

SECOND DIVISION

[G.R. No. 140667, August 12, 2004]

**WOODCHILD HOLDINGS, INC., PETITIONER, VS. ROXAS
ELECTRIC AND CONSTRUCTION COMPANY, INC., RESPONDENT.**

DECISION

CALLEJO, SR., J.:

This is a petition for review on certiorari of the Decision^[1] of the Court of Appeals in CA-G.R. CV No. 56125 reversing the Decision^[2] of the Regional Trial Court of Makati, Branch 57, which ruled in favor of the petitioner.

The Antecedents

The respondent Roxas Electric and Construction Company, Inc. (RECCI), formerly the Roxas Electric and Construction Company, was the owner of two parcels of land, identified as Lot No. 491-A-3-B-1 covered by Transfer Certificate of Title (TCT) No. 78085 and Lot No. 491-A-3-B-2 covered by TCT No. 78086. A portion of Lot No. 491-A-3-B-1 which abutted Lot No. 491-A-3-B-2 was a dirt road accessing to the Sumulong Highway, Antipolo, Rizal.

At a special meeting on May 17, 1991, the respondent's Board of Directors approved a resolution authorizing the corporation, through its president, Roberto B. Roxas, to sell Lot No. 491-A-3-B-2 covered by TCT No. 78086, with an area of 7,213 square meters, at a price and under such terms and conditions which he deemed most reasonable and advantageous to the corporation; and to execute, sign and deliver the pertinent sales documents and receive the proceeds of the sale for and on behalf of the company.^[3]

Petitioner Woodchild Holdings, Inc. (WHI) wanted to buy Lot No. 491-A-3-B-2 covered by TCT No. 78086 on which it planned to construct its warehouse building, and a portion of the adjoining lot, Lot No. 491-A-3-B-1, so that its 45-foot container van would be able to readily enter or leave the property. In a Letter to Roxas dated June 21, 1991, WHI President Jonathan Y. Dy offered to buy Lot No. 491-A-3-B-2 under stated terms and conditions for P1,000 per square meter or at the price of P7,213,000.^[4] One of the terms incorporated in Dy's offer was the following provision:

5. This Offer to Purchase is made on the representation and warranty of the OWNER/SELLER, that he holds a good and registrable title to the property, which shall be conveyed CLEAR and FREE of all liens and encumbrances, and that the area of 7,213 square meters of the subject property already includes the area on which the right of way traverses from the main lot (area) towards the exit to the Sumulong Highway as shown in the location plan furnished by the Owner/Seller to the buyer. Furthermore, in the event that the right of way

is insufficient for the buyer's purposes (example: entry of a 45-foot container), the seller agrees to sell additional square meter from his current adjacent property to allow the buyer to full access and full use of the property.^[5]

Roxas indicated his acceptance of the offer on page 2 of the deed. Less than a month later or on July 1, 1991, Roxas, as President of RECCI, as vendor, and Dy, as President of WHI, as vendee, executed a contract to sell in which RECCI bound and obliged itself to sell to Dy Lot No. 491-A-3-B-2 covered by TCT No. 78086 for P7,213,000.^[6] On September 5, 1991, a Deed of Absolute Sale^[7] in favor of WHI was issued, under which Lot No. 491-A-3-B-2 covered by TCT No. 78086 was sold for P5,000,000, receipt of which was acknowledged by Roxas under the following terms and conditions:

The Vendor agree (*sic*), as it hereby agrees and binds itself to give Vendee the beneficial use of and a right of way from Sumulong Highway to the property herein conveyed consists of 25 square meters wide to be used as the latter's egress from and ingress to and an additional 25 square meters in the corner of Lot No. 491-A-3-B-1, as turning and/or maneuvering area for Vendee's vehicles.

The Vendor agrees that in the event that the right of way is insufficient for the Vendee's use (ex entry of a 45-foot container) the Vendor agrees to sell additional square meters from its current adjacent property to allow the Vendee full access and full use of the property.

...

