

Title:

Leaño vs. Court of Appeals and Fernando

Facts:

On November 13, 1985, Hermogenes Fernando (vendor) and Carmelita Leaño (vendee) executed a contract to sell concerning a plot in Sto. Cristo, Baliuag, Bulacan. Under this contract, Leaño was to pay Fernando P107,750.00 for the lot, with a down payment followed by monthly installments over ten years, interest included. Leaño made payments and built a house valued at P800,000.00 on the property. The last payment she made was on April 1, 1989.

Subsequently, Fernando filed an ejectment case leading to a municipal trial court directing Leaño to vacate the premises, pay monthly compensation, attorney's fees, and suit costs. Upon receiving a writ of execution in 1993, Leaño sued for specific performance in the Regional Trial Court of Malolos, Bulacan, challenging the municipal trial court's decision, citing her rights under Republic Act No. 6552, and deposited P18,000.00 as balance payment for the lot.

Despite a preliminary injunction issued by the Malolos court, it ultimately ruled against Leaño, requiring her to pay Fernando a recalculated amount of P183,687.00, with interest, attorney's fees, and suit costs. This decision underscored Fernando's right to payment but recognized Leaño's ownership due to non-rescission of the contract. This trial court ruling was affirmed by the Court of Appeals.

Issues:

1. Was the transaction an absolute sale or a conditional sale?
2. Was there proper cancellation of the contract?
3. Was Leaño in delay in payment of the installments?

Court's Decision:

The Supreme Court ruled that the transaction was a conditional sale, not an absolute sale, focused on the full payment of the price as a condition to transfer ownership. The court found that the failure to pay installments allowed Fernando to cancel the contract but had to comply with R.A. No. 6552, which prescribes steps for cancellation and refund to the buyer. Since actual cancellation had not occurred due to improper notice and refund, Leaño maintained a right to reinstatement of the contract upon updating her account. Regarding delays in payments, the court agreed with the lower courts that Leaño was liable for the

accumulated interest and penalties due to her failure to meet the monthly installments.

Doctrine:

This case reinforces the stipulations surrounding conditional sales particularly the suspensive condition of full payment for transferring ownership, and compliance with R.A. No. 6552 for contract cancellations involving installment sales of real estate.

Class Notes:

Key Concepts:

- Conditional Sale: Ownership transfer is contingent upon the fulfillment of conditions, in this case, the full payment of the purchase price.
- R.A. No. 6552 (Realty Installment Buyer Protection Act): Provides rights and protections to buyers against onerous contract cancellations, mandating notice and refund requirements.
- Payment Delays: The effects and obligations arising from failure to adhere to the payment schedule in a contractual agreement.

Relevant Statutes:

- Republic Act No. 6552: Prescribes rights to buyers in real estate installment sales, including the right to a refund and specific cancellation procedures.
- Civil Code provisions on Contracts: Including application of terms, obligations, and remedies for breach.

Interpretation/Application:

- Conditions set within contracts, specifically in terms of payment schedules and consequences of non-payment, bind parties and can dictate the ownership transfer of the property.
- Legal compliance for contract cancellation: Issuance of proper notice and refund is crucial under R.A. No. 6552.

Historical Background:

This case sheds light on the complexities of property transactions on installment basis in the Philippines, underscoring the legal safeguards for both vendors and vendees under specific statutes such as R.A. No. 6552. It reflects the judiciary's role in interpreting contractual agreements and legislative intent to protect the rights of individuals entering into conditional sales.