

Title: Spouses Garcia et al. vs. Court of Appeals, Dela Cruz, and Bartolome

Facts:

The case emerged from a Contract to Sell entered between the plaintiffs (Faustino and Josefina Garcia, Meliton and Helen Galvez) and defendant Emerlita Dela Cruz on May 28, 1993, to purchase five parcels of land in Tanza, Cavite, for P3,170,220.00. Three of these lots were previously owned by Angel Abelida, who allegedly sold them to Dela Cruz on March 31, 1989. The plaintiffs were to pay P500,000 upon signing, with the balance to be paid in installments. However, they failed to pay the final installment of P1,670,220.00 due on December 31, 1993. In July 1995, the plaintiffs attempted to settle the balance, but Dela Cruz refused, claiming the sale had been rescinded. Subsequently, Dela Cruz sold the lands to Diogenes G. Bartolome for P7,793,000.00 on September 23, 1995.

Seeking to force Dela Cruz to accept the late payment and transfer the lands, the plaintiffs filed a complaint for specific performance in the Regional Trial Court (RTC). They discovered an alleged spurious sale between Dela Cruz and Abelida, as Abelida was in the United States at the sale time. Despite these issues, the plaintiffs attempted to tender payment after Abelida ratified the sale to Dela Cruz, but to no avail.

Dela Cruz countered that she rightfully rescinded the contract due to non-payment, a provision allowing for unilateral contract rescission and forfeiture of payments was included, and the notification of rescission had been issued to the plaintiffs. Bartolome intervened, asserting he purchased the properties in good faith.

The RTC ruled in favor of the plaintiffs, ordering Dela Cruz to accept the delayed payment and execute the deed of sale, while declaring Dela Cruz's sale to Bartolome null and void. However, the Court of Appeals (CA) reversed this, dismissing the case and mandating Dela Cruz to return only the excess of the paid amounts minus the stipulated forfeiture percentage.

Issues:

1. Whether the CA erred in not applying Maceda Law.
2. Whether Dela Cruz was able to confer title given the alleged spurious nature of her acquisition from Abelida.
3. Whether Dela Cruz's rescission was an act of bad faith.
4. Whether Bartolome could be considered an innocent purchaser.

Court's Decision:

The Supreme Court denied the petition, affirming the CA's decisions. Notably, the Court clarified that the contract in question was a Contract to Sell, where the failure to pay the full price prevented the obligation to convey titles from becoming effective. The Court held that Dela Cruz was within her rights to rescind the contract due to non-payment and found neither Dela Cruz nor Bartolome to have acted in bad faith. Further, the Court noted that Republic Act No. 6552, or Maceda Law, did not apply to this case given the nature of the property and sale involved.

Doctrine:

This case reiterates the distinction between a Contract of Sale and a Contract to Sell, emphasizing that in a Contract to Sell, non-payment of the price results in the non-acquisition of the right to demand the conveyance of title. Moreover, it highlights that unilateral rescission clauses in contracts, when properly stipulated and communicated, are valid and enforceable.

Class Notes:

- **Contract to Sell vs. Contract of Sale:** In a contract to sell, the seller retains ownership until full payment, making non-payment a suspensive condition that disallows the obligation of conveyance.
- **Maceda Law:** Does not apply in all cases, especially not in sales of land that don't strictly fall under the category of residential real estate under its scope.
- **Unilateral Rescission:** Contract clauses allowing for unilateral rescission by the seller due to non-payment are valid, provided they are clearly stipulated and the buyer is properly notified.

Historical Background:

This case underscores the intricacies of property transactions and the importance of clear agreements regarding payment and rescission terms. It highlights how delays in payment can lead to complex legal battles, especially when significant amounts of money and valuable property interests are at stake. The Court reaffirmed established principles regarding contracts to sell and underscored the protective measures sellers may employ against non-compliance by buyers.