

## SECOND DIVISION

**[ G.R. No. 137557, October 30, 2000 ]**

**DEVELOPMENT BANK OF THE PHILIPPINES, PETITIONER, VS. HON. COURT OF APPEALS AND SPOUSES NILO AND ESPERANZA DE LA PEÑA, RESPONDENTS.**

**D E C I S I O N**

**MENDOZA, J.:**

This is a petition for review on *certiorari* of the decision,<sup>[1]</sup> dated August 7, 1998, and resolution,<sup>[2]</sup> dated February 11, 1999, of the Court of Appeals affirming with modification the decision of the Regional Trial Court, Branch 172, Valenzuela, enjoining petitioner from rescinding the contract it had executed covering the sale of a parcel of land and ordering respondent spouses, as vendees, to pay petitioner the amount of P54,200.00.

The facts are undisputed:

Petitioner Development Bank of the Philippines is the owner of a parcel of land in Bulacan (now Lawang Bato, Valenzuela, Metro Manila)<sup>[3]</sup> as evidenced by TCT No. 13351(202029). On August 8, 1983, it sold the land to respondent spouses Nilo and Esperanza De La Peña under a Deed of Conditional Sale for P207,000.00.<sup>[4]</sup> The Deed of Conditional Sale stipulated:

That the down payment shall be P41,400.00 and the balance of P165,600.00 to be paid in six (6) years on the semi-annual amortization plan at 18% interest per annum. The first amortization of P23,126.14 shall be due and payable six (6) months from the date of execution of the Deed of Conditional Sale and all subsequent amortizations shall be due and payable every six (6) months thereafter;

After the execution of the contract, the spouses De La Peña constructed a house on the said lot and began living there. They also introduced other improvements therein by planting fruit trees and building a small garage.<sup>[5]</sup> Pursuant to their contract with the DBP, respondent spouses De La Peña made the following payments:

<u>OR. NO.</u>	<u>DATE</u>	<u>AMOUNT</u>
261122	June 22, 1983	P 36,000.00
355399	August 4, 1983	5,400.00
828029	March 22, 1984	6,000.00
862947	June 4, 1984	21,000.00
1230133	November 15, 1984	3,000.00
1365914	Feb. 8, 1985	6,000.00
1545272	March 11, 1985	6,000.00
1549511	April 8, 1985	6,000.00

1549641	May 3, 1985	6,000.00
1714171	July 9, 1985	11,400.00
1893683	November 29, 1985	11,400.00
2257661	July 3, 1986	10,000.00
2349229	September 3, 1986	15,000.00
2529065	November 4, 1986	16,000.00
2830513	August 18, 1987	21,000.00
3342166	October 12, 1988	10,000.00
3367039	December 9, 1988	10,000.00
3367193	January 10, 1989	10,000.00
3367500	February 10, 1989	10,000.00
3461778	March 9, 1989	18,000.00
3532008	April 10, 1989	18,800.00
3617235	August 28, 1989	<u>P33,000.00</u>
	TOTAL	P289,600.00 <sup>[6]</sup>
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After making the above payments, Esperanza De La Peña went to petitioner DBP and asked for the execution of a Deed of Absolute Sale and for the issuance of the title to the property.<sup>[7]</sup> On January 5, 1989, however, respondent spouses De La Peña were informed by DBP through a letter that there was still a balance of P221,86.85, broken down as follows, owing from them:

Principal	P 150,765.35
Regular Interest	57,121.13
Additional Interest	9,799.01
Penalty Charges	<u>4,182.36</u>
TOTAL	P 221,867.85 <sup>[8]</sup>
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In another letter, dated July 11, 1989, DBP demanded from respondent spouses the payment of this amount, which had increased to P225,855.86 as of June 30, 1989, otherwise, it would rescind the sale.<sup>[9]</sup> In reply, respondent spouses, in a letter dated August 11, 1989, proposed a settlement of the amount through semi-annual payments over a period of five years.<sup>[10]</sup>

As the parties failed to reach an agreement, respondent spouses filed a complaint against petitioner on January 30, 1990 for specific performance and damages with injunction before the Regional Trial Court, Valenzuela, Metro Manila.<sup>[11]</sup> The case was assigned to Branch 172 of the

court. The complaint was later amended to include a prayer for the issuance of a temporary restraining order to enjoin the defendant from rescinding the sale and selling the land to interested buyers.<sup>[12]</sup>

On March 30, 1993, the trial court rendered a decision, the dispositive portion of which reads:

WHEREFORE, in view of the foregoing, judgment is hereby rendered,

1. Dismissing the complaint, as plaintiffs have still to pay the defendant the sum of P54,200.00 as interest to be able to sue for specific performance;
2. The writ of preliminary injunction is hereby declared permanent;
3. Defendant to pay plaintiffs attorney's fees in the amount of P30,000.00; and 4. Defendant to pay the costs of suit.

