

**\*\*Title:\*\*** Royal Plains View, Inc. and/or Renato Padillo vs. Nestor C. Mejia

**\*\*Facts:\*\***

This case involves a dispute over a parcel of land in Magdum, Tagum City, Davao del Norte. The land was originally owned by Dominador Ramones. A portion of it was sold to Bias Mejia, who is the father of respondent Nestor C. Mejia. Subsequent transactions and verbal agreements led to a split in the title of the land, with part going to petitioner Royal Plains View, Inc., represented by Renato Padillo, and another part ostensibly under Nestor Mejia's control.

In 2005, an initial Deed of Conditional Sale was executed between Royal Plains View, Inc., and Nestor, which was later replaced by a new agreement in 2007, revising the payment terms. A verbal agreement was also made to further divide the property, which resulted in controversy when Nestor Meerja claimed to rescind the contract due to alleged default in payments by the petitioners. This led to various legal actions and the eventual filing of a complaint for Declaration of Nullity of the Instrument denominated as Rescission of Conditional Sale, Specific Performance, Sums of Money, etc., by the petitioners against Nestor and the heirs of the original landowners.

The petitioners filed a complaint in the RTC (Regional Trial Court) of Tagum City, which was dismissed, leading them to appeal to the Court of Appeals (CA). The CA reversed the RTC's decision, finding the Deed of Conditional Sale a contract to sell and applying the Maceda Law, giving the petitioners rights to fulfill payment obligations under specific conditions. The petitioners appealed this decision to the Supreme Court.

**\*\*Issues:\*\***

1. Whether the Court of Appeals erred in allowing Nestor Mejia to file an Appellee's Brief despite being declared in default.
2. The application of the Maceda Law in resolving the primary issue of rescission and cancellation of the Deed of Conditional Sale.
3. The overall consideration of the petitioners' prayers for specific performance, return of payments, and recognition of verbal agreements regarding property division.

**\*\*Court's Decision:\*\***

The Supreme Court found no irregularity in the CA's decision to require Mejia to file an Appellee's Brief, acknowledging a defaulted party's right to participate in appeals. On the substantive issue, the Court characterized the April 11, 2007, Deed of Conditional Sale as a

contract to sell, noting that full payment was a condition precedent for the transfer of ownership from Mejia to the petitioners. It was held that the application of the Maceda Law was incorrect given the property's commercial nature, and the rescission by Nestor was criticized as procedurally flawed for lack of proper notice. However, considering the partial payments made, the Court allowed the petitioners 60 days from the decision's finality to pay the outstanding balance, failing which the contract shall be deemed canceled, and payments made considered as rentals.

**\*\*Doctrine:\*\***

The Supreme Court reiterated the distinction between contracts of sale and contracts to sell, emphasizing the conditional nature of ownership transfer in the latter. It clarified the application scope of the Maceda Law, specifically its non-applicability to commercial properties and sales by real estate companies. Additionally, it underscored the importance of procedural propriety in contract rescission/cancellation, especially regarding notice and opportunity for the defaulting party to contest such action.

**\*\*Class Notes:\*\***

- **\*\*Contract of Sale vs. Contract to Sell:\*\*** Ownership is transferred to the buyer upon delivery in a contract of sale, but in a contract to sell, ownership is reserved until full payment of the price.
- **\*\*Maceda Law (R.A. No. 6552):\*\*** Does not apply to commercial properties or sales transactions involving real estate companies.
- **\*\*Rescission/Cancelation of Contract:\*\*** Must be procedurally proper, requiring notice to the defaulting party and an opportunity to contest.
- **\*\*Specific Performance:\*\*** Can be ordered when a party substantially complies with the payment obligations under a contract to sell.
- **\*\*Verbatim Legal Provisions:\*\*** Article 1169 of the Civil Code on default and delay; R.A. No. 6552 sections relevant to residential properties and installment payments.

**\*\*Historical Background:\*\***

The case reflects the complexities of real estate transactions in the Philippines, especially involving contracts to sell and the rights of parties under such agreements. It highlights the judiciary's role in interpreting and applying legal doctrines and statutes like the Maceda Law, ensuring equitable treatment of parties in commercial transactions. The decision underscores the importance of clarity in agreements, observance of procedural rights, and the protection of investments in the real estate sector.