

Title: DKC Holdings Corporation vs. Court of Appeals, Victor U. Bartolome, and Register of Deeds for Metro Manila, District III

Facts:

DKC Holdings Corporation (Petitioner) was interested in a parcel of land in Valenzuela, Metro Manila, owned by Encarnacion (now deceased), the mother of Victor U. Bartolome (Respondent). The two parties signed a Contract of Lease with Option to Buy on March 16, 1988. Petitioner paid a monthly reservation fee and was given two years to decide whether to lease or buy the property.

Upon Encarnacion's death in January 1990, Victor refused to accept the reservation payment from the Petitioner. On January 10, 1990, Victor executed an Affidavit of Self-Adjudication over Encarnacion's properties, including the disputed land. Consequently, the original title was canceled, and a new title was issued in Victor's name.

On March 14, 1990, Petitioner sent Victor a notice of intent to lease the property, tendering the rental fee for March, but Victor refused both the notice and the rental fee.

Subsequently, Petitioner attempted to annotate the Contract on Victor's title but was refused by the Register of Deeds. Faced with refusals, Petitioner opened a savings account in Victor's name and deposited the amounts due there and filed a Complaint for specific performance and damages against Victor and the Register of Deeds on April 23, 1990.

Andres Lanozo, claiming to be a tenant and thus affected by the dispute, filed a Motion for Intervention and Motion to Dismiss. The lower court referred the matter to the Department of Agrarian Reform (DAR). Nevertheless, the DAR indicated no preliminary determination was required. Lanozo's Motion to Intervene was eventually denied.

The Regional Trial Court rendered a decision on January 4, 1993, dismissing the complaint and ordering Petitioner to pay attorney's fees to Victor. This was affirmed by the Court of Appeals. Petitioner appealed to the Supreme Court, raising several issues, primarily whether the contract binds Victor post Encarnacion's death.

Issues:

1. Whether the contract terminated upon Encarnacion's death or if it binds her sole heir, Victor.
2. Whether the lease rights and obligations are transmissible to heirs.
3. Whether the Petitioner had complied with its obligations under the contract to exercise

its option.

4. Whether the alleged tenancy of Lanozo affects the contract.

Court's Decision:

The Supreme Court granted the Petition for Review, reversing the decisions of both the Court of Appeals and the Regional Trial Court. Unlike the lower courts, the Supreme Court held that the Contract of Lease with Option to Buy did not terminate upon Encarnacion's death and was binding upon Victor, her heir. The Court found that:

- There were no stipulations or legal provisions that made the rights and obligations in the contract intransmissible.
- Petitioner had complied with all its obligations under the contract and had validly exercised its option to lease the property.
- The issue of tenancy by Lanozo was not for the Supreme Court to resolve as it was not subject of an appeal.

The Supreme Court ordered Victor to comply with the contract provisions by surrendering the possession of the land to Petitioner and to perform all obligations of his predecessor.

Doctrine:

Contracts are generally binding upon the parties, their assigns, and heirs unless the rights and obligations arising from the contract are not transmissible by nature, stipulation, or provision of law. Heirs cannot escape the obligations of a contract entered into by their predecessors-in-interest and are bound by them to the extent of the assets received from the decedent.

Class Notes:

- Contracts: Rights and obligations usually pass to heirs upon the death of a party, unless intransmissible by nature or explicit stipulation.
- Specific Performance: A court may compel a party to perform a contractual obligation practically and legally possible to enforce.
- Theory of Relativity of Contracts: Contracts are binding on parties, their heirs, and assigns unless rights and obligations are intransmissible (Article 1311, Civil Code of the Philippines).
- Inheritance: The heir steps into the rights and obligations of the decedent to the extent of the estate received.

Historical Background:

The case highlights the application of longstanding principles regarding the binding effects of contracts and their transmissibility to heirs, which has been consistently interpreted by the Philippine legal system over decades. The resolution of contractual disputes post-signatory death and the consequent rights of heirs has remained a critical aspect of civil law, revealing the enduring influence of Spanish civil code principles in contemporary Philippine jurisprudence. This case reflects the judiciary's role in ensuring contracts' stability and predictability, which are fundamental for economic activity and property rights.