

### Title:

**\*\*Agcaoili vs. Government Service Insurance System (GSIS)\*\***: A Matter of Habitability and Perfecting a Sale

### Facts:

Marcelo Agcaoili, the plaintiff-appellee, applied to purchase a house and lot in the GSIS Housing Project at Nangka, Marikina, Rizal. The application, approved by the GSIS, was contingent on Agcaoili's immediate occupancy of the house. Upon attempting to occupy the house, Agcaoili found it uninhabitable, lacking basic amenities and infrastructure, making civilized living impossible. Despite paying the first installment and associated fees, Agcaoili refused further payments until the house was made habitable by the GSIS. The GSIS responded by canceling the award and demanding that Agcaoili vacate the premises. Agcaoili sued GSIS in the Court of First Instance of Manila for specific performance with damages, obtaining a favorable judgment. The GSIS appealed the decision.

### Issues:

1. Whether Agcaoili had the right to suspend payment of amortizations due to the uninhabitability of the housing unit.
2. If the contract of sale between GSIS and Agcaoili was perfected, considering the condition for immediate occupancy was not met due to the state of the house.
3. Whether Agcaoili's action of having a friend occupy the house voided the contract or constituted a breach.

### Court's Decision:

The Supreme Court of the Philippines rejected the GSIS's appeal, affirming the trial court's decision in favor of Agcaoili but modifying the relief granted. The Court established that:

1. A perfected contract of sale existed between the parties. GSIS's obligation was to deliver a habitable house, which it failed to do.
2. Agcaoili's suspension of payment was justified as the GSIS had not fulfilled its obligation to provide a habitable house.
3. The contract suggested that the house should be reasonably habitable; thus, GSIS could not argue the contract's silence on the completion state of the house.
4. The Court, through its equity jurisdiction, modified the original judgment, requiring GSIS to respect the award to Agcaoili but deleting the requirement to complete the house. Instead, the contract was to be adjusted based on the current value of the house in its incomplete state.

### Doctrine:

The case reiterates the principle that in reciprocal obligations, neither party incurs in delay if the other does not comply or is not ready to comply in a proper manner. It underscores the Court's equity jurisdiction to render complete justice and adjust parties' rights based on current circumstances, maintaining a balance of equities.

### Class Notes:

- **Reciprocal Obligations**: Each party's obligation is contingent upon the performance of the other. If one party fails to fulfill their obligation, the other is justified in suspending performance.
- **Perfecting a Contract of Sale**: A contract of sale is perfected when there is a meeting of minds upon the thing which is the object of the contract and upon the price.
- **Equity Jurisdiction**: Courts can adjust the rights of parties based on the equity doctrine, especially when circumstances change significantly over the course of litigation.

### Historical Background:

This case highlights the procedural and substantive challenges in dealing with government entities in real estate transactions, focusing on the imperatives of habitability and fairness in contractual obligations. It reflects on the Philippine courts' role in adjusting legal outcomes to meet the demands of justice and equity, particularly in long-standing disputes where circumstances have materially changed.