

Title: San Francisco Del Monte, Inc. v. Isaias F. Fabrigas and Marcelina R. Fabrigas

Facts:

On April 23, 1983, Spouses Fabrigas agreed to buy a parcel of land from San Francisco Del Monte, Inc. (Del Monte) for P109,200.00 under Contract to Sell No. 2482-V, with stipulated payment terms. After the downpayment, the Spouses failed to meet subsequent payments despite Del Monte's reminders. Del Monte, deeming the contract cancelled due to non-payment, didn't inform the Spouses of such cancellation. In attempts to settle the account, on two occasions in 1984 and 1985, Marcelina Fabrigas made payments to Del Monte, which led to the creation of a second contract, No. 2491-V, with revised terms and a new purchase price. The Spouses made irregular payments under the new contract, prompting Del Monte to notify them of overdue amounts. Despite a final demand and grace period given by Del Monte, the Spouses failed to settle their accounts, leading to Del Monte declaring Contract No. 2482-V cancelled and eventually suing for recovery of possession with damages.

Upon being ruled against by both the RTC and the Court of Appeals, the Spouses elevated the case to the Supreme Court, challenging the cancellation of the first contract and the validity of the second.

Issues:

1. Was Contract to Sell No. 2482-V extinguished through rescission or novated by Contract to Sell No. 2491-V?
2. Did the rescission of Contract to Sell No. 2482-V comply with the requirements of the Maceda Law (R.A. 6552)?
3. If Contract to Sell No. 2482-V was novated by Contract to Sell No. 2491-V, are the Spouses liable for breach under the subsequent agreement?

Court's Decision:

The Supreme Court denied the petition for review, affirming the decision of the Court of Appeals. The Court held that:

1. **Rescission of Contract to Sell No. 2482-V:** Del Monte failed to comply with the proper mode of cancelling the contract as required by R.A. 6552 because it did not provide a notarial notice of cancellation. However, this failure was overridden by the subsequent novation of the contract through Contract to Sell No. 2491-V.
2. **Novation:** The Court found that the execution of Contract to Sell No. 2491-V

constituted an extinctive novation, creating a new obligation that extinguished the previous one under Contract to Sell No. 2482-V, considering the change in terms, conditions, and price.

3. **Validity of Contract to Sell No. 2491-V:** Despite its execution without the husband's consent, the Court ruled that Contract to Sell No. 2491-V was ratified and thus valid, binding the Spouses to its terms.

4. **Contract of Adhesion:** The argument that Contract to Sell No. 2491-V was a contract of adhesion and hence void was dismissed by the Court. It affirmed that such contracts, unless proven to be grossly disadvantageous, are as binding as ordinary contracts.

Doctrine:

- The Court reiterated the doctrine regarding modes of extinguishing obligations, highlighting that novation can either extinguish an old obligation by creating a new one or modify it under certain conditions. This case also underscored that non-compliance with the provision for notarial notice as required by R.A. 6552 can be cured by a valid subsequent novation.

Class Notes:

- **Extinctive Novation:** Requires (1) a previous valid obligation, (2) agreement of all parties to a new contract, (3) extinguishment of the old obligation, and (4) the birth of a valid new obligation.
- **R.A. 6552 (Maceda Law):** Specifies the rights of the buyer in transactions involving real estate on installment payments, detailing the process for contract cancellation and refund entitlements.
- **Contracts of Adhesion:** Are binding as ordinary contracts unless certain conditions mandate otherwise.
- **Ratification:** Acts that imply ratification of a previously unenforceable contract can render it valid from its inception.
- **Conjugal Partnership:** Transactions regarding conjugal partnership property require the consent of both spouses; contracts entered without such consent are annulable or voidable.

Historical Background:

The case illustrates the application and interpretation challenges of the Maceda Law, a critical piece of legislation designed to protect buyers in real estate transactions involving installment payments. It also explores the dynamics of contractual agreements between

buyers and sellers, including the issues surrounding consent and authority within the bounds of conjugal partnership property management under the Philippine Civil Code.