Title: Adelfa Properties, Inc. v. Court of Appeals, Rosario Jimenez-Castañeda, and Salud Jimenez

Facts:

Adelfa Properties, Inc. (petitioner) expressed interest in purchasing the western portion of a parcel of land in Las Piñas, Metro Manila, from Rosario Jimenez-Castañeda and Salud Jimenez (private respondents). This interest followed the purchase of the eastern portion from Jose and Dominador Jimenez. An "Exclusive Option to Purchase" was executed between the petitioner and the private respondents with specific terms, including a total purchase price and an option fee credited as partial payment upon sale consummation. However, payment was suspended by the petitioner due to a lawsuit filed against the land, leading to a series of events including failed negotiations, annotation of the option contract on the title, and an eventual offer to settle. When the original lawsuit was dismissed, the petitioner sought to proceed with the purchase but was ignored by the private respondents, who had, by that time, executed a Deed of Conditional Sale to another party. The petitioner's failure to surrender the duplicate certificate of title prompted the private respondents to file a lawsuit to annul the contract and declare the sale to the third party valid. The lower courts sided with the private respondents, ruling the agreement as an option contract and not a contract to sell, and upheld the validity of the sale to the third party.

Issues:

1. Whether the "Exclusive Option to Purchase" is an option contract or a contract to sell.
2. Whether the petitioner validly suspended payment of the purchase price.
3. The legal effects of the suspension of payment on the contractual relations of the parties.

Court's Decision:

The Supreme Court concluded that the agreement between the parties was a contract to sell and not merely an option contract. It differentiated between the two, emphasizing that in a contract to sell, ownership is reserved in the vendor and does not pass until the full payment of the price. The Court found that the so-called "option money" was earnest money intended as part of the purchase price, hence indicating a contract to sell. The Court also ruled that the petitioner was justified in suspending payment due to the lawsuit but ultimately failed to effect consignation of the purchase price after the disturbance ceased, rendering the contract resolvable by the private respondents. The Court upheld the appellate court's decision, affirming the relief awarded to the private respondents.

Doctrine:

The main doctrines reiterated include:
1. The distinction between a contract to sell and a contract of sale, particularly that in a contract to sell, the ownership remains with the vendor until full payment.
2. The significance of earnest money as part of the purchase price and an indication of a contract to sell.
3. The justification for suspending payment upon the existence of a valid threat to the object of the contract but the necessity of consignation once the threat is removed.

Class Notes:

– **Contract to Sell vs. Contract of Sale**: The critical difference hinges on the transfer of ownership upon payment.
– **Earnest Money**: Considered part of the purchase price and indicative of a contract to sell rather than simply an option contract or initial deposit.
– **Suspension of Payment**: Legally permissible in the face of litigation but requires subsequent consignation after resolution.
– **Consignation**: Essential for fulfilling the obligation of payment in a contract to sell, especially after suspension due to litigation.

Historical Background:

This case underscores the legal intricacies involved in real estate transactions and the fine line between contracts of sale, contracts to sell, and option contracts. It reflects the cautious approach parties may take in light of litigations affecting property and illustrates the judicial process in distinguishing the nature of agreements and the subsequent obligations of the parties involved.