

Title: Luis Asiain vs. Benjamin Jalandoni

Facts:

In May 1920, in the municipality of La Carlota, Occidental Negros, Philippines, Luis Asiain, owner of the “Maria” hacienda, met Benjamin Jalandoni, owner of an adjoining hacienda, offering to sell a portion of his property for P55,000. He indicated a tract expected to produce not less than 2,000 piculs of sugar. Doubts from Jalandoni spurred Asiain to assert in a letter the tract’s area and sugar yield assurances. Subsequent negotiations led to a memorandum-agreement in July 1920 specifying the sale of about 25 hectares including the crop, for a total of P55,000, under certain conditions.

After Jalandoni took possession and upon milling, the sugar yield was only 800 piculs. A survey also revealed the parcel’s area was less than stated, at 18 hectares, 54 ares, and 22 centiares. Jalandoni having paid P30,000 of the purchase price, Asiain sought to recover the balance in the Court of First Instance of Occidental Negros. Jalandoni countered, seeking annulment of the contract, return of payments, and damages. The court nullified the contract, ordered the refund of payments to Jalandoni, and mandated he return the land to Asiain, ruling in favor of the contract’s annulment due to substantial discrepancies in the land’s area and yield.

Issues:

1. Whether the discrepancy in the stated area and actual area of land sold constitutes grounds for contract annulment.
2. Whether the discrepancy in the promised versus actual sugar yield affects the contract’s validity.
3. The legal consequences arising from these facts under the Civil Code, particularly focusing on articles concerning consent due to error or deceit, and sales of real estate as lump sums.

Court’s Decision:

The Supreme Court affirmed the lower court’s decision to annul the contract, emphasizing the bilateral mistake regarding the land’s area and the sugar crop yield. It differentiated between a sale made at a certain price per unit of measure, which wasn’t applicable in this case, and a sale of real estate for a lump sum with stated boundaries and an estimated area. It was determined that because the actual land area and sugar yield substantially differed from what was agreed upon, the contract could be rescinded at Jalandoni’s option. The Court emphasized the rights of purchasers in cases of gross misestimation, allowing either a

proportional reduction in price or annulment of the contract, leaning towards the latter due to the significant discrepancies.

Doctrine:

In sales of real estate for a lump sum with specified boundaries and an estimated area, if there is a substantial discrepancy in the actual versus stated area or characteristics directly affecting the property's value, the purchaser has the option to either demand a proportional price reduction or to annul the contract.

Class Notes:

1. **Bilateral Mistake**: When both parties are mistaken about facts materially affecting the contract's essence, such as size or yield of the property, it can lead to the contract's annulment.
2. **Contract Annulment Grounds**: Significant discrepancy between the stated and actual characteristics of the property sold (area, yield) justifies contract rescission.
3. **Sales of Real Estate in Lump Sum**: According to Civil Code Art. 1471, in land sales for a lump sum, no increase or decrease in price is warranted even if the area turns out different than stated, unless such a discrepancy is substantial.

Historical Background:

The decision delivered by Malcolm, J., reflects Spanish civil law influences inherent in the Philippine legal system, where emphasis is placed on the intentions of the contracting parties and the equitable principle of relief due to mutual mistake. This case illustrates the transition and adaptation of these principles in addressing property sales disputes in the Philippine legal context of the early 20th century, embodying the blend of Spanish legal traditions with emerging Philippine jurisprudential principles.