The Vendor hereby undertakes and agrees, at its account, to defend the title of the Vendee to the parcel of land and improvements herein conveyed, against all claims of any and all persons or entities, and that the Vendor hereby warrants the right of the Vendee to possess and own the said parcel of land and improvements thereon and will defend the Vendee against all present and future claims and/or action in relation thereto, judicial and/or administrative. In particular, the Vendor shall eject all existing squatters and occupants of the premises within two (2) weeks from the signing hereof. In case of failure on the part of the Vendor to eject all occupants and squatters within the two-week period or breach of any of the stipulations, covenants and terms and conditions herein provided and that of contract to sell dated 1 July 1991, the Vendee shall have the right to cancel the sale and demand reimbursement for all payments made to the Vendor with interest thereon at 36% per annum.^[8]

On September 10, 1991, the Wimbeco Builder's, Inc. (WBI) submitted its quotation for P8,649,000 to WHI for the construction of the warehouse building on a portion of the property with an area of 5,088 square meters.^[9] WBI proposed to start the project on October 1, 1991 and to turn over the building to WHI on February 29, 1992.^[10]

In a Letter dated September 16, 1991, Ponderosa Leather Goods Company, Inc. confirmed its lease agreement with WHI of a 5,000-square-meter portion of the warehouse yet to be constructed at the rental rate of P65 per square meter. Ponderosa emphasized the need for the warehouse to be ready for occupancy before

April 1, 1992.^[11] WHI accepted the offer. However, WBI failed to commence the construction of the warehouse in October 1, 1991 as planned because of the presence of squatters in the property and suggested a renegotiation of the contract after the squatters shall have been evicted.^[12] Subsequently, the squatters were evicted from the property.

On March 31, 1992, WHI and WBI executed a Letter-Contract for the construction of the warehouse building for P11,804,160.^[13] The contractor started construction in April 1992 even before the building officials of Antipolo City issued a building permit on May 28, 1992. After the warehouse was finished, WHI issued on March 21, 1993 a certificate of occupancy by the building official. Earlier, or on March 18, 1993, WHI, as lessor, and Ponderosa, as lessee, executed a contract of lease over a portion of the property for a monthly rental of P300,000 for a period of three years from March 1, 1993 up to February 28, 1996.^[14]

In the meantime, WHI complained to Roberto Roxas that the vehicles of RECCI were parked on a portion of the property over which WHI had been granted a right of way. Roxas promised to look into the matter. Dy and Roxas discussed the need of the WHI to buy a 500-square-meter portion of Lot No. 491-A-3-B-1 covered by TCT No. 78085 as provided for in the deed of absolute sale. However, Roxas died soon thereafter. On April 15, 1992, the WHI wrote the RECCI, reiterating its verbal requests to purchase a portion of the said lot as provided for in the deed of absolute sale, and complained about the latter's failure to eject the squatters within the three-month period agreed upon in the said deed.

The WHI demanded that the RECCI sell a portion of Lot No. 491-A-3-B-1 covered by TCT No. 78085 for its beneficial use within 72 hours from notice thereof, otherwise the appropriate action would be filed against it. RECCI rejected the demand of WHI. WHI reiterated its demand in a Letter dated May 29, 1992. There was no response from RECCI.

On June 17, 1992, the WHI filed a complaint against the RECCI with the Regional Trial Court of Makati, for specific performance and damages, and alleged, *inter alia*, the following in its complaint:

5. The "current adjacent property" referred to in the aforequoted paragraph of the Deed of Absolute Sale pertains to the property covered by Transfer Certificate of Title No. N-78085 of the Registry of Deeds of Antipolo, Rizal, registered in the name of herein defendant Roxas Electric.
6. Defendant Roxas Electric in patent violation of the express and valid terms of the Deed of Absolute Sale unjustifiably refused to deliver to Woodchild Holdings the stipulated beneficial use and right of way consisting of 25 square meters and 55 square meters to the prejudice of the plaintiff.
7. Similarly, in as much as the 25 square meters and 55 square meters allotted to Woodchild Holdings for its beneficial use is inadequate as turning and/or maneuvering area of its 45-foot container van, Woodchild Holdings manifested its intention pursuant

to para. 5 of the Deed of Sale to purchase additional square meters from Roxas Electric to allow it full access and use of the purchased property, however, Roxas Electric refused and failed to merit Woodchild Holdings' request contrary to defendant Roxas Electric's obligation under the Deed of Absolute Sale (Annex "A").

