

Title:

Robleza et al. vs. Court of Appeals and Inter-Island Fishing Gear & Equipment, Inc.: A Case of Bad Faith and Rescission of Contract

Facts:

The story unfolds in General Santos City, with petitioners Julita and Jesus Robleza seeking to annul documents of sale and corresponding Torrens Titles that transferred their properties to respondent Inter-Island Fishing Gear and Equipment, Inc. The legal journey began with a deed of sale executed on June 24, 1979, between the Roblezas and the Tans, wherein two lots were allegedly sold for P10,000. Later, the Tans defaulted, and the properties ended up with the respondent corporation following a foreclosure and auction sale. However, the Roblezas claimed the real purchase price was misrepresented and that they never received payment, presenting dishonored checks totaling P94,000 as proof. Despite their efforts, including a denied motion for reconsideration by the appellate court, their plight led them to the Supreme Court.

Procedural Posture:

The procedural journey saw the Roblezas file a case (Civil Case No. 2717) at the Regional Trial Court (RTC), which ruled in their favor by voiding the sale, canceling the respondent's titles, and granting damages. This decision was overturned by the Court of Appeals (CA), prompting the Roblezas to elevate the matter to the Supreme Court, seeking to annul the CA's judgment and restore the RTC's ruling.

Issues:

1. Whether the contract of sale was void for want of consideration.
2. The applicability of the doctrine of *in pari delicto* in cases of simulated contract prices.
3. The determination of good faith or bad faith on the part of Inter-Island Fishing Gear and Equipment, Inc. in the foreclosure of the mortgaged properties.
4. Whether the petitioners' action falls under an action to nullify the contract or for rescission due to substantial breach.

Court's Decision:

The Supreme Court reversed the appellate court's decision, reinstating the RTC's judgment, albeit with modifications. It clarified that the contract of sale was not void for lack of consideration since there were partial payments made. The court also found the respondent corporation acted in bad faith by proceeding with the foreclosure despite knowledge of the flaws in the transaction and the deceit by the Tans. As such, the Court rescinded the

contract due to substantial breach by non-payment of the agreed purchase price and ordered mutual restitution, with modifications to the awarded damages.

Doctrine:

1. A contract is not void for lack of consideration if there are partial payments made.
2. The *pari delicto* principle does not apply when the cause and object of the contract are licit, even if the amount in the contract is simulated.
3. Good faith must be observed by all parties in contractual dealings, and bad faith on one party affects the validity of agreed transactions, especially in foreclosure proceedings.

Class Notes:

- In cases of disputed contracts, the true intention of the parties prevails over what is written.
- A contract with a simulated price is not necessarily void if the real agreement between the parties has a lawful cause and object.
- The doctrine of *in pari delicto* does not apply to transactions where the main elements (cause and object) are legal.
- Actions for rescission due to substantial breaches should consider the evidence of partial payments and the conduct of parties post-agreement.
- Trust and confidence in transactions, while culturally ingrained, do not exempt parties from the legal repercussions of misplaced trust.

Historical Background:

This case highlights the intricate balance between traditional trust in personal and familial relationships in property transactions and the strict tenets of contract law in the Philippines. It underscores the challenges faced by the judicial system in adjudicating cases where informal agreements clash with formal legal requirements, reflecting on the broader socio-legal context of property sales in the country.