

Title:

****Dela Cruz v. Concepcion: A Philippine Supreme Court Decision on Contractual Obligations and Payment Methodologies****

Facts:

The case traces back to March 25, 1996, when the Dela Cruz spouses entered into a contract to sell a house and lot to Ana Marie Concepcion for PHP 2,000,000.00 with specific payment terms. Despite initial payments, a dispute arose regarding the final balance, claimed by the Dela Cruz spouses to be PHP 487,384.15, whereas Concepcion asserted it was only PHP 200,000.00 based on her computation, mutually agreed upon by both parties.

The dispute was first brought to the Regional Trial Court (RTC) of Antipolo, Rizal, after the Dela Cruz spouses made unsuccessful demands for payment from Concepcion. The RTC dismissed the case in favor of Concepcion, granting her counterclaims for damages. The Dela Cruz spouses' appeal to the Court of Appeals (CA) resulted in the affirmation of the RTC decision with modifications regarding the awards for damages.

Subsequently, the Dela Cruz spouses escalated the matter to the Supreme Court on grounds of erroneous dismissal and misinterpretation of judicial admission related to Concepcion's outstanding obligation.

Issues:

1. Whether the lower courts erred in dismissing the complaint based on procedural issues concerning the non-formal offer of evidence and the computation of the claimed amount.
2. The legal impact of Concepcion's judicial admission regarding her outstanding obligation.
3. The validity and effect of the payment made to a third party allegedly authorized by the Dela Cruz spouses.

Court's Decision:

The Supreme Court dismissed the Dela Cruz spouses' petition, affirming the decisions of both the RTC and the CA. The Court held that Concepcion's payments, including the disputed final payment made to a third party purportedly authorized by the Dela Cruz spouses, fulfilled her contractual obligations. The Court emphasized the principle allowing for the trial of issues not raised in the pleadings if done with the consent of parties, and ruled that such consent was implicitly given when the spouses did not object to the evidence of payment presented by Concepcion. As such, Concepcion's payment to the third party, recognized as the spouses' agent, effectively extinguished her remaining balance.

Doctrine:

The Supreme Court reiterated doctrines on judicial admission, the authority of agents to receive payments, and the trial of unpleaded issues with parties' consent. Notably, it specified that payment made to an authorized agent of the creditor is deemed payment to the creditor, effectively discharging the debtor's obligation. Additionally, the decision underscored that issues not objected to during trial can be considered as if they had been included in the pleadings.

Class Notes:

- **Judicial Admission:** An admission, explicit or implicit within the pleadings, that does not require further evidence and upon which courts can base their ruling.
- **Payment to Authorized Agent:** Article 1240 of the Civil Code states that payment must be made to the person in whose favor the obligation has been constituted, their successor in interest, or any person authorized to receive it. Payment to an unauthorized third party does not extinguish the obligation unless the creditor ratifies the payment.
- **Trial of Unpleaded Issues:** If issues not raised in the pleadings are tried with the express or implied consent of the parties, they are treated as if they had been raised, allowing for amendments to conform to evidence presented even post-judgment.

Historical Background:

The case highlights the complexities of contract law in the Philippines, especially regarding agreements of sale, the authority of agents, and the procedural intricacies of presenting and objecting to evidence in court. Despite the substantial compliance by Concepcion with the agreed payments, a misunderstanding regarding the final balance led to a legal battle that spanned multiple judicial levels, culminating in a Supreme Court decision affirming the importance of clear agreements, proper authorizations for payment, and adherence to procedural rules in civil litigation.