

Title: Delta Motor Corporation v. Eduarda Samson Genuino et al.

Facts:

Delta Motor Corporation, a corporation organized under Philippine laws, extended two separate quotations to Hector Genuino, a representative of an iceplant and cold storage business, for selling black iron pipes. The quotations, dated July 3, 1972, and July 18, 1972, included detailed pricing and payment terms. Genuino accepted both offers by signing the respective letters.

Following the agreement, private respondents made initial payments totaling P15,900.00 for both contracts. However, there ensued a non-delivery of iron pipes by Delta, a non-payment of installments by the Genuinos, and a non-execution of the required promissory note.

Delta initially attempted to deliver the pipes, but the Genuinos declined, stating the construction was incomplete. On April 15, 1975, nearly three years later, Hector Genuino requested Delta to deliver the pipes, indicating their readiness to pay subsequent installments. Delta responded by stating an increase in the prices of the pipes based on market fluctuations, as the original quoted prices were only valid for 30 days as per contract.

The Genuinos filed a complaint for specific performance with damages to compel Delta to deliver the pipes at the agreed prices. Delta sought for rescission of the contracts based on Article 1191 of the New Civil Code, arguing that the Genuinos' performance was a condition precedent to Delta's obligation to deliver.

The trial court favored Delta, rescinding the contracts and ordering the refund of the down payments to the Genuinos and payment of attorney's fees to Delta. On appeal, the Court of Appeals reversed this decision, siding with the Genuinos and ordering them to pay the pending installments and execute the promissory note, after which Delta was to deliver the pipes. Delta then filed a petition for review by certiorari to the Supreme Court.

Issues:

1. Whether the non-delivery of the iron pipes by Delta constituted a substantial breach justifying rescission of the contracts.
2. Whether the Genuinos' failure to accept initial delivery and make subsequent payments constituted a substantial breach warranting rescission of the contracts.
3. Whether Delta is entitled to increase the prices of the black iron pipes due to market fluctuations despite the perfection of the contracts.

Court's Decision:

The Supreme Court affirmed the decision of the Court of Appeals. It held that:

1. The non-delivery by Delta was not a substantial breach since it did not insist on delivery when the Genuinos initially refused and did not manifest an intent to rescind the contracts until it was sued for specific performance.
2. The Genuinos' actions did not constitute a substantial breach. Delta effectively waived the performance of the suspensive conditions by not insisting on them and offered to continue with the contracts albeit at a higher price.
3. Delta could not increase the prices based on the fluctuation of market prices after the contract had been perfected. The stipulations in the two (2) contracts as to delivery, "ex-stock subject to prior sales," meant there were no prior commitments other than the sale covered by the contracts, indicating that prices were fixed upon the acceptance of the offer.

The original terms of the contracts were to be upheld, requiring both parties, Delta and the Genuinos, to perform their roles as initially agreed.

Doctrine:

The power to rescind obligations under Article 1191 of the New Civil Code is not absolute and will only be granted where a breach of contract is substantial enough to defeat the object of the agreement. Furthermore, consent in contracts is manifested by meeting the offer with acceptance, thereby perfecting the contract (Articles 1319 and 1475 of the Civil Code). Any changes to the terms of the contract after its perfection are not enforceable unless mutually agreed upon by both parties.

Class Notes:

- A breach is substantial when it defeats the primary objective of the contract.
- "Art. 1191. The power to rescind obligations is implied in reciprocal ones, in case one of the obligors should not comply with what is incumbent upon him."
- "Art. 1545. Waiver of conditions: Either party may refuse to proceed or waive any condition not performed."
- "Art. 1319. Consent is manifested by the meeting of the offer and the acceptance,"
- "Art. 1475. The contract of sale is perfected at the moment there is a meeting of minds."

Historical Background:

Delta Motor Corporation v. Eduarda Samson Genuino et al. sheds light on the period within Philippine jurisprudence where the principles surrounding rescission and the obligations of parties in a contract came to be more narrowly defined and applied. This case reflects the

court's position in upholding fairness and equity in contracts, emphasizing that the unbending application of certain contractual clauses, such as price adjustments after a contract's perfection, could amount to unjust enrichment. The ruling reiterates the importance of the doctrine of mutuality of contracts wherein stipulations operative during a contract's lifetime should benefit both contracting parties equally.