

FIRST DIVISION

[G.R. No. 124045, May 21, 1998]

**SPOUSES VIVENCIO BABASA AND ELENA CANTOS BABASA,
PETITIONERS, VS. COURT OF APPEALS, TABANGAO REALTY,
INC., AND SHELL GAS PHILIPPINES, INC., RESPONDENTS.**

D E C I S I O N

BELLOSILLO, J.:

On 11 April 1981 a contract of "*Conditional Sale of Registered Lands*" was executed between the spouses Vivencio and Elena Babasa as vendors and Tabangao Realty, Inc. (TABANGAO) as a vendee over three (3) parcels of land, Lots Nos. 17827-A, 17827-B and 17827-C, situated in Brgy. Libjo, Batangas City. Since the certificates of title over the lots were in the name of third persons who had already executed deeds of reconveyance and disclaimer in favor of the BABASAS, it was agreed that the total purchase price of P2,121,920.00 would be paid in the following manner:

P300,000.00 upon signing of the contract, and P1,821,920.00 upon presentation by the BABASAS of transfer certificates of titles in their name, free from all liens and encumbrances, and delivery of registerable documents of sale in favor of TABANGAO within twenty (20) months from the signing of the contract. In the meantime, the retained balance of the purchase price would earn interest at seventeen percent (17%) per annum or P20,648.43 monthly payable to the BABASAS until 31 December 1982. It was expressly stipulated that TABANGAO would have the absolute and unconditional right to take immediate possession of the lots as well as introduce any improvements thereon.

On 18 May 1981 TABANGAO leased the lots to Shell Gas Philippines, Inc., (SHELL), which immediately started the construction thereon of a Liquefied Petroleum Gas Terminal Project, an approved zone export enterprise of the Export Processing Zone. TABANGAO is the real estate arm of SHELL.

The parties substantially complied with the terms of the contract. TABANGAO paid the first installment of P300,000.00 to the BABASAS while the latter delivered actual possession of the lots to the former. In addition, TABANGAO paid P379,625.00 to the tenants of the lots as disturbance compensation and as payment for existing crops as well as P334,700.00 to the owners of the house standing thereon in addition to granting them residential lots with the total area of 2,800 square meters. TABANGAO likewise paid the stipulated monthly interest for the 20 month period amounting to P408,580.80. Meanwhile, the BABASAS filed Civil Case No. 519^[1] and Petition No. 373^[2] for the transfer of titles of the lots in their name.

However, two (2) days prior to the expiration of the 20-month period, specifically on 31 December 1982, the BABASAS asked TABANGAO for an indefinite extension within which to deliver clean title over the lots. They asked that TABANGAO continue paying monthly interest of P20,648.43 starting January 1983 on the ground that Civil Case no. 519 and Petition No. 373 had not been resolved with finality in their

favor. TABANGAO refused the request. In retaliation the BABASAS executed a notarized unilateral rescission dated 28 February 1983 to which TABANGAO responded by reminding the BABASAS that they were the ones who did not comply with their contractual obligation to deliver clean titles within the stipulated 20-month period, hence, had no right to rescind their contract. The BABASAS insisted on the unilateral rescission and demanded the SHELL vacate the lots.

On 19 July 1983 TABANGAO instituted an action for specific performance with damages in the Regional Trial Court of Batangas City to compel the spouses to comply with their obligation to deliver clean titles over the properties.^[3] TABANGAO alleged that the BABASAS were already in a position to secure clean certificates of title and execute registerable document of sale since execution of judgment pending appeal had already been granted in their favor in Civil Case No. 519, while an order directing reconstitution of the original copies of TCT Nos. T-32565, T-32566 and T-32567 covering the lots had been issued in Petition No. 373. The BABASAS moved to dismiss the complaint on the ground that their contract with TABANGAO became null and void with the expiration of the 20-month period given them within which to deliver clean certificates of title. SHELL entered the dispute as intervenor praying that its lease over the premises be respected by the BASABAS.

