

THIRD DIVISION

[G.R. NO. 130913, June 21, 2005]

OLIVERIO LAPERAL AND FILIPINAS GOLF & COUNTRY CLUB INC., PETITIONERS, VS. SOLID HOMES, INC., RESPONDENT. SOUTHRIDGE VILLAGE HOMEOWNERS ASSOCIATION, INTERVENOR.

D E C I S I O N

GARCIA, J.:

Before us is this petition for review on certiorari under Rule 45 of the Rules of Court to nullify and set aside the following issuances of the Court of Appeals in **CA-G.R. CV No. 37853**, to wit:

1. **Decision dated September 18, 1996,**^[1] affirming with modification an earlier decision of the Regional Trial Court at Laguna, Br. XXV, in an action for reformation of document thereat commenced by herein respondent Solid Homes, Inc. against the petitioners; and
2. **Resolution dated September 23, 1997,**^[2] denying the parties' respective motions for reconsideration.

As found by the Court of Appeals in the decision under review, the material facts may be briefly stated, as follows:

On June 6, 1981, Filipinas Golf Sales and Development Corporation (FGSDC), predecessor-in-interest of petitioner **Filipinas Golf and Country Club, Inc. (FGCCI)**, represented by its then President, the other petitioner herein, **Oliverio Laperal**, entered into a *Development and Management Agreement*^[3] (Agreement, for short) with herein respondent **Solid Homes, Inc.**, a registered subdivision developer, involving several parcels of land owned by Laperal and FGSDC with an aggregate area of approximately 42 hectares and located at Bo. San Antonio, San Pedro, Laguna.

Under the terms and conditions of the aforementioned Agreement and the *Supplement*^[4] thereto dated January 19, 1982, respondent Solid Homes, Inc., undertook to convert at its own expense the land subject of the agreement into a first-class residential subdivision, in consideration of which respondent will get 45% of the lot titles of the saleable area in the entire project.

On different dates, or more specifically on June 8, 1983, June 22, 1983 and July 29, 1983, Victorio V. Soliven, President and General Manager of respondent Solid Homes, Inc., wrote Oliverio Laperal, President of FGSDC, requesting Laperal to furnish Solid Homes, Inc., with the owner's duplicate copies of the Torrens titles

covering the subject land in order to facilitate the processing of respondent's application with the Human Settlements Regulatory Commission (HSRC) for a license to sell subdivision lots, as required under Presidential Decree No. 957.

Despite repeated requests, however, Laperal did not comply.

On October 7, 1983, the aforementioned Agreement was cancelled by the parties, and, in lieu thereof, two (2) contracts identically denominated Revised Development and Management Agreement^[5] (***Revised Agreements***, for short) were entered into by respondent with the two (2) successors-in-interest of FGSDC, to wit: (1) one, with petitioner Oliverio Laperal as owner of the 181,075-square meter area of the subject land; and (2) another, with petitioner FGCCI as owner of the 399,075-square meter area thereof.

Unlike the original agreement, both *Revised Agreements* omitted the obligation of herein petitioners Laperal and FGCCI to make available to respondent Solid Homes, Inc. the owner's duplicate copies of the titles covering the subject parcels of land.

And, because there were still other matters which were inadvertently omitted in the said Revised Agreements, the parties executed an ***Addendum***^[6] thereto dated November 11, 1983.

In addition to the provision on the automatic rescission of the *Revised Agreements* in case of breach of the terms and conditions thereof under paragraph 10 of the same, the parties further agreed in the Addendum that upon a showing that respondent deliberately abandoned or discontinued work in the subject project, all improvements of whatever nature and kind it may have introduced in the property and existing as of the date of the violation shall be forfeited in favor of the petitioners without any obligation on their part to pay respondent therefor. Likewise, the parties agreed in the same *Addendum* to a forfeiture of all advances made and remittances of proceeds from reservations and sales upon occurrence of the aforesaid default or violation of any of the terms and conditions of the *Revised Agreements* and the *Addendum*. Under the Addendum, abandonment is deemed to have occurred upon failure or absence of any work for development for any ten (10) days.

