

Title: Jesus M. Gaboya vs. Antonio Ma. Cui, Mercedes Cui-Ramas, and Gil Ramas

Facts:

This case delves into a dispute over the extent of usufructuary rights in a contract of sale involving three lots in Cebu, Philippines, sold by Don Mariano Cui to his children, Antonio Ma. Cui, Mercedes Cui de Ramas, and Rosario Cui de Encarnacion on March 8, 1946. The sale was made with a retained usufruct by Don Mariano over the lots. After the sale, a building was constructed on a part of the sold property, and litigation ensued regarding whether the usufruct extended to the rental income from this building.

The procedural history is complex, involving multiple suits and decisions affecting the property and the parties' rights therein. After the initial sale, and subsequent developments, including the application for a rehabilitation loan by Mercedes and Antonio Cui, the building of a commercial structure, and the generation of rental income, Jesus and Jorge Cui sought to annul the sale, claiming the property was part of the conjugal estate of Don Mariano and his deceased wife. The court ruled the property solely belonged to Don Mariano.

Subsequently, a case was brought to determine the competency of Don Mariano and a guardian was appointed. Amidst these legal battles, the question of the extent of Don Mariano's usufruct — particularly whether it included rights to the rental income from the structures built on the lots by Mercedes and Antonio — became central. Eventually, the case reached the Supreme Court focused on the usufructuary rights under the sale and whether they extended to the rentals of the constructed building, and implications of such rights on the validity and enforceability of the contract of sale itself.

Issues:

1. Whether the usufruct reserved by the vendor in the deed of sale extended to the rentals of the commercial building subsequently constructed on the land by the vendees.
2. If the usufruct extended to the building, whether the failure of the vendees to pay its rental income to the usufructuary entitled the latter to rescind or resolve the contract of sale.
3. Whether the action for rescission due to breach of the contract was enforceable and not barred by limitations.

Court's Decision:

1. **Usufruct Extent**: The Court ruled that the usufruct reserved by Don Mariano Cui was limited to the land itself and did not extend to the rentals of the building constructed

thereon. Thus, he was entitled only to the reasonable rental value of the land occupied by the building.

2. **Rescission Entitlement**: Since the extent of the usufruct was limited to the land, the failure to transfer the building's rental income did not breach the essence of the sale, negating the basis for rescission.

3. **Action for Rescission**: The Court found that any action for rescission was not enforceable as the principal claim — that the usufruct extended to the rental income of the building — was not upheld. Furthermore, no substantial breach justifying rescission was identified.

Doctrine:

The doctrine established pertains to the extent of usufructuary rights in the context of a sale with reserved usufruct: specifically, a usufruct reserved by a vendor over land does not automatically extend to structures later constructed on that land by the vendee, unless explicitly stated. This primarily hinges on the original contract's provisions and the legal distinction between the ownership of land and subsequent improvements thereon.

Class Notes:

- **Usufructuary Rights**: Defined by the conditions explicitly stated in the contract creating them; do not automatically extend to improvements on the usufruct property not envisioned in the original agreement.
- **Rescission of Contract**: Rescission due to non-fulfillment of obligations (Article 1191, Civil Code of the Philippines) requires a substantial breach, which affects the very essence of the contract.
- **Legal Principle**: "Ab illiquido non fit mora" - There is no default (mora) in payment obligations until the debt is made liquid.

Historical Background:

This case highlights post-World War II property transactions and legal complexities in the Philippines, especially regarding family estates, usufructuary rights, and legal disputes stemming from the reconstruction era. It showcases the interplay between familial agreements, property law, and the implications of property improvements on such agreements within the context of the emerging Philippine legal and social landscape post-war.