

Title: Felix Plazo Urban Poor Settlers Community Association, Inc. vs. Alfredo Lipat, Sr. and Alfredo Lipat, Jr.

Facts:

The case originated when Alfredo Lipat, Sr., represented by Alfredo Lipat, Jr., executed a Contract to Sell (CTS) on December 13, 1991, in favor of Felix Plazo Urban Poor Settlers Community Association, Inc., represented by its President, Manuel Tubao. The agreement was for the sale of two parcels of land in Naga City for P200.00 per square meter, with the condition that the petitioner had 90 days to complete the payment. Failure to do so would result in the automatic expiration of the contract. This period lapsed without full payment from the petitioner, who argued that the full payment condition was contingent upon clearing the properties of third-party claims due to ongoing litigation.

Despite the non-payment within 90 days, the petitioner contributed financially towards the litigation expenses for the subject properties, with an understanding that the CTS would remain enforceable post-litigation settlement. Additionally, the petitioner paid rental fees from 1992 to 1996 for occupying the properties. After litigations concluded, the respondents refused to honor the CTS, claiming its expiration and offered individual contracts to members, which only a few accepted. Consequently, the petitioner filed a case for Specific Performance and Damages with Preliminary Injunction on June 10, 1997, at the Regional Trial Court (RTC) of Naga City.

Both parties went through the trial and the RTC ruled in favor of the petitioner, directing the respondents to sell the properties as per the CTS upon receiving the agreed-upon selling price. Dissatisfied, the respondents appealed to the Court of Appeals (CA), which reversed the RTC's decision, dismissing the petitioner's complaint for premature lack of cause of action and failure of the petitioner to fulfill their payment obligation under the CTS.

Issues:

1. Whether the CA erred in reversing the RTC's decision and declaring the CTS still effective.
2. Whether the CA erred in deeming the cause of action premature and overlooking the payments made by the petitioner.
3. Whether the CA erred in not considering the petitioner's motion for reconsideration despite showing proof of readiness to pay.

Court's Decision:

The Supreme Court upheld the CA's findings, emphasizing the binding nature of the CTS's stipulations between the parties. It noted the failure of the petitioner to fulfill the suspensive condition of full payment within 90 days as a determinant factor that the CTS did not achieve perfection. The Supreme Court pointed out the parol evidence rule, noting that the petitioner's argument regarding additional conditions (clearance of third-party claims) was not tenable because it was not stipulated in the written agreement and lacked sufficient evidence of agreement on such conditions. The Court also regarded the efforts for financial assistance during litigation and subsequent rental payment as irrelevant to the original agreement's terms. Given these conclusions, but recognizing payments made towards the properties, the Supreme Court ordered a remand to the RTC for the computation of refunds for payments made by the petitioner, applying an interest rate of 6% per annum as per prevailing jurisprudence.

Doctrine:

- The contract executed by the parties is the law between them, including all expressly stipulated consequences which may be in keeping with good faith, usage, and law.
- Parol evidence cannot be used to alter, modify, or add to the terms of a written agreement unless specific conditions like intrinsic ambiguity or a failure to express true intent are met.

Class Notes:

Key Elements:

- **Contracts:** A contract becomes law between the parties. Obligations arise as expressly stipulated or implied by the nature of the agreement, good faith, or law.
- **Parol Evidence Rule (Rule 130, Section 9):** Evidence of terms outside the written agreement is inadmissible to modify, explain, or add to its terms, barring specific exceptions like intrinsic ambiguity or failure to express intent.
- **Doctrine of Unjust Enrichment:** Parties are to be refunded for payments made if a contract fails to achieve perfection or is deemed ineffective to prevent unjust enrichment.

Historical Background:

This case underscores the importance of clear contractual terms and the fulfillment of conditions for the enforceability of contracts to sell in the Philippines. It highlights the judiciary's strict interpretation of written agreements and conditions precedent to the obligations within contracts, maintaining integrity and predictability in contractual relations.