

Title: Nicolas P. Diego vs. Rodolfo P. Diego and Eduardo P. Diego

Facts:

In 1993, Nicolas P. Diego agreed to sell his share in the Diego Building, Dagupan City, to his brother Rodolfo P. Diego for PHP 500,000, receiving a PHP 250,000 downpayment. They agreed that a deed of sale would be executed upon the remaining balance payment. Eduardo P. Diego, another brother and the building's administrator, failed to remit Nicolas's rent shares, instead giving them to Rodolfo despite Nicolas's demands. Subsequently, Nicolas filed a Complaint in 1999 against Rodolfo and Eduardo at the RTC of Dagupan City, seeking an accounting, delivery of his rent share, and damages. Rodolfo and Eduardo countered, arguing Nicolas had no claim as he had sold his share. The RTC dismissed the case, ordering Nicolas to execute a deed of absolute sale upon Rodolfo's balance payment. The CA affirmed this decision. Nicolas then appealed to the Supreme Court.

Issues:

1. Whether or not there was a perfected contract of sale between Nicolas Diego and Rodolfo Diego.
2. Whether or not Nicolas Diego could unilaterally rescind the agreement due to Rodolfo's non-payment.
3. The entitlement of Nicolas Diego to the share of the building's income and proper remediation for his grievances.

Court's Decision:

The Supreme Court clarified that the agreement was a contract to sell, not a sale, as title transfer was conditioned on full payment, which Rodolfo failed to fulfill. It held that the contract was terminated or cancelled upon Rodolfo's failure to pay the balance, that Nicolas retained ownership, and that demands for the deed of sale execution were unwarranted without full payment. The Court ordered Rodolfo and Eduardo to render an accounting, return Nicolas's share, and pay damages, emphasizing that the non-payment of the price prevented the obligation to sell from arising, thus retaining ownership with Nicolas.

Doctrine:

In contracts to sell, ownership is reserved by the seller until full payment of the purchase price by the buyer. Non-payment prevents the obligation to sell from arising, maintaining ownership with the seller. Furthermore, the court differentiated between contracts of sale and contracts to sell, emphasizing the buyer's obligation to pay in full before ownership transfers.

Class Notes:

- In a contract to sell, the vendor's obligation to sell becomes demandable only after the buyer fulfills the condition (usually full payment).
- A contract to sell is distinct from a contract of sale where the transfer of ownership is immediate upon agreement.
- Non-payment of the purchase price in a contract to sell leads to the contract's termination, not rescission.
- The seller retains ownership until the completion of the payment in a contract to sell.

Historical Background:

The case provides insight into property transactions within Filipino families and the legal differences between contracts of sale and contracts to sell. It highlights the common practice of conditional agreements in property sales and the legal implications of non-compliance with payment terms.