

## THIRD DIVISION

[ G.R. No. 155634, August 16, 2004 ]

**REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE SOCIAL SECURITY SYSTEM, PETITIONER, VS. JERRY V. DAVID, RESPONDENT.**

### DECISION

**PANGANIBAN, J.:**

Under the terms of the subject Contract, "actual possession" cannot be equated with "actual occupancy." Inasmuch as the housing unit was physically occupied by parties other than those intended to be benefited by the housing program of the Social Security System, there was a clear violation of the Contract. Since respondent did not comply with his obligations, rescission is proper.

### The Case

Before us is a Petition for Review<sup>[1]</sup> under Rule 45 of the Rules of Court, assailing the October 9, 2002 Decision<sup>[2]</sup> of the Court of Appeals (CA) in CA-GR CV No. 61374. The appellate court disposed as follows:

"**WHEREFORE**, the instant appeal is **DENIED** for lack of merit. The decision of the Regional Trial Court, Quezon City, Branch 105, in Civil Case No. Q-96-27031 is hereby **AFFIRMED**."<sup>[3]</sup>

### The Facts

The CA narrated the facts thus:

"x x x [Respondent] Jerry V. David is an employee of the SSS, formerly assigned at its Membership (Backroom) Department. Pursuant to its Employees' Housing Loan Program, SSS awarded David a house and lot located at North Fairview, Quezon City. A Deed of Conditional Sale over the subject property was thereafter executed between the parties.

"On reports that numerous violations have been committed by some of the housing awardees in connection with the conditions governing their sales, SSS conducted an investigation on the matter. The investigation revealed that in the case of [Respondent] David, he committed two (2) violations of his deed of conditional sale, to wit: (1) neither the [respondent] nor his immediate family resided and/or occupied the said housing unit, and (2) he allowed a certain Buenaventura Penus to possess and occupy the property.

"As a consequence of these violations, SSS sent a letter to David formally revoking, terminating and/or rescinding the deed of conditional sale.

However, the latter refused to vacate and surrender possession of the subject property, prompting SSS to institute a complaint with the Quezon City RTC on March 28, 1996 revoking the deed of conditional sale and likewise praying for the issuance of a writ of possession in its favor.

"During the pre-trial of the case, the court observed that while the complaint was captioned 'Petition for Recovery of Possession with [P]rayer for Issuance of a Writ of Possession,' an examination of its body shows that the prayer was actually for the rescission of the deed of conditional sale. For this reason, the court ordered the amendment of the complaint and in compliance thereto, [petitioner] submitted its amended complaint on March 19, 1997.

"[Respondent] David denied the alleged violations of the deed of conditional sale, stating that Buenaventura Penu, alluded to by the [petitioner] as possessor-occupant of the subject property, was in fact a caretaker until and after the necessary renovations and modifications on the house were made.

"In a [D]ecision dated July 1, 1998, the court a quo dismissed the complaint and adjudged the [petitioner] liable for costs. The dispositive portion of the trial court's decision reads:

'WHEREFORE, in the light of the foregoing, the Amended Complaint is dismissed, with costs against the plaintiff.

'SO ORDERED.'

"In dismissing the complaint, the court ruled that the [petitioner] failed to prove that the [respondent] purchased the subject property for the use and benefit of another undisclosed party and not for his exclusive use, or that the defendant sold, assigned, encumbered, mortgaged, leased, subleased or in any manner altered or disposed of the subject property or his rights thereto at any other time. In arriving at its [D]ecision, the lower court considered the testimony of the [respondent] that when the subject property was delivered to him on October 23, 1992, the unit was not habitable so he had to make a few constructions thereon. He secured the services of his cousin, Buenaventura Penu, to be the caretaker while construction on the house was going on. With this, the court concluded that possession, as a condition of the deed of sale between the parties, was sufficiently satisfied.

"Aggrieved, [Petitioner] SSS brought [an] appeal [to the CA], arguing that the court a quo erred in holding that [respondent] did not violate the terms and conditions of the Deed of Conditional Sale and in consequently dismissing the case."<sup>[4]</sup>

### **Ruling of the Court of Appeals**

Affirming the trial court, the CA ruled that while other persons had been found occupying the subject property, no proof was adduced by petitioner to prove that they had taken possession of it on their own behalf and not merely as respondent's

caretakers. The appellate court added that because of the squalid condition of the property when it was delivered, respondent had to make improvements thereon as well as ask Penus, and later on Oden Domingo, to stay there as caretakers.

Through his caretakers, respondent was deemed to have occupied and possessed the property as required by the Deed of Sale between him and petitioner. The CA concluded that the property had clearly been subject to respondent's will, a fact equivalent to possession under Article 531<sup>[5]</sup> of the Civil Code.

Hence, this Petition.<sup>[6]</sup>

### **Issues**

In its Memorandum, petitioner raises this sole issue: "whether the Court of Appeals committed reversible error in affirming the Decision of the trial court holding that respondent did not violate the terms and conditions of the Deed of Conditional Sale."<sup>[7]</sup>

### **The Court's Ruling**

The Petition is meritorious.

#### **Sole Issue:**

#### **Violation of the Terms and Conditions of the Deed of Conditional Sale**

Petitioner avers that respondent violated the terms and conditions of the Deed of Conditional Sale, when he failed to "actually occupy and possess the property at all times"<sup>[8]</sup> and allowed other persons to do so.<sup>[9]</sup>

It argues that contrary to the rulings of the trial and the appellate courts, the Deed of Conditional Sale required "actual physical possession at all times," not just simple possession. It contends that the material occupation of the property by other persons ran counter to the objective of the Social Security System (SSS) housing program to restrict the use and enjoyment of the housing units to SSS employees and their immediate families only.