SO ORDERED.<sup>[13]</sup>

Petitioner filed an appeal with the Court of Appeals which rendered a decision, dated August 8, 1997, affirming with modification the ruling of the trial court. The dispositive portion of its decision reads:

WHEREFORE, with the MODIFICATION that the grant of attorney's fees is deleted, the appealed Decision is AFFIRMED.<sup>[14]</sup>

In its resolution, dated February 11, 1999, the Court of Appeals likewise denied petitioner's motion for reconsideration.<sup>[15]</sup>

Hence, this petition. Petitioner now contends:

1. BOTH THE TRIAL COURT AND THE COURT OF APPEALS GAVE A MANIFESTLY MISTAKEN AND ABSURD CONSTRUCTION OF THE DEED OF CONDITIONAL SALE CONTRACT (ANNEX "E").
2. THE HONORABLE COURT OF APPEALS GRAVELY ERRED AND COMMITTED REVERSIBLE ERROR WHEN IT AFFIRMED THE TRIAL COURT'S ISSUANCE OF THE INJUNCTION AGAINST PETITIONER DBP PERMANENT.<sup>[16]</sup>

**First.** The Court of Appeals held:

A careful reading of the aforementioned provisions reveals that while the period of payment (six years) and the amount of the first amortization (P23,126.14) are stipulated, the amount that the vendees should pay semi-annually is not specified. Since the Deed of Conditional Sale executed by the parties is a contract of adhesion, i.e., a ready-made contract to which appellees merely affixed their assent or "adhesion", as the court a quo correctly found, a restrictive construction of the obscure provision regarding the amount of semi-annual amortizations should be made against the drafter DBP (PAL vs. Court of Appeals, 255 SCRA 48, BPI Credit vs. Court of Appeals, 204 SCRA 611; Maersk Lines vs. Court of Appeals, 222 SCRA 108; Angeles vs. Calasaz, 135 SCRA 323). It is not disputed that appellant Bank was the party responsible for the preparation of the Deed of Conditional Sale. Any ambiguity in the contract whose terms are susceptible of different interpretations must be read against appellant as the party which drafted the contract (Nacu vs. Court of Appeals, 231 SCRA 237). Thus the contract of the parties must be interpreted, in so far as the manner and amounts of amortization is concerned, to be at the option of the vendees, subject only to the condition that the latter should pay the balance of the purchase price within a period of six years.<sup>[17]</sup>

The questioned provision states:

That the down payment shall be P41,400.00 and the balance of P165,600.00 to be paid in six (6) years on the semi-annual amortization plan at 18% interest per annum. The first amortization of P23,126.14 shall be due and payable six (6) months from the date of execution of the Deed of Conditional Sale and all subsequent amortizations shall be due and payable every six (6) months thereafter;<sup>[18]</sup>

Contrary to the ruling of the Court of Appeals that the above stipulation fails to specify the monthly amortization, we find no ground for construing any ambiguity against the DBP as the party responsible therefor. As stipulated in the Deed of Conditional Sale, the first amortization was in the amount of P23,126.14 to be paid six months from the date of the execution of the contract. Subsequent amortizations were due and payable every six months thereafter. Such stipulation cannot be construed other than that the subsequent amortizations should be in the same amount as the first, to be paid every six months thereafter. There being no other basis for the payment of the subsequent amortizations, the reasonable conclusion one can reach is that subsequent payments shall be made in the same amount as the first payment.

With regard to the remaining monetary obligation of the private respondents, the question is whether respondent spouses could be held liable for the interests and penalty charges considering that they had already paid the full amount of the principal obligation and petitioner DBP did not object to the late payments made by them.

The contract provided that "[t]he first amortization of P23,236.14 shall be due and payable six (6) months from the date of execution of the Deed of Conditional Sale and all subsequent amortizations shall be due and payable every six (6) months thereafter." As the contract was executed on August 8, 1983,<sup>[19]</sup> the first amortization became due on February 8, 1994 while the next one fell due on August 8 of that year. The subsequent amortizations were to be paid every six months thereafter, *i.e.*, on February 8 and August 8 of the following years. Respondent spouses failed to comply with the schedule of payment of amortizations, their payments having been actually made as follows:

<u>OR. NO.</u>	<u>DATE</u>	<u>AMOUNT</u>
261122	June 22, 1983	P 36,000.00
355399	August 4, 1983	5,400.00
828029	March 22, 1984	6,000.00
862947	June 4, 1984	21,000.00
1230133	November 15, 1984	3,000.00
1365914	Feb. 8, 1985	6,000.00
1545272	March 11, 1985	6,000.00
1549511	April 8, 1985	6,000.00
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2349229	September 3, 1986	15,000.00
2529065	November 4, 1986	16,000.00
2830513	August 18, 1987	21,000.00
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3367193	January 10, 1989	10,000.00
3367500	February 10, 1989	10,000.00
3461778	March 9, 1989	18,000.00
3532008	April 10, 1989	18,800.00
3617235	August 28, 1989	<u>P 33,000.00</u>
	TOTAL	P 289,600.00 <sup>[20]</sup>
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As private respondents failed to pay on time, they incurred additional interests and penalty charges which were applied to the payments they already made, pursuant to their contract which provides in pertinent parts as follows:

8. That the sale shall be subject to penalty charges and additional interest as follows:

a) On sale accounts with amortizations (principal past due and/or regular interest) or portion thereof in arrears for thirty (30) days or less:

i. Additional interest at the basic sale interest per annum computed on total amortizations past due, irrespective of age.

ii. No penalty charge.

b) On sale accounts with amortizations or portion thereof in arrears for more than thirty (30) days:

i. Additional interest as provided above, plus

ii. Penalty charge of 8% per annum.<sup>[21]</sup>

The payments made by respondent spouses were applied to their obligation, including interests, in the following manner:<sup>[22]</sup>

OR DATE	NUM-BER	TOTAL	PRINCIPAL	REGULAR INTEREST	ADDITIO-NAL INTEREST	PENALTY CHARGES	ADVANCES/INT. ON ADV.
6-22-83	261122	P36,000.00	P36,000.00 )	Down-			-
8-04-83	355399	5,400.00	5,400.00 )	Payment			
3-	828029	6,000.00	-	P5,443.75	P490.35	P65.90	-