

Title:

****Faustino Cruz vs. J. M. Tuason & Co., Inc., and Gregorio Araneta, Inc.: A Case of Unjust Enrichment and Unfulfilled Promises****

Facts:

The plaintiff, Faustino Cruz, filed a complaint against defendants J.M. Tuason & Co., Inc., and Gregorio Araneta, Inc., in the Court of First Instance of Quezon City (Civil Case No. Q-7751). Cruz sought reimbursement for improvements made on land owned by the defendants and the conveyance of 3,000 square meters of said land as promised to him. His complaint stated two causes of action: (1) reimbursement for improvements made and expenses incurred upon the request of the Deudors, based on the principle of unjust enrichment under Article 2142 of the Civil Code; and (2) conveyance of 3,000 square meters of land promised by the defendants in exchange for his services as an intermediary in resolving Civil Case No. Q-135 through a compromise agreement entered between the Deudors and the defendants.

The defendants filed motions to dismiss on the grounds of failure to state a cause of action, unenforceability under the Statute of Frauds, and prescription. The trial court's dismissal of the complaint was based on these grounds. Cruz filed a motion for reconsideration, which was denied, reiterating the reasons for dismissal. Consequently, Cruz appealed to the Supreme Court.

Issues:

1. Whether the Statute of Frauds applies to the alleged agreement for the conveyance of land.
2. Whether the plaintiff's action to compel the transfer of land has prescribed.
3. Whether the plaintiff's claim for reimbursement for improvements and expenses constitutes a cause of action against the defendants.

Court's Decision:

1. ****Statute of Frauds:**** The Supreme Court held that the Statute of Frauds was erroneously applied by the trial court, stating that the statute covers specific transactions and does not apply to the case at hand, which was not purely executory and involved the fulfillment of obligations by the plaintiff.
2. ****Prescription:**** The Court addressed the issue of prescription indirectly, noting the materialization of the compromise agreement and emphasizing the completed actions of the plaintiff under the alleged agreement. This suggests that the action to enforce the

agreement has not necessarily prescribed based solely on the timing of the complaint.

3. **Cause of Action for Reimbursement:** The Supreme Court found that the plaintiff's reliance on unjust enrichment for his claim for reimbursement for improvements was misplaced because the improvements were made under an agreement with a third party (the Deudors), not the defendants. Therefore, the court held that the plaintiff did not have a cause of action against the defendants-appellees under Article 2142 of the Civil Code.

Doctrine:

- The Statute of Frauds applies only to specific transactions listed within it and is not applicable to contracts that have been partially executed.
- Claims based on unjust enrichment (quasi-contract) cannot be made when there exists a specific contract with another party concerning the subject matter.

Class Notes:

- **Statute of Frauds (Art. 1403, Civil Code):** Applicable only to specified agreements and cannot prevent enforcement of partially executed contracts.
- **Unjust Enrichment (Art. 2142, Civil Code):** For a claim of unjust enrichment to be valid, the enrichment of one party must not arise from a contract with another party. The act causing enrichment should be voluntary and unilateral.
- **Prescription of Actions:** Actions to enforce rights arising from contracts must be brought within a period that starts to run from the moment the cause of action accrues.
- **Doctrine of Executory vs. Executed Contracts:** The statute of frauds only applies to purely executory agreements, not to those where one party has already performed their obligations.

Historical Background:

This case highlights the complexities surrounding the enforcement of verbal contracts related to real property and the application of the principles of unjust enrichment in the context of the Philippine legal system. It also touches upon the challenges of proving claims based on unfulfilled promises and improvements made on property under the expectation of ownership or compensation.