

Title: Karen Nuñez Vito et al. v. Norma Moises-Palma

Facts:

Vicentico Nuñez, original owner of Lot No. 2159-A in Capiz, borrowed PHP 30,000 from Rosita Moises, secured by a real estate mortgage, with funds sourced from Norma Moises-Palma, Rosita's daughter. Vicentico's heirs claimed the loan was repaid and upon his death, his heirs, including petitioners, inherited the lot. A Deed of Adjudication and Sale (DAS) was later signed by all heirs except Alden, selling their shares to Norma for PHP 30,000 to reduce taxes but agreeing on a PHP 50,000 payment, reflected in a Promissory Note (PN). Norma's failure to pay the agreed amount led to legal battles; with Alden settling his share via a Compromise Agreement leaving the other petitioners to contend the DAS and TCT issuance in Norma's name due to non-payment. Lower courts diverged on the DAS's nature, validity, and consequences of non-payment.

Issues:

1. Whether the Court of Appeals erred in characterizing the transaction as dacion en pago and applying Article 1245 of the Civil Code.
2. Whether the CA erred in deleting the award of attorney's fees, litigation expenses, moral damages, and exemplary damages.

Court's Decision:

The Supreme Court found the CA's characterization of the transaction as dacion en pago incorrect, asserting the transaction was a contract of sale not consummated due to non-payment. The Court determined that non-payment constituted a substantial breach, warranting resolution of the contract under Article 1191 of the Civil Code, thus reversing the CA and reinstating the MTC's decision with modifications. The Court also ruled that damages awarded by the MTC were justified, reflecting breach consequences and allowing recovery for the property's use.

Doctrine:

The non-payment of the purchase price in a contract of sale constitutes a substantial breach, permitting resolution under Article 1191 of the Civil Code. Moreover, damages can be awarded under Articles 2232, 2219, and 2208 of the Civil Code for willful injury to property rights, justified by the evident bad faith of the non-complying party.

Class Notes:

- Contract of Sale vs. Dacion en Pago: A contract of sale involves an agreement to transfer

ownership of property for a price, whereas dacion en pago involves property being offered / Digest)
in satisfaction of a debt and is governed by the law of sales.

- Reciprocal Obligations: When one party fails to comply (e.g., non-payment), the other party may rescind or seek fulfillment, with damages possible in either case.
- Damage Awards: Justified under Philippine Civil Law for wrongful acts or contract breaches, subject to principles of equity and substantiated claims.

Historical Background:

This case touches upon common issues in Philippine real estate and contract law, particularly the implications of non-payment in contracts of sale and the mechanisms available for restitution and damages. It underscores the procedural journey through the Philippine legal system — from the Municipal Trial Court to the Regional Trial Court, to the Court of Appeals, and finally, the Supreme Court — illustrating the iterative process of legal interpretation and application of doctrines in resolving disputes over property agreements.