

Title: Raymundo S. De Leon vs. Benita T. Ong

Facts:

On March 10, 1993, Raymundo S. De Leon (petitioner) sold three parcels of land in Antipolo, Rizal, to Benita T. Ong (respondent). These properties were mortgaged to the Real Savings and Loan Association, Inc. (RSLAI). A notarized deed of absolute sale with an assumption of mortgage was executed, under which Ong gave De Leon PHP 415,500 as partial payment. De Leon informed RSLAI about the sale, authorizing them to accept payment from Ong. After undertaking repairs on the properties, Ong learned that De Leon had resold the properties to another party, Leona Vilorio, and had paid off the mortgage, rendering her (Ong's) keys useless.

Ong filed a complaint against De Leon for specific performance, nullity of the second sale, and damages in the Regional Trial Court (RTC) of Antipolo, Rizal. The RTC, holding that the sale was subject to RSLAI's approval of the mortgage assumption—which it deemed unfulfilled—dismissed Ong's complaint and awarded damages to De Leon. Ong appealed to the Court of Appeals (CA), which found no conditional sale and voided De Leon's second sale due to the already concluded sale to Ong, ordering the reimbursement of payments and awarding damages to Ong.

De Leon then appealed to the Supreme Court with the primary issue of whether there was a contract of sale or a contract to sell.

Issues:

1. Whether the parties entered into a contract of sale or a contract to sell.
2. The application of the legal principles governing double sales.

Court's Decision:

The Supreme Court affirmed the CA's decision with modification. It established that the transaction was a contract of sale, not a contract to sell, noting that De Leon had transferred ownership to Ong through the execution of a notarized deed and the delivery of the property keys, without reserving ownership pending full payment. The Court also clarified that the alleged condition for RSLAI to approve the mortgage assumption was deemed fulfilled because De Leon prevented its fulfillment by settling the mortgage and retrieving the titles.

Regarding the double sale, the Court applied Article 1544 of the Civil Code, emphasizing that Ong was a purchaser in good faith and thus, the rightful owner of the properties. Ong's obligation to pay the remainder of the purchase price was recognized due to the fulfillment of conditions.

Doctrine:

- In contracts of sale, ownership is transferred to the buyer upon the contract's perfection. Non-payment of the price may lead to either collection or rescission.
- A contract to sell is conditional on full payment for ownership transfer. The seller may only sue for damages if the buyer defaults.
- For double sales, Article 1544 of the Civil Code provides the rules for resolving conflicting claims based on good faith, registration, and prior possession.

Class Notes:

- **Contract of Sale vs. Contract to Sell**: A contract of sale involves an immediate transfer of ownership, whereas a contract to sell involves a conditional transfer based on the full payment of the purchase price.
- **Article 1544, Civil Code**: Determines ownership in cases of double sale, focusing on good faith, registration with the Registrar of Deeds, and, in the absence of registration, who took possession first or has the oldest title.
- **Article 1186, Civil Code**: A condition is deemed fulfilled if its fulfillment is prevented by the party obliged to fulfill it.
- **Good Faith in Purchases**: A buyer in good faith is unaware of any defect in the seller's title at the time of purchase and has paid a fair price.

Historical Background:

This case underscores the importance of clear contractual terms and the duties of sellers and buyers in real estate transactions. It explores the implications of notarized deeds of sale, the concept of good faith in double sales, and the conditional nature of contracts to sell in Philippine law.