

Title: Rene Knecht v. Court of Appeals and Katherine H. Williams

Facts:

Rene Knecht offered to purchase two lots and an existing house in Baguio City from Lilian Hamby in February 1966 for US\$47,500, payable in installments, and proposed to assume Hamby's beach property lease in La Union. After accepting Knecht's offer, Hamby received US\$4,750 as earnest money in April 1966, followed by two installments totaling US\$7,250. However, Knecht ceased further payments, ignoring Hamby's demands and subsequent rescission notice.

Hamby initiated a lawsuit in the Court of First Instance of Baguio and Benguet for contract rescission, leading to a favoring judgment that Knecht vacate the property without paying rentals. Knecht appealed, alleging a hidden defect due to the property's non-contiguity and Hamby's failure to transfer the beach property lease. The Court of Appeals upheld the trial court's decision, finding no hidden defect and Knecht had waived any legal effects of such a defect.

Issues:

1. Whether the strip of public land separating the two lots constitutes a hidden defect within the meaning of Article 1561 of the Civil Code.
2. Whether Knecht's partial compliance and willingness to proceed with the contract despite knowledge of the property's condition absolve him of his obligation to continue payments.
3. Whether the factual findings of the Court of Appeals could be subject to review by the Supreme Court.

Court's Decision:

1. The Supreme Court affirmed the decision of the Court of Appeals, holding that the existence of the strip of public land cannot be considered a hidden defect since Knecht could have and did actually become aware of it shortly after the agreement. Thus, under Article 1561 of the Civil Code, the alleged defect does not provide a basis for Knecht to rescind the contract.
2. The Court reasoned that Knecht had ample opportunity to assess the property's condition and, having taken possession and made partial payments, he cannot claim false representation or exaggerate statements about the property's condition.
3. Further, the Supreme Court cannot modify the Appellate Court's factual findings as its appellate jurisdiction is limited to reviewing errors of law unless exceptions apply, which in this case, do not.

Doctrine:

This case emphasizes the principle that one cannot avoid a contract on the grounds of false or exaggerated representations about real estate's character and value when they had the opportunity and means to verify such statements themselves. Additionally, it affirmed the doctrine of conclusiveness of factual findings by the Court of Appeals in the absence of exceptions.

Class Notes:

- Article 1561, Civil Code: Refers to the seller's obligation regarding hidden defects.
- The principle of due diligence in verifying property conditions before contracting and the limitations on alleging hidden defects as a ground for contract rescission.
- The appellate jurisdiction of the Supreme Court is limited to reviewing errors of law, not facts, unless exceptions to this principle apply.

Historical Background:

The case falls within the Philippine legal context, reflecting the judiciary's approach to disputes involving real property transactions, emphasizing buyer's due diligence, the treatment of factual findings by appellate courts, and the boundary between law and fact in Supreme Court appeals. Its resolution underlines the criticality of clear legal and factual understanding in property transactions and contract obligations.