

### Title:

**Gotesco Properties, Inc. et al. vs. Spouses Eugenio and Angelina Fajardo: A Case of Subdivision Lot Sale Dispute and Compliance with Obligations under Philippine Law**

### Facts:

On January 24, 1995, the respondent-spouses Eugenio and Angelina Fajardo entered into a Contract to Sell with Gotesco Properties, Inc. (GPI) for a lot in Evergreen Executive Village, Caloocan City, for P126,000.00, to be paid over ten years. GPI, owned and developed by the petitioners, failed to execute a deed of sale and deliver the title and physical possession of the lot despite full payment by January 17, 2000. The Fajardos filed a complaint for specific performance or rescission with damages at the HLURB due to GPI's failure and alleged violations of PD 957, including inadequate subdivision development.

GPI countered, citing issues with the property's technical description and a settled claim by the Bangko Sentral ng Pilipinas as reasons for their non-compliance. Their appeal to the HLURB, the Office of the President, and a reviewing petition at the Court of Appeals (CA) all upheld the HLURB's decision, citing GPI's breach of obligations under PD 957, leading to the CA modifying the restitution to be based on the property's prevailing market value.

### Issues:

1. Whether GPI's failure to execute the deed and deliver the lot's title and possession constituted a substantial breach warranting contract rescission.
2. The applicability of *Solid Homes v. Tan* in determining the refund amount.
3. The liability of the individual petitioners for damages and attorney's fees.

### Court's Decision:

1. **Substantial Breach and Rescission**: The Court found GPI substantially breached the contract to sell, granting the Fajardos the right to rescind based on Article 1191 of the Civil Code, due to GPI's prolonged and unjustified delays in fulfilling its obligation to deliver the title and possession of the lot.
2. **Refund Based on Market Value**: Upholding the CA's application of *Solid Homes v. Tan*, the Court ruled the Fajardos are entitled to the prevailing market value of the property as a refund, reinforcing PD 957's intent to protect buyers against developers failing to meet their obligations.
3. **Liability of Individual Petitioners**: The Court absolved the individual petitioners from personal liability for damages, citing the absence of proof they acted in bad faith or malice,

adhering to the principle that corporate officers are not personally liable for corporate obligations without evidence of wrongdoing.

**### Doctrine:**

The case reiterates the doctrine that developers are obligated under PD 957 to deliver the title and possession of sold properties upon full payment and that non-compliance constitutes a substantial breach allowing for contract rescission and restitution based on the prevailing market value. Also, individual corporate officers cannot be held personally liable for corporate obligations in the absence of bad faith or malice.

**### Class Notes:**

1. **Article 1191 of the Civil Code**: Allows rescission of obligations in reciprocal contracts upon substantial breach by one party.
2. **Presidential Decree No. 957**: Requires subdivision developers to deliver titles upon full payment by buyers, emphasizing buyer protection.
3. **Doctrine of Corporate Responsibility**: Corporate officers are not personally liable for corporate debts without shown malice or bad faith.

**### Historical Background:**

The case highlights ongoing issues with real estate transactions in the Philippines, particularly the plight of buyers against subdivision developers who fail to comply with statutory and contractual obligations, underlining the legal mechanisms in place to protect consumers in the real estate market.