

## FIRST DIVISION

**[ G.R. No. 118180, September 20, 1996 ]**

**DEVELOPMENT BANK OF THE PHILIPPINES, PETITIONER, VS.  
COURT OF APPEALS, SPS. NORMY D. CARPIO AND CARMEN  
ORQUISA; SPS. ROLANDO D. CARPIO AND RAFAELA  
VILLANUEVA; SPS. ELISEO D. CARPIO AND ANUNCIACION DEL  
ROSARIO; LUZ C. REYES, MARIO C. REYES, JULIET REYES-  
RUBIN, RESPONDENTS.**

### DECISION

**PADILLA, J.:**

This is a petition for review on certiorari under Rule 45 of the Rules of Court which seeks to set aside the decision<sup>[1]</sup> of the Court of Appeals (CA) dated 28 February 1994 in C.A.-G.R. CV No. 37158, as well as the resolution dated 11 August 1994 denying petitioner's motion for reconsideration.

The facts are undisputed:

Private respondents were the original owners of a parcel of agricultural land covered by TCT No. T-1432, situated in Barrio Capucan, Ozamis City, with an area of 113,695 square meters, more or less.

On 30 May 1977, private respondents mortgaged said land to petitioner. When private respondents defaulted on their obligation, petitioner foreclosed the mortgage on the land and emerged as sole bidder in the ensuing auction sale. Consequently, Transfer Certificate of Title No. T-10913 was eventually issued in petitioner's name.

On 6 April 1984, petitioner and private respondents entered into a Deed of Conditional Sale wherein petitioner agreed to reconvey the foreclosed property to private respondents.

The pertinent stipulations of the Deed provided that:

"WHEREAS, the VENDOR acquired a parcel of land in an auction sale by the City Sheriff of Ozamis City, pursuant to Act 3135, as amended, and subject to the redemption period pursuant to CA 141, described as follows:

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xxx

xxx

WHEREAS, the VENDEES offered to repurchase and the VENDOR agreed to sell the above-described property, subject to the terms and stipulations as hereinafter stipulated, for the sum of SEVENTY THREE THOUSAND SEVEN HUNDRED ONLY (P73,700.00), with a down payment

of P8,900.00 and the balance of P64,800 shall be payable in six (6) years on equal quarterly amortization plan at 18% interest per annum. The first quarterly amortization of P4,470.36 shall be payable three months from the date of the execution of the documents and all subsequent amortization shall be due and payable every quarter thereafter.

xxx

xxx

xxx

That, upon completion of the payment herein stipulated and agreed, the Vendor agrees to deliver to the Vendee/s(,) his heirs, administrators and assigns(,) a good and sufficient deed of conveyance covering the property, subject matter of this deed of conditional sale, in accordance with the provisions of law." (Exh. "A", p. 5, Records)<sup>[2]</sup>

On 6 April 1990, upon completing the payment of the full repurchase price, private respondents demanded from petitioner the execution of a Deed of Conveyance in their favor.

Petitioner then informed private respondents that the prestation to execute and deliver a deed of conveyance in their favor had become legally impossible in view of Sec. 6 of Rep. Act 6657 (the Comprehensive Agrarian Reform Law or CARL) approved 10 June 1988, and Sec. 1 of E.O. 407 issued 10 June 1990.

Aggrieved, private respondents filed a complaint for specific performance with damages against petitioner before the Regional Trial Court of Ozamis City, Branch XV. During the pre-trial, the trial court narrowed down the issue to whether or not Sec. 6 of the CARL (Rep. Act 6657) had rendered legally impossible compliance by petitioner with its obligation to execute a deed of conveyance of the subject land in favor of private respondents. The trial court ordered both parties to file their separate memorandum and deemed the case submitted for decision thereafter.

On 30 January 1992, the trial court rendered judgment, the dispositive part of which reads:

**"WHEREFORE,** judgment is rendered ordering defendant to execute and deliver unto plaintiffs a deed of final sale of the land subject of their deed of conditional sale - Lot 5259-A, to pay plaintiffs P10,000.00 as nominal damages, P5,000.00 as attorney's fees, P3,000.00 as litis expenses and costs."<sup>[3]</sup>

The trial court held that petitioner interpreted the fourth paragraph of Sec. 6, Rep. Act 6657 literally in conjunction with Sec. 1 of E.O. 407.

The fourth paragraph of Sec. 6, Rep. Act 6657 states that:

"Upon the effectivity of this Act, any sale disposition, lease, management contract or transfer of possession of private lands executed by the original landowner in violation of this act shall be null and void; Provided, however, that those executed prior to this act shall be valid only when registered with the Register of Deeds after the effectivity of this Act. Thereafter, all Register of Deeds shall inform the DAR within 320 days of any transaction involving agricultural lands in excess of five hectares."

while Sec. 1 of E.O. 407 states that:

"Sec. 1. All government instrumentalities but not limited to x x x financial institutions such as the DBP x x x shall immediately execute deeds of transfer in favor of the Republic of the Philippines as represented by the Department of Agrarian Reform and surrender to the department all landholdings suitable for agriculture."

The court *a quo* noted that Sec. 6 of Rep. Act 6657, taken in its entirety, is a provision dealing primarily with retention limits in agricultural land allowed the landowner and his family and that the fourth paragraph, which nullifies any sale x x x by the original landowner in violation of the Act, does not cover the sale by petitioner (not the original land owner) to private respondents.

On the other hand, according to the trial court, E.O. 407 took effect on 10 June 1990. But private respondents completed payment of the price for the property, object of the conditional sale, as early as 6 April 1990. Hence, with the fulfillment of the condition for the sale, the land covered thereby, was detached from the mass of foreclosed properties held by DBP, and, therefore, fell beyond the ambit or reach of E.O. 407.

Dissatisfied, petitioner appealed to the Court of Appeals (CA), still insisting that its obligation to execute a Deed of Sale in favor of private respondents had become a legal impossibility and that the non-impairment clause of the Constitution must yield to the demands of police power.

On 28 February 1994, the CA rendered judgment dismissing petitioner's appeal on the basis of the following disquisitions:

"It is a rule that if the obligation depends upon a suspensive condition, the demandability as well as the acquisition or effectivity of the rights arising from the obligation is suspended pending the happening or fulfillment of the fact or event which constitutes the condition. Once the event which constitutes the condition is fulfilled resulting in the effectivity of the obligation, its effects retroact to the moment when the essential elements which gave birth to the obligation have taken place (8 Manresa, 5th Ed. Bk. 1, pa. 33). Applying this precept to the case, the full payment by the appellee on April 6, 1990 retroacts to the time the contract of conditional sale was executed on April 6, 1984. From that time, all elements of the contract of sale were present. Consequently, the contract of sale was perfected. As such, the said sale does not come under the coverage of R.A. 6657.

It is likewise interesting to note that despite the mandate of Sec. 1, R.A. 6657, appellant continued to accept the payments made by the appellee until it was fully paid on April 6, 1990. All that the appellant has to do now is to execute the final deed of sale in favor of the appellee. To follow the line of argument of the appellant would only result in an unconscionable injury to the appellee. Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith (*Flavio Macasaet & Associates, Inc. vs. Commission on Audit*, 173 SCRA 352).