Despite the pendency of the case the BASABAS put up several structures within the area in litigation to impede the movements of persons and vehicles therein, laid claim to twelve (12) heads of cattle belonging to intervenor SHELL and threatened to collect levy from all buyers of liquefied petroleum gas (LPG) for their alleged use of the BABASA estate in their business transactions with intervenor SHELL. As a result, SHELL applied for and was granted on 10 April 1990 a temporary restraining order against the Babasa spouses and anyone acting for and in their behalf upon filing of a P2-million bond.^[4]

Eventually, judgment was rendered in favor of TABANGAO and SHELL.^[5] The court *a quo* ruled that the 20-month period stipulated in the contract was never meant to be its term such that upon its expiration the respective obligations of the parties would be extinguished. On the contrary, the expiration thereof merely gave rise to the right of TABANGAO to either rescind the contract or to demand that the BABASAS comply with their contractual obligation to deliver to it clean titles and registerable documents of sale. The notarial rescission executed by the BABASAS was declared void and of no legal effect –

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1. The unilateral rescission of contract, dated February 28, 1983, executed by the defendant-spouses is null and void, without any legal force and effect on the agreement dated April 11, 1981, executed between the plaintiff and the defendant-spouses;
2. The lease contract dated, May 18, 1981, executed by the plaintiff in favor of the intervenor is deemed legally binding on the defendant-spouses insofar as it affects the three lots subject of this case;
3. The defendant-spouses Vivencio Babasa and Elena Cantos are hereby ordered to deliver to the plaintiff Tabangao Realty, Inc., clean transfer certificates of title in their name and execute all the necessary deeds and documents

necessary for the Register of Deeds of Batangas City to facilitate the issuance of Transfer Certificates of Title in the name of plaintiff, Tabangao Realty, Inc. In the event the defendant-spouses fail to do so, the Register of Deeds of Batangas City is hereby directed to cancel the present transfer certificates of title over the three lots covered by the Conditional Sale of Registered Lands executed by and between plaintiff, Tabangao Realty, Inc., and the defendant-spouses Vivencio Babasa and Elena Cantos-Babasa on April 11, 1981, upon presentation of credible proof that said defendant-spouses have received full payment for the lots or payment thereof duly consigned to the Court for the amount of the defendant-spouses;

4. Plaintiff Tabangao Realty, Inc., is directed to pay the defendant-spouses Vivencio Babasa and Elena Cantos-Babasa the remaining balance of P1,821,920.00 out of the full purchase price for these three lots enumerated in the agreement dated April 11, 1981 plus interest thereon of 17% per annum or P 20,648.43 a month compounded annually beginning January 1983 until fully paid;
5. The Order dated April 10, 1990 issued in favor of the intervenor enjoining and restraining defendant-spouses Vivencio Babasa and Elena Cantos-Babasa and/or anyone acting for and in their behalf from putting up any structure on the three lots or interfering in any way in the activities of the intervenor, its employees and agents, is made permanent, and the bond posted by the intervenor cancelled; and,
6. Defendant-spouses Vivencio Babasa and Elena Cantos-Babasa shall pay the costs of this proceeding as well as the premium the intervenor may have paid in the posting of the P2,000,000.00 bond for the issuance of the restraining order of April 10, 1990.^[6]

The BABASAS appealed to the Court of Appeals^[7] which on 29 February 1996 affirmed the decision of the trial court rejecting the contention of the BABASAS that the contract of 11 April 1981 was one of lease, not of sale;^[8] and described it instead as one of absolute sale though denominated "conditional". However, compounded interest was ordered paid from 19 July 1983 only, the date of filing of the complaint, not from January 1983 as decreed by the trial court.

The BABASAS now come to us reiterating their contention that the contract of 11 April 1981 was in reality a contract of lease, not for sale; but even assuming that it was indeed a sale, its nature was conditional only, the efficacy of which was extinguished upon the non-happening of the condition, i.e., non-delivery of clean certificates of title and registerable documents of sale in favor of TABANGAO within twenty (20) months from the signing of the contract.

We find no merit in the petition. Respondent appellate court has correctly concluded that the allegation of petitioners that the contract of 11 April 1981 is one of lease, not of sale, is simply incredible. *First*, the contract is replete with terms and stipulations clearly indicative of a contract of sale. Thus, the opening whereas clause states that the parties desire and mutually "agreed on the sale and purchase of the x x x three parcels of land;" the BABASAS were described as the "vendors" while TABANGAO as the "vendee" from the beginning of the contract to its end; the amount of P2,121,920.00 was stated as the purchase price of the lots; TABANGAO,