

****Title:**** Asia Production Co., Inc., Wang Ta Peng, and Winston Wang vs. Hon. Ernani Cruz Paño, Lolita Lee Le Hua, and Alberto Dy

****Facts:**** In March 1976, private respondents offered to sell a building located on a leased lot in Valenzuela, Bulacan, to the petitioners for PHP 170,000.00, with an additional promise to assign the lease contract of the lot. This agreement and promise were not documented in writing. The private respondents agreed to deliver the deed of conveyance and the lease assignment within 60 days after receiving a downpayment of PHP 20,000.00, with the balance to be paid in monthly installments. Upon payment of the downpayment and issuance of eight postdated checks for the installments, the petitioners constructed a weaving factory on the lot. Subsequently, the private respondents failed to fulfill their undertakings, leading the petitioners to stop payment on the remaining checks and, after vacating the premises and upon agreement, demanded the return of their partial payments totaling PHP 50,000.00. The private respondents refused to refund the amount.

Filing a complaint for recovery of the partial payment along with damages and attorney's fees in the Court of First Instance (CFI) of Quezon City (now Regional Trial Court, RTC), civil case No. Q-23593, the respondent judge dismissed the complaint on the motion of private respondent Alberto Dy, citing the Statute of Frauds. The petitioners' motion for reconsideration was denied, leading to the appeal in the Supreme Court alleging grave abuse of discretion by the judge.

****Issues:****

1. Whether the action for the refund of partial payments is barred by the Statute of Frauds.
2. Whether the case is merely for the collection of a sum of money and not for the enforcement of the sale, thus not covered by the Statute of Frauds.
3. Whether there had been partial performance such that the Statute of Frauds no longer applies.

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

The Supreme Court ruled in favor of the petitioners, finding the lower court's ruling as constituting grave abuse of discretion.

1. It was held that the Statute of Frauds applies only to executory contracts and not to actions for the recovery of money paid towards a partially executed contract.
2. The Court clarified that the action was not for specific performance of the contract (which would have been unenforceable under the Statute of Frauds) but for the refund for payments already made due to the private respondents' failure to comply with their

agreements.

3. Even assuming the case was for specific performance, the partial performance by the petitioners (payment and construction on the lot) would bar the application of the Statute of Frauds.

****Doctrine:****

The Statute of Frauds is applicable only to executory (not executed) contracts and does not apply to actions seeking recovery of money paid under a partially executed agreement. Partial execution by one party effectively removes the agreement from the operation of the Statute of Frauds.

****Class Notes:****

- Statute of Frauds: Contracts to be enforceable require certain forms or to be in writing; applies only to executory contracts.
- Unenforceable Contracts: Contracts that cannot be enforced due to lack of formality (like writing), but not void.
- Partial Performance: An exception to the Statute of Frauds; if one party has partially fulfilled their obligation, the contract is taken out of the scope of the statute.
- Refund Actions: Seeking refund for payments made under a contract is not barred by the Statute of Frauds even if the original contract is unenforceable under it.

****Historical Background:****

This case underscores the interplay between traditional contract formalities encapsulated in the Statute of Frauds and the equitable considerations courts take into account, particularly in avoiding unjust enrichment. It demonstrates the flexibility of legal principles to accommodate fairness and justice, reflecting a broader judicial approach in the Philippines to interpret laws in ways that prevent fraud and protect parties from unjust situations, even in the face of stringent statutory requirements.