

Title: Geromo et al. v. La Paz Housing and Development Corporation and GSIS

Facts:

The case arises from the purchase of housing units in Adelina 1-A Subdivision in San Pedro, Laguna, Philippines, by the petitioners Atty. Reyes G. Geromo, Florencio Buentipo, Jr., Ernaldo Yambot, and Lydia Bustamante from La Paz Housing and Development Corporation (La Paz) through GSIS financing. The units, situated along the old Litlit Creek, showed serious cracks on floors and walls within two years of occupancy, prompting the petitioners to request remedial action from La Paz. La Paz's response was deemed insufficient by the petitioners. Geological assessments by government agencies confirmed the differential settlement of the area affecting the structural integrity of the units. Legal proceedings began with complaints filed by the petitioners before the Housing and Land Regulatory Board (HLURB), alleging breach of contract against La Paz and GSIS for failing to disclose and rectify the hidden defects. The case escalated through the HLURB's Board of Commissioners to the Office of the President (OP), with final appeals made to the Court of Appeals (CA) and eventually the Supreme Court.

Issues:

1. Whether La Paz should be held liable for the structural defects on its implied warranty against hidden defects.
2. Liability of GSIS in the contractual relations governing the sale and financing of the defective housing units.

Court's Decision:

The Supreme Court found merit in the petition, reinstating the HLURB Arbitrator's decision with modifications. La Paz was found liable under the doctrine of implied warranty against hidden defects as laid out in the Civil Code, specifically Articles 1561 and 1566. The conditions of the implied warranty were met: the defects were serious, hidden, existed at the time of sale, and timely reported. La Paz's inaction and negligence were critical to the Court's decision, highlighting its responsibility for the damages due to the failure to properly compact the soil on which the houses were built. GSIS, however, was not held liable due to its role merely as a financier, not a party to the purchase contracts.

Doctrine:

The case reiterates the doctrine of implied warranty against hidden defects under the Civil Code, emphasizing a seller's liability for defects that render a sold property unfit for its intended use. It also highlighted the application of the doctrine of *res ipsa loquitur* in

establishing negligence based on the circumstances of the defect occurrence.

Class Notes:

1. Implied Warranty Against Hidden Defects: Conditions for applicability include the seriousness of the defect, its hidden nature, presence at the time of sale, and timely notification to the seller.
2. Res Ipsa Loquitur: Applicability requires that the incident would not normally occur without negligence, the item causing harm was under the defendant's control, and there was no contribution from the injured party.
3. Civil Code Articles relevant to this case include 1561, 1566 (Implied Warranty Against Hidden Defects), along with principles surrounding negligence and damages.

Historical Background:

The case addresses issues surrounding property development and sales in the Philippines, specifically the obligations of developers to ensure the structural integrity of their projects. It underscores the legal protections available to homebuyers under Philippine law against developers' failure to disclose or adequately address defects in the properties sold.