

Title:

Luisa F. McLaughlin vs. The Court of Appeals and Ramon Flores

Facts:

Luisa F. McLaughlin (petitioner) and Ramon Flores (private respondent) entered into a contract of conditional sale for a piece of real estate on February 28, 1977. The total purchase price was set at P140,000.00, with an initial payment due upon the execution of the deed, and the balance to be paid not later than May 31, 1977, with an interest rate of 1% per month starting December 1976.

Upon Flores' failure to pay the balance, McLaughlin filed for rescission of the contract in 1979, leading to a Compromise Agreement acknowledged by Flores' indebtedness of P119,050.71, structured in initial and installment payments. Despite adherence to some payment terms, Flores failed to fully settle the agreed amount, prompting McLaughlin to demand the remaining balance in October 1980, and subsequently file for a Writ of Execution in November 1980 based on non-payment and outstanding rentals.

Flores attempted to settle the balance with a certified check, which McLaughlin refused. The lower court granted the execution, leading Flores to file a petition for certiorari and prohibition with the Court of Appeals, which found in his favor, prompting McLaughlin's present appeal.

Issues:

1. Whether the Court of Appeals erred in ordering McLaughlin to accept Flores' payment via certified check despite the lapse of the deadline.
2. The applicability and impact of Republic Act No. 6552 (Maceda Law) on the case.
3. The legal effects of tender of payment and consignation on contractual obligations.

Court's Decision:

The Supreme Court affirmed the decision of the Court of Appeals with modifications. It held that:

- Flores had substantially complied with the payment terms, citing consistent jurisprudence that does not favor rescission for minor breaches.
- The tender of a certified manager's check was deemed a valid form of payment.
- Flores' failure to perform consignation after a refused tender of payment did not constitute payment that released him from the obligation. However, his rights as a vendee were preserved.

- McLaughlin is ordered to accept a certified check in the disputed amount, Flores to pay arrears in rental, and upon full settlement, McLaughlin to execute a deed of sale in favor of Flores.

Doctrine:

The decision iterates the doctrine that rescission of contracts is not permitted for slight or casual breaches, only substantial and fundamental breaches warrant such action. It also underscores the equivalence of certified checks to cash payments in business transactions and the importance of consignation following a refused tender of payment in fulfilling contractual obligations.

Class Notes:

- ****Tender of Payment vs. Consignation****: Tender of payment must precede consignation, which must be judicially executed to relieve the obligor of responsibility. Tender is not sufficient without subsequent consignation if payment is rejected.
- ****Certified Checks as Payment****: Certified checks are considered equivalent to cash in business dealings, transferring funds to the creditor's account upon issuance.
- ****Republic Act No. 6552 (Maceda Law)****: Protects buyers against onerous and oppressive conditions in real estate transactions under conditional sale contracts. Allows rescission only after grace periods following the vendor's failure to comply.

Historical Background:

The case underscores the evolving understanding and application of laws addressing conditional sales, specifically in the real estate sector. It reflects judicial tendencies towards equitable resolutions that balance the contractual obligations with fairness to both parties, also demonstrating the influence of the Maceda Law in protecting buyers' interests in installment sales.