It appears, however, that even as the *Revised Agreements* already provided for the non-surrender of the owner's duplicate copies of the titles, respondent persisted in its request for the delivery thereof, explaining that said owner's duplicate copies were necessary for: (1) the issuance by the HSRC of the license to sell; (2) the segregation of the golf course portion from the rest of the subdivision area; (3) the segregation of the individual titles for portions which are supposed to be made available for PAG-IBIG take-outs; and (4) the preparation of the technical description of nine (9) blocks already approved by the Bureau of Lands.

Then, in a letter dated December 7, 1983 addressed to herein petitioners, respondent, through its Executive Vice-President and Treasurer, Purita R. Soliven, explained that it was unable to meet the November 30, 1983 deadline for the payment of P1 Million as provided for in the *Revised Agreements* because there was delay in the processing of its license to sell, which, in turn, is due to petitioners' continued refusal to deliver the owner's duplicate copies of the titles, contrary to

what was allegedly agreed upon by the parties. Respondent reiterated in the same letter that in the absence of such license from HSRC, it would not be able to comply with the rest of its undertakings within the allotted periods since the projected collection of amounts from sales and reservations of the subdivision lots did not materialize. Nonetheless, in order to demonstrate that it was not reneging on its commitments under the *Revised Agreements* despite its difficulties to generate more funds, respondent proposed that it be allowed to assign to petitioners P1Million out of its receivables worth P1,209,000.00 from loan proceeds due in its favor under the PAG-IBIG housing program, which it expected to receive for some of the completed housing units.

In separate letters both dated December 9, 1983, however, petitioners rejected respondent's proposal and instead insisted on the payment of P1Million to each of them.

It was only at this point, as alleged in respondent's reply letter dated December 13, 1983, that respondent supposedly realized that instead of providing for the payment of only P500,000.00 in each contract, or a total of P1Million for both *Revised Agreements*, the total amount of P1Million was erroneously carried over in each of the *Revised Agreements*, with the consequence that under said two (2) Revised Agreements, it was bound to pay a total of P2Million to the petitioners.

Meanwhile, in subsequent letters dated January 6, 1984, January 17, 1984 and February 6, 1984, respondent continued to press petitioners for the delivery of the owner's duplicate copies of their titles covering the subject parcel of land.

Then, on March 9, 1984, petitioners served on respondent notices of rescission of the *Revised Agreements* with a demand to vacate the subject properties and yield possession thereof to them. In the same letter, petitioners made it clear that they are enforcing the rescission clause of the Revised Agreements on account of respondents' failure to: (1) pay them P1Million each on November 30, 1983; (2) complete the development of Phase I-A of the project not later than February 15, 1984; and (3) obtain from the HSRC the license to sell subdivision lots.

In its response-letter dated March 14, 1984, respondent, through counsel, objected to the announced rescission, arguing that the proximate cause of its inability to meet its contractual obligations was petitioners' own failure and refusal to deliver their owner's duplicate copies of the titles for processing by the HSRC, PAG-IBIG, accredited banks, and other government agencies, adding that on account of petitioners' failure to do so, it was not issued the necessary license to sell, thus resulting in the slowdown in the development works in the project due to its inability to generate additional funds and to the slackening of its sales campaign.

Such was the state of things when, on April 2, 1984, in the Regional Trial Court (RTC) at Biñan, Laguna respondent Solid Homes, Inc. instituted the complaint in this case praying for the reformation of the *Revised Agreements* and the *Addendum* on the ground that these contracts failed to express the true intent of the parties. In the same complaint, respondent prayed for the issuance of a temporary restraining order (TRO) and a writ of preliminary injunction to prevent petitioners from exercising their rights as owners of the subject properties. Docketed with the same court as Civil Case No. B-2069, the complaint was raffled to Branch XXV thereof.

On the very day that the complaint was filed, the trial court issued a TRO to prevent petitioners from implementing the unilateral rescission of the *Revised Agreements* and the *Addendum*.

Later, in an order dated May 23, 1984,^[7] the same court granted respondent's application for a writ of preliminary injunction upon its posting of a bond in the amount of P1Million.

On April 18, 1985,^[8] the **Southridge Village Homeowner's Association** filed a complaint-in-intervention praying that the rights and preferential status of its members who have been occupying some of the completed units in the subdivision project be respected by whoever between the principal litigants may later be adjudged as the prevailing party.

