

****Title:**** Castillo vs. Reyes: Determining the Nature of Property Sale Agreements in Philippine Law

****Facts:****

The facts of the case revolve around a disputed property transaction in Poblacion, New Washington, Aklan. On November 7, 1997, Emmaliza Bohler negotiated the sale of her house and lot with Spouses Rudy and Consolacion Reyes for PHP 165,000.00. In the initial agreement signed on November 8, 1997, the Reyes agreed to make a partial payment of PHP 130,000.00, with the remaining balance due by December 15, 1997. Bohler demanded the partial payment in cash to redeem the property from the bank, but the Reyes initially provided PHP 20,000.00 in cash and a PHP 110,000.00 check, which was not acceptable to Bohler. She insisted on full cash payment by midnight, failing which she threatened to cancel the sale. After the Reyes' failed to meet Bohler's demand, she sold the property to Spouses Nestor Castillo and Rosie Reyes-Castillo (petitioners).

Upon learning of the subsequent sale, the Reyes tendered the check and acquired a bank certification to prove funding. They also initiated legal action by sending a notice of lis pendens and filing a civil case for annulment of sale, specific performance, and damages against Bohler and the petitioners.

The Regional Trial Court (RTC) of Kalibo, Aklan, dismissed the Reyes' complaint, declaring the November 8 agreement as a contract to sell and upholding the valid sale to the Castillos. However, upon appeal, the Court of Appeals (CA) reversed the RTC's decision, classifying the agreement as a contract of sale and annulling the subsequent sale to the Castillos. This prompted the Castillos to file a petition for review on certiorari to the Supreme Court.

****Issues:****

1. Whether the contract between Bohler and the Reyes is a contract of sale or a contract to sell.
2. Whether the Castillos were in bad faith in purchasing the property.

****Court's Decision:****

The Supreme Court denied the petition for review on certiorari. The Court identified the agreement as a contract of sale, not a contract to sell, based on the lack of any reservation of ownership by the seller and the agreement containing all requisites of a sale. The Court emphasized that in a contract of sale, ownership transfers upon delivery of the property, while in a contract to sell, ownership remains with the vendor until full payment. The

determining factor was the parties' intent as reflected in the wording of the agreement and their conduct, showing that a complete sale was intended without conditions on the transfer of ownership.

Regarding the bad faith issue, the Court's focus on the nature of the agreement effectively resolved the primary dispute without specifically addressing bad faith as a separate issue in the disposition.

****Doctrine:****

- Sale vs. Contract to Sell: This case reiterates the doctrine that distinguishes a contract of sale from a contract to sell based on the reservation of ownership until full payment. Specifically, it holds that a transaction is a contract of sale if it includes an unconditional transfer of ownership from the vendor to the vendee upon agreement, without any express reservation of title by the vendor until full payment.

****Class Notes:****

1. ****Contract of Sale vs. Contract to Sell:**** In a contract of sale, ownership of the property is transferred to the buyer upon the agreement's conclusion, regardless of payment. In contrast, a contract to sell requires full payment as a condition for the transfer of ownership.
2. ****Meeting of Minds:**** A contract is perfected by the meeting of minds upon the thing which is the object of the contract and upon the price.
3. ****Bad Faith:**** While not extensively discussed in the resolution, an understanding of bad faith dealings in property sales can be pivotal for determining the legality and validity of subsequent transactions.

****Historical Background:****

This case reflects the complexity of transactional agreements in property sales within Philippine law, showcasing the critical examination of contracts' language and parties' intents to discern legal obligations and rights. It underscores the importance of clear terms and conditions in property agreements to prevent disputes and litigation.