

### Title: Starbright Sales Enterprises, Inc. v. Philippine Realty Corporation, et al.

### **Facts:**

On April 17, 1988, Ramon Licup offered to purchase three contiguous parcels of land in Parañaque, owned by The Holy See and Philippine Realty Corporation (PRC), for P1,240.00 per square meter. He committed to clearing the property of illegal settlers and provided a P100,000 check as earnest money to “close the transaction,” promising to pay the balance once the title was ready for transfer and the land cleared.

Msgr. Domingo A. Cirilos, representing the owners, accepted Licup’s offer by signing the ‘conforme’ portion of the letter and receiving the check, which was later stopped by Licup. Subsequently, on April 26, Licup directed that the titles be transferred to Starbright Sales Enterprises, Inc. (SSE), with a new check for P100,000 attached. The SSE representatives did not sign this letter.

Negotiations continued with back-and-forth communications between SSE and Msgr. Cirilos, including a rejected updated proposal from SSE to lower the purchase price, and Msgr. Cirilos offering the property at a higher price and eventually selling it to Tropicana Properties, which subsequently sold it to Standard Realty.

SSE filed a complaint for annulment of sale, reconveyance, and damages against The Holy See, PRC, Msgr. Cirilos, Tropicana Properties, and Standard Realty. The case was eventually transferred to the Supreme Court after a series of legal challenges, including the dismissal of the case against The Holy See for diplomatic immunity.

### **Issues:**

1. Whether or not a perfected contract of sale existed between SSE and the land owners represented by Msgr. Cirilos.

### **Court’s Decision:**

The Supreme Court held that the April 17, 1988 letter did not constitute a perfected contract of sale. The court reasoned that Licup’s stop-payment order and request to transfer the property to SSE indicated a subjective novation, opening negotiations for a new contract without finding an agreement between SSE and the landowners. The court found no perfected sale as there was no meeting of the minds on critical elements such as the price and the responsibility for clearing the occupants. The P100,000 given was deemed option

money, not earnest money, as there was no perfected sale to apply it towards. Consequently, the Court dismissed the petition and affirmed the CA's decision.

### **\*\*Doctrine:\*\***

- A contract of sale is perfected when there is a meeting of the minds upon the object of the contract and upon the price.
- Subjective novation occurs through the substitution of the debtor or the subrogation of a third person to the rights of the creditor, requiring the agreement of all parties.

### **\*\*Class Notes:\*\***

- **\*\*Perfected Contract of Sale\*\***: Requires consent of the contracting parties, an object certain, and the cause of the obligation. Consent must be absolute and unqualified.
- **\*\*Subjective Novation\*\***: Involves a change in the person of the debtor or the creditor, requiring release of the old debtor, assumption of obligation by the new debtor, and the agreement of all parties involved.
- **\*\*Earnest Money vs. Option Money\*\***: Earnest money is part of the purchase price and signifies the seller's acceptance of the offer, solidifying a perfected sale. Option money gives the buyer the right to buy but does not obligate him/her to purchase, often seen in preliminary agreements.

### **\*\*Historical Background:\*\***

This case underscores the complexities of contract negotiations and the legal conceptual distinctions between earnest and option money in the context of property sales in the Philippines. It clarifies the legal criteria for a perfected sale and emphasizes the critical employment of novation principles in contract law, marking a significant reference point for understanding contract formation, negotiation, and the role of earnest money in the Philippines' legal landscape.