Both the petitioners and respondent filed their respective answers to the aforesaid complaint-in-intervention, commonly alleging intervenor's lack of capacity to sue. Petitioners added in their answer that it should be respondent which must be made solely liable to the intervenor for whatever claims its members may be entitled to. For its part, respondent prayed for the cancellation, in whole or in part, of its contracts with the members of the intervenor Association to the extent compatible with prevailing economic conditions.

Upon petitioners' motion, the trial court issued an order on May 20, 1985 lifting the writ of preliminary injunction over the entire property except as to Phase I-A thereof, and reducing respondent's injunction bond from P1Million to only P200,000.00.

Petitioners then filed a motion for reconsideration. Finding merit in the motion, the trial court, in its order of August 15, 1985,^[9] as clarified in its order of September 27, 1985,^[10] completely lifted the writ of preliminary injunction so as to include the area covered by Phase I-A, and cancelled the bond of P200,000.00 earlier posted by respondent.

To these orders, both parties filed their respective motions for reconsideration. In its subsequent order dated November 8, 1985,^[11] the trial court modified its August 15, 1985 order by maintaining the complete lifting of the writ of preliminary injunction but ordering the restoration of respondent's P1Million bond or its substitution with another if the same had already been cancelled, to answer for whatever damages that may be proven by the petitioners during the trial of the case.

The above-mentioned orders, namely, orders dated May 20, 1985, August 15, 1985, September 27, 1985 and November 8, 1985 involving the dissolution of the writ of preliminary injunction over the entire property and the maintenance of the P1Million bond against respondent, became the subject of a petition for certiorari filed by respondent before the Court of Appeals docketed therein as CA-G.R. SP No. 47885.

In a decision dated October 9, 1987, the Court of Appeals dismissed the petition.

Therefrom, respondent went to this Court in G.R. No. 80290 but later abandoned the same, prompting this Court, in its Resolution dated February 22, 1988, to

consider the Court of Appeals' dismissal of respondent's petition final and executory.

Meanwhile, upon respondent's application, a notice of *lis pendens* was annotated on the Torrens titles covering the properties in litigation. Said notice, however, was lifted by the trial court in its orders of April 12, 1988 and May 21, 1991.

Eventually, after due proceedings in the main case, the trial court, in a decision dated December 19, 1991,^[12] rendered judgment dismissing respondent's complaint for reformation. We quote the dispositive portion of the same decision:

IN THE LIGHT OF THE FOREGOING, judgment is hereby rendered in favor of the defendants and against the plaintiff dismissing the complaint with costs:

On defendants' recovery upon the bond posted by the plaintiff to answer to whatever damages that the party enjoined may suffer by reason of the injunction, resolution as to the propriety of its award is hereby held in abeyance until after proper application by the defendants and hearing thereon, as reserved by the defendants in their memorandum.

As regards the Intervenors, the defendants are directed to respect and acknowledge their preferential rights over said Intervenors' occupied houses and lots.

SO ORDERED.

Therefrom, respondent went to the Court of Appeals via ordinary appeal in **CA-G.R. CV No. 37853**.

As stated at the threshold hereof, the Court of Appeals, in a **decision dated September 18, 1996**,^[13] affirmed with modification the appealed decision of the trial court, thus:

WHEREFORE, IN VIEW OF ALL THE FOREGOING, the decision appealed from is **AFFIRMED** with the modification that [petitioners] are ordered to reimburse [respondent], jointly and severally, the amount of Five Million Two Hundred Thousand Eight Hundred Thirty Three Pesos and Twenty Seven Centavos (P5,200,833.27) representing the actual cost of the development and the completed improvements on the project. In all other respects, the judgment of the trial court is **AFFIRMED**.

SO ORDERED.

Both parties separately moved for reconsideration, but their respective motions were denied by the appellate court in its **resolution of September 23, 1997**.^[14]

And, as they did not agree with the judgment, petitioners are now appealing to this Court for relief *via* the present recourse, it being their submission that the Court of Appeals erred-

I.

xxx IN HOLDING THAT PETITIONERS' TERMINATION OF THE REVISED