

**\*\*Title:\*\*** Tomas K. Chua v. Court of Appeals and Encarnacion Valdes-Choy

**\*\*Facts:\*\***

Encarnacion Valdes-Choy advertised her paraphernal house and lot located in San Lorenzo Village, Makati City, for sale. Tomas K. Chua responded to the advertisement, agreeing on a purchase price of P10,800,000.00, payable in cash. On June 30, 1989, Valdes-Choy received P100,000.00 from Chua as earnest money. A receipt outlining the terms of the purchase, including full payment by July 15, 1989, was executed.

Prior to the deadline, Chua prepared a manager's check for P480,000.00 but issued a stop payment order on the same day, claiming it was lost. On July 13, 1989, Chua and Valdes-Choy executed two Deeds of Absolute Sale for the property and its furnishings and arranged for the payment of the capital gains tax. Valdes-Choy was to pay the tax using the P485,000.00 from Chua, but the proposed transfer stumbled due to Chua's demand for a title transfer prior to full payment, which was not part of their initial agreement.

Chua then filed for specific performance in the Regional Trial Court (RTC), which was initially dismissed but later refiled. The RTC ruled in favor of Chua, mandating specific performance from Valdes-Choy and setting conditions for the completion of the sale, including the payment of the balance purchase price to the court. This decision was reversed by the Court of Appeals, which ordered the dismissal of Chua's case, forfeiture of the earnest money in favor of Valdes-Choy, and the return of P485,000.00 to Chua.

**\*\*Issues:\*\***

1. Whether the transaction was a perfected contract of sale or merely a contract to sell.
2. Whether Chua was justified in withholding payment of the balance pending transfer of title.
3. Whether the earnest money should be forfeited in favor of Valdes-Choy.

**\*\*Court's Decision:\*\***

The Supreme Court affirmed the CA's decision, ruling that the agreement between Chua and Valdes-Choy was a contract to sell, not a contract of sale. The SC clarified that full payment of the purchase price was a suspensive condition, and Chua's refusal to fulfill this condition precluded the obligation to convey title from arising. Hence, Valdes-Choy did not breach any obligation, and Chua had no right to compel performance or retain the earnest money.

**\*\*Doctrine:\*\***

1. The essence of a contract to sell is that ownership is retained by the seller and is not passed to the buyer until full payment of the purchase price, a positive suspensive condition.
2. In a contract of sale, the seller's obligation to transfer ownership is conditional upon the fulfillment of the suspensive condition stipulated in the contract to sell.

**\*\*Class Notes:\*\***

- **\*\*Contract to Sell vs. Contract of Sale\*\***: A contract to sell becomes a sale only upon fulfillment of a suspensive condition, typically the full payment of the purchase price. In contrast, in a contract of sale, the title passes to the buyer upon delivery of the thing sold.
- **\*\*Suspensive Condition\*\***: The acquisition of rights depends on the happening of the event which constitutes the condition.
- **\*\*Earnest Money\*\***: In a contract of sale, earnest money is part of the purchase price and evidence of the perfection of the contract. However, in a contract to sell, it may be forfeited if the buyer fails to complete the purchase.

**\*\*Historical Background:\*\***

The case highlights the importance of clear agreements regarding property transactions, especially on the conditions for the fulfillment of the contract. It emphasizes the need for buyers and sellers to precisely define terms such as payment schedules and conditions for the transfer of ownership to avoid litigation.