Petitioner likewise submits that the appellate court erred in believing the claim of respondent that the house was uninhabitable when it was delivered to him in 1992. His claim was belied by his acceptance of the property without protest, as well as by the fact that his alleged caretakers had lived there from 1992 to 1996. Petitioner adds that he should have used his available money to improve the property, if the unit was indeed unlivable, instead of fully settling in advance in December 1992 the unpaid balance of its purchase price.

#### **Propriety of Review**

At the outset, the Court stresses that a question of law has arisen from petitioner's contention that simple possession under Article 531 of the Civil Code is not the same as "actual occupancy and possession at all times," as required of respondent

under the Deed. Such question -- of what law, rule or principle is to govern a given state of facts -- is decidedly one of law.<sup>[10]</sup> It may be raised in this appeal by certiorari under Rule 45 of the Rules of Court.

### **Rules of Contract Interpretation**

Certain rules of contract interpretation come to mind at this point. *First*, in construing a contract, it is a fundamental task to ascertain the intention of the contracting parties.<sup>[11]</sup> As a rule, such intention is determined by looking at the words used -- at all the words rather than at a particular word or two; and at words in context rather than just words standing alone.<sup>[12]</sup>

Indeed, under Article 1374 of the Civil Code, "the various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly." *Second*, the ascertained intention of the parties is deemed an integral part of the contract, as though it has been originally expressed in unequivocal terms.<sup>[13]</sup> And *third*, the reasonableness of the result obtained, after analysis and construction of a contract, must also be carefully considered.<sup>[14]</sup>

The conditions that were allegedly violated by respondent are contained in paragraph 10 of the Deed of Conditional Sale, as follows:

"10. The Contract shall further [provide] the following terms and conditions:

(a) *The VENDEE is making this purchase for his/her own exclusive use and benefit and not for the use and benefit of another undisclosed party/parties;*

(b) The purpose of the sale shall be to aid the VENDEE in acquiring a house and lot for himself/herself and/or his/her immediate family, and not to provide him/her with a means for speculation or profit by a future assignment of his/her right herein acquired or the resale of the PROPERTY subject of this Contract. Therefore, the VENDEE, within the first FIVE (5) years of the existence of this contract agrees not to sell, assign, encumber, mortgage, lease, sub-let or in any manner alter or dispose of the property subject hereof, or his rights thereto, at any time, in whole or in part. After the FIVE (5) year period, VENDEE shall have the right to the full disposal of the property, provided that, VENDEE has been able to fully pay all of his/her obligations herein. However, the foregoing notwithstanding, the VENDEE may x x x at any time with prior consent of the VENDOR transfer his right to the PROPERTY to any eligible employee of the VENDOR, subject, however, to the right of first refusal by the VENDOR who may refund to the VENDEE all of his/her installment payments and the value of substantial improvements introduced by him/her if any, as appraised by the VENDOR;

(c) *The VENDEE, and his heirs and/or successors, shall actually occupy and be in possession of the PROPERTY at all times;*

(d) The VENDEE shall not obstruct or interfere in any manner whatsoever with the right of the VENDOR or any of its duly authorized representatives to inspect, survey, repair, lay water pipes, gas, electric and telephone lines or other works of similar purposes;

(e) The VENDEE shall abide by and comply with the Vendor's Occupancy Rules and Regulations the terms and conditions of which are made an integral part hereof by reference, as well as that issued by any other governmental authority which may, from time to time, be promulgated in regard to the use and preservation of the house and lot;

(f) The VENDEE warrants in full the truth of the representation made in his/her Application For EMPLOYEE HOUSING LOAN, the terms of which are likewise made an integral part hereof by reference.

"The violation of any of the conditions herein stipulated shall be considered as a breach of this Contract, and shall subject the VENDEE to the penalties provided for in paragraphs (11) and (12) hereof, including administrative sanctions, when warranted, in the event x x x the VENDEE has been found to have committed a misrepresentation/falsification in his/her application for an Employee Housing Loan."<sup>[15]</sup>

**Actual Occupancy and Possession at All Times**

Plainly, the primary intention behind the above-quoted stipulations is to restrict the sale, the use and the benefit of the housing units to SSS employees and their immediate families only. This objective is in line with that of the SSS housing loan program -- to aid its employees in acquiring their own dwelling units at a low cost.<sup>[16]</sup> Such intent, draws life also from the social justice policy of RA 1161, as amended, otherwise known as the "Social Security System Law" granting direct housing loans to covered employees and giving priority to low-income groups.<sup>[17]</sup>

Indeed, the above goal is confirmed by the requirement that respondent-vendee and his heirs or assigns must actually occupy and possess the property at all times; by the proscription that he must not sell, assign, encumber, mortgage, lease, sublet or in any manner alter or dispose of the property for the first five (5) years; and by the further proviso that he may alienate or transfer his rights thereto at any time prior to full payment, but only to petitioner under its right of first refusal or to any other eligible SSS employee. These restrictive covenants are undeniably valid under Article 1306<sup>[18]</sup> of the Civil Code.

The use of the conjunctive *and* in subparagraph (c) is not by any chance a surplusage. Neither is it meant to be without any legal signification. Its use is confirmatory of the restrictive intent that the houses provided by petitioner should