 39. As can clearly be seen in the aforequoted provisions, the same do not include the nullification of contracts that are otherwise validly entered.