

Title:

****Nicolas Sanchez vs. Severina Rigos:**** A Legal Analysis on the Binding Effect of an Option Contract without Consideration

Facts:

In an option to purchase contract executed on April 3, 1961, Severina Rigos agreed to sell a parcel of land situated in Nueva Ecija to Nicolas Sanchez for P1,510.00, valid for two years. Sanchez attempted to exercise this option within the allotted period, but Rigos rejected his payments. Consequently, on March 12, 1963, Sanchez judicially consigned the amount and initiated a lawsuit against Rigos for specific performance and damages. The defendant contested, arguing the agreement was a unilateral promise unsupported by consideration, hence void. Both parties sought a judgment on the pleadings, leading to a lower court ruling in favor of Sanchez, mandating Rigos to complete the sale and pay P200.00 in attorney's fees. Dissatisfied, Rigos appealed.

Issues:

1. ****The Validity of an Option to Purchase Contract Without Distinct Consideration:**** Whether an option to purchase, lacking a consideration separate from the price, can bind the promisor to sell.
2. ****Interpretation of Article 1479 and Article 1324 of the Civil Code:**** How the provisions on sales, specifically on unilateral promises, interact with general principles on contracts related to options supported by consideration.
3. ****Obligatory Force of an Accepted Offer Absent Consideration:**** Whether the acceptance of an offer, not supported by a consideration, culminates in a binding contract.

Court's Decision:

The Supreme Court affirmed the lower court's decision, siding with Sanchez. It clarified that a unilateral promise, such as an option to buy, only becomes binding upon acceptance if supported by a distinct consideration. However, the court differentiated between a mere option and a bilateral agreement to buy and sell, which emerges upon acceptance of the offer, even without a separate consideration for the option. Thus, while the option contract itself might not be binding due to lack of consideration, its acceptance transforms it into a reciprocal promise, enforceable against the offeror who cannot withdraw the offer after acceptance.

Doctrine:

This case reinforced the principle that an accepted offer, even one without distinct

consideration, evolves into a binding contract of sale, harmonizing Articles 1324 and 1479 of the Civil Code by emphasizing the contractual commitment over the necessity of a distinct consideration for the option phase.

Class Notes:

1. **Option Contracts and Consideration:**

- An option to purchase must be distinguished from a bilateral contract of sale.
- A distinct consideration is required for an option to be binding as per Article 1479 of the Civil Code.
- **Article 1479:** "An accepted unilateral promise to buy or to sell a determinate thing for a price certain is binding upon the promisor if the promise is supported by a consideration distinct from the price."
- **Article 1324:** Modifies general rules of offer and acceptance concerning options and elucidates that an option, even without distinct consideration, upon acceptance, may lead to a binding contract of sale.

2. **Binding Effect of Acceptance:**

- Acceptance of an offer to sell, prior to any withdrawal and even absent a distinct consideration for the option, results in a binding contract, as per the Sanchez vs. Rigos ruling.

3. **Judgment on Pleadings:**

- Filing for judgment on pleadings implies admission of the opposing party's allegations, subject to their compatibility with one's admitted assertions in the pleadings.

Historical Background:

This case exemplifies the development of Philippine contract law, particularly regarding the enforceability of option contracts. It highlights the judiciary's role in interpreting statutory provisions to reconcile potential conflicts within the law, thus ensuring consistent legal principles applied to business transactions, emphasizing stability and predictability in contractual relationships.