8. Moreover, defendant, likewise, failed to eject all existing squatters and occupants of the premises within the stipulated time frame and as a consequence thereof, plaintiff's planned construction has been considerably delayed for seven (7) months due to the squatters who continue to trespass and obstruct the subject property, thereby Woodchild Holdings incurred substantial losses amounting to P3,560,000.00 occasioned by the increased cost of construction materials and labor.
9. Owing further to Roxas Electric's deliberate refusal to comply with its obligation under Annex "A," Woodchild Holdings suffered unrealized income of P300,000.00 a month or P2,100,000.00 supposed income from rentals of the subject property for seven (7) months.
10. On April 15, 1992, Woodchild Holdings made a final demand to Roxas Electric to comply with its obligations and warranties under the Deed of Absolute Sale but notwithstanding such demand, defendant Roxas Electric refused and failed and continue to refuse and fail to heed plaintiff's demand for compliance.

Copy of the demand letter dated April 15, 1992 is hereto attached as Annex "B" and made an integral part hereof.

11. Finally, on 29 May 1991, Woodchild Holdings made a letter request addressed to Roxas Electric to particularly annotate on Transfer Certificate of Title No. N-78085 the agreement under Annex "A" with respect to the beneficial use and right of way, however, Roxas Electric unjustifiably ignored and disregarded the same.

Copy of the letter request dated 29 May 1992 is hereto attached as Annex "C" and made an integral part hereof.

12. By reason of Roxas Electric's continuous refusal and failure to comply with Woodchild Holdings' valid demand for compliance under Annex "A," the latter was constrained to litigate, thereby incurring damages as and by way of attorney's fees in the amount of P100,000.00 plus costs of suit and expenses of litigation.^[15]

The WHI prayed that, after due proceedings, judgment be rendered in its favor, thus:

WHEREFORE, it is respectfully prayed that judgment be rendered in favor of Woodchild Holdings and ordering Roxas Electric the following:

- a) to deliver to Woodchild Holdings the beneficial use of the stipulated 25 square meters and 55 square meters;
- b) to sell to Woodchild Holdings additional 25 and 100 square meters to allow it full access and use of the purchased property pursuant to para. 5 of the Deed of Absolute Sale;
- c) to cause annotation on Transfer Certificate of Title No. N-78085 the beneficial use and right of way granted to Woodchild Holdings under the Deed of Absolute Sale;
- d) to pay Woodchild Holdings the amount of P5,660,000.00, representing actual damages and unrealized income;
- e) to pay attorney's fees in the amount of P100,000.00; and
- f) to pay the costs of suit.

Other reliefs just and equitable are prayed for.^[16]

In its answer to the complaint, the RECCI alleged that it never authorized its former president, Roberto Roxas, to grant the beneficial use of any portion of Lot No. 491-A-3-B-1, nor agreed to sell any portion thereof or create a lien or burden thereon. It alleged that, under the Resolution approved on May 17, 1991, it merely authorized Roxas to sell Lot No. 491-A-3-B-2 covered by TCT No. 78086. As such, the grant of a right of way and the agreement to sell a portion of Lot No. 491-A-3-B-1 covered by TCT No. 78085 in the said deed are *ultra vires*. The RECCI further alleged that the provision therein that it would sell a portion of Lot No. 491-A-3-B-1 to the WHI lacked the essential elements of a binding contract.^[17]

In its amended answer to the complaint, the RECCI alleged that the delay in the construction of its warehouse building was due to the failure of the WHI's contractor to secure a building permit thereon.^[18]

During the trial, Dy testified that he told Roxas that the petitioner was buying a portion of Lot No. 491-A-3-B-1 consisting of an area of 500 square meters, for the price of P1,000 per square meter.

On November 11, 1996, the trial court rendered judgment in favor of the WHI, the decretal portion of which reads:

WHEREFORE, judgment is hereby rendered directing defendant:

- (1) To allow plaintiff the beneficial use of the existing right of way plus the stipulated 25 sq. m. and 55 sq. m.;
- (2) To sell to plaintiff an additional area of 500 sq. m. priced at P1,000 per sq. m. to allow said plaintiff full access and use of the purchased property pursuant to Par. 5 of their Deed of Absolute Sale;
- (3) To cause annotation on TCT No. N-78085 the beneficial