

SECOND DIVISION

[G.R. No. 137290, July 31, 2000]

**SAN MIGUEL PROPERTIES PHILIPPINES, INC., PETITIONER, VS.
SPOUSES ALFREDO HUANG AND GRACE HUANG, RESPONDENTS.**

DECISION

MENDOZA, J.:

This is a petition for review of the decision,^[1] dated April 8, 1997, of the Court of Appeals which reversed the decision of the Regional Trial Court, Branch 153, Pasig City dismissing the complaint brought by respondents against petitioner for enforcement of a contract of sale.

The facts are not in dispute.

Petitioner San Miguel Properties Philippines, Inc. is a domestic corporation engaged in the purchase and sale of real properties. Part of its inventory are two parcels of land totalling 1, 738 square meters at the corner of Meralco Avenue and General Capinpin Street, Barrio Oranbo, Pasig City, which are covered by TCT Nos. PT-82395 and PT-82396 of the Register of Deeds of Pasig City.

On February 21, 1994, the properties were offered for sale for P52,140,000.00 in cash. The offer was made to Atty. Helena M. Dauz who was acting for respondent spouses as undisclosed principals. In a letter^[2] dated March 24, 1994, Atty. Dauz signified her clients' interest in purchasing the properties for the amount for which they were offered by petitioner, under the following terms: the sum of P500,000.00 would be given as earnest money and the balance would be paid in eight equal monthly installments from May to December, 1994. However, petitioner refused the counter-offer.

On March 29, 1994, Atty. Dauz wrote another letter^[3] proposing the following terms for the purchase of the properties, *viz*:

This is to express our interest to buy your-above-mentioned property with an area of 1, 738 sq. meters. For this purpose, we are enclosing herewith the sum of P1,000,000.00 representing earnest-deposit money, subject to the following conditions.

1. We will be given the exclusive option to purchase the property within the 30 days from date of your acceptance of this offer.
2. During said period, we will negotiate on the terms and conditions of the purchase; SMPPI will secure the necessary Management and Board approvals; and we initiate the documentation if there is

mutual agreement between us.

3. In the event that we do not come to an agreement on this transaction, the said amount of P1,000,000.00 shall be refundable to us in full upon demand. . . .

Isidro A. Sobrecarey, petitioner's vice-president and operations manager for corporate real estate, indicated his conformity to the offer by affixing his signature to the letter and accepted the "earnest-deposit" of P1 million. Upon request of respondent spouses, Sobrecarey ordered the removal of the "FOR SALE" sign from the properties.

Atty. Dauz and Sobrecarey then commenced negotiations. During their meeting on April 8, 1994, Sobrecarey informed Atty. Dauz that petitioner was willing to sell the subject properties on a 90-day term. Atty. Dauz countered with an offer of six months within which to pay.

On April 14, 1994, the parties again met during which Sobrecarey informed Atty. Dauz that petitioner had not yet acted on her counter-offer. This prompted Atty. Dauz to propose a four-month period of amortization.

On April 25, 1994, Atty. Dauz asked for an extension of 45 days from April 29, 1994 to June 13, 1994 within which to exercise her option to purchase the property, adding that within that period, "[we] hope to finalize [our] agreement on the matter."^[4] Her request was granted.

On July 7, 1994, petitioner, through its president and chief executive officer, Federico Gonzales, wrote Atty. Dauz informing her that because the parties failed to agree on the terms and conditions of the sale despite the extension granted by petitioner, the latter was returning the amount of P1 million given as "earnest-deposit."^[5]

On July 20, 1994, respondent spouses, through counsel, wrote petitioner demanding the execution within five days of a deed of sale covering the properties. Respondents attempted to return the "earnest-deposit" but petitioner refused on the ground that respondents' option to purchase had already expired.

On August 16, 1994, respondent spouses filed a complaint for specific performance against petitioner before the Regional Trial Court, Branch 133, Pasig City where it was docketed as Civil Case No. 64660.

Within the period for filing a responsive pleading, petitioner filed a motion to dismiss the complaint alleging that (1) the alleged "exclusive option" of respondent spouses lacked a consideration separate and distinct from the purchase price and was thus unenforceable and (2) the complaint did not allege a cause of action because there was no "meeting of the minds" between the parties and, therefore, no perfected contract of sale. The motion was opposed by respondents.

On December 12, 1994, the trial court granted petitioner's motion and dismissed the action. Respondents filed a motion for reconsideration, but it was denied by the trial court. They then appealed to the Court of Appeals which, on April 8, 1997, rendered

a decision^[6] reversing the judgment of the trial court. The appellate court held that all the requisites of a perfected contract of sale had been complied with as the offer made on March 29, 1994, in connection with which the earnest money in the amount of P1 million was tendered by respondents, had already been accepted by petitioner. The court cited Art. 1482 of the Civil Code which provides that "[w]henever earnest money is given in a contract of sale, it shall be considered as part of the price and as proof of the perfection of the contract." The fact the parties had not agreed on the mode of payment did not affect the contract as such is not an essential element for its validity. In addition, the court found that Sobrecarey had authority to act in behalf of petitioner for the sale of the properties.^[7]

Petitioner moved for reconsideration of the trial court's decision, but its motion was denied. Hence, this petition.

Petitioner contends that the Court of Appeals erred in finding that there was a perfected contract of sale between the parties because the March 29, 1994 letter of respondents, which petitioner accepted, merely resulted in an option contract, albeit it was unenforceable for lack of a distinct consideration. Petitioner argues that the absence of agreement as to the mode of payment was fatal to the perfection of the contract of sale. Petitioner also disputes the appellate court's ruling that Isidro A. Sobrecarey had authority to sell the subject real properties.^[8]

Respondents were required to comment within ten (10) days from notice. However, despite 13 extensions totalling 142 days which the Court had given to them, respondents failed to file their comment. They were thus considered to have waived the filing of a comment.

The petition is meritorious.

In holding that there is a perfected contract of sale, the Court of Appeals relied on the following findings: (1) earnest money was allegedly given by respondents and accepted by petitioner through its vice-president and operations manager, Isidro A. Sobrecarey; and (2) the documentary evidence in the records show that there was a perfected contract of sale.

With regard to the alleged payment and acceptance of earnest money, the Court holds that respondents did not give the P1 million as "earnest money" as provided by Art. 1482 of the Civil Code. They presented the amount merely as a deposit of what would eventually become the earnest money or downpayment should a contract of sale be made by them. The amount was thus given not as a part of the purchase price and as proof of the perfection of the contract of sale but only as a guarantee that respondents would not back out of the sale. Respondents in fact described the amount as an "earnest-deposit." In *Spouses Doromal, Sr. v. Court of Appeals*,^[9] it was held:

. . . While the P5,000 might have indeed been paid to Carlos in October, 1967, there is nothing to show that the same was in the concept of the earnest money contemplated in Art. 1482 of the Civil Code, invoked by petitioner, as signifying perfection of the sale. Viewed in the backdrop of the factual milieu thereof extant in the record, We are more inclined to believe that the said P5,000.00 were paid in the concept of earnest