

****Title:**** Bank of the Philippine Islands vs. Vicente Victor C. Sanchez et al.

****Facts:****

The legal dispute originated from a series of complex property transactions and legal actions involving a parcel of land located at No. 10 Panay Avenue, Quezon City. The property was jointly owned by Vicente Victor C. Sanchez, Kenneth Nereo Sanchez, and Imelda C. Vda. De Sanchez, and held under Transfer Certificate of Title No. 156254.

Jesus V. Garcia, operating under TransAmerican Sales and Exposition, Inc. (TSEI), expressed interest in purchasing the property in October 1988. An agreement was made wherein Garcia would pay P1.85 million after the occupants vacated, with an immediate P50,000 payment as earnest money. Despite receiving the P50,000 and turning over essential documents to Garcia, the latter failed to fully pay the agreed amount, taking possession of the property, and even starting the construction of townhouses without the owners' consent.

When the final payment checks were dishonored, the Sanchez heirs sought to rescind the agreement and demanded the return of the property documents handed over to Garcia. Meanwhile, Garcia managed to secure TCT 383697, transferring the title to TSEI's name, predating the actual transaction agreement.

Various parties, including BPI through merger with Far East Bank and Trust Company, and several purported buyers of townhouses constructed on the property, got involuntarily embroiled in the dispute as they claimed rights over portions of the property based on transactions with TSEI.

A legal battle ensued, leading to a Regional Trial Court (RTC) decision in favor of the Sanchez heirs, declaring the extrajudicial rescission of the contract to sell as valid and legal, among other rulings including ordering the return of possession to the plaintiffs. This RTC decision was later affirmed with modifications by the Court of Appeals, which then escalated to petitions for review to the Supreme Court.

****Issues:****

1. Whether the rescission of the agreement between the Sanchez heirs and TSEI/Garcia was valid.
2. Whether TCT 383697 in TSEI's name could be annulled in the action initiated by the Sanchez heirs.
3. Whether the intervenors and BPI acquired their interests in the property in good faith

and without negligence.

4. The proper application of legal doctrines regarding builders and planters in bad faith, and the effects thereof on property ownership and restitution.

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

The Supreme Court denied the petitions and affirmed the CA's decision with modifications, emphasizing the bad faith on the part of TSEI, Garcia, the intervenors, and BPI. It declared that:

- The Sanchez heirs were not negligent and retained the right to rescind the agreement due to TSEI's failure to fulfill the payment terms.
- The subsequent transfer of the property to TSEI and then to other intervenors did not bar rescission, considering that these parties did not act in good faith.
- TCT 383697 was adjudged as fraudulently acquired by TSEI, warranting its cancellation and the reinstatement of TCT 156254 to the Sanchez heirs.
- The Sanchez heirs were given the option to either appropriate the improvements built on the property, demand their removal, or compel the builders to pay for the land, in accordance with applicable legal provisions for builders in bad faith.

****Doctrine:****

- The doctrine of rescission as a remedy in reciprocal obligations when one party defaults, the significance of good faith in property transactions, and the rights of landowners against builders in bad faith were reaffirmed.

****Class Notes:****

- Rescission under Article 1191 of the Civil Code applies when one party in a reciprocal obligation fails to comply with their obligations, without prejudice to third parties who acquire the property in good faith.
- Articles 449 and 450 of the Civil Code apply to builders in bad faith, giving the landowner options on how to proceed with the unauthorized constructions.
- The importance of exercising due diligence in property transactions, especially by institutions like banks, to ascertain the legitimacy of the title and the transaction.

****Historical Background:****

The case underscores the complexities involved in property transactions and the legal remedies available for aggrieved parties. It also highlights the importance of ensuring the genuineness of property titles and the necessity of acting in good faith in property dealings to avoid protracted legal disputes.