

**Title:** Active Realty & Development Corporation vs. Necita G. Daroya: A Review on Compliance with the Maceda Law in Real Estate Transactions

**### Facts:**

Active Realty & Development Corporation (Petitioner) engaged in a contract to sell a residential lot in its Town & Country Hills Executive Village to Necita Daroya (Respondent), a contract worker abroad, for PHP 224,025.00 in 1985 with installment payments. Despite the respondent paying a total exceeding the contract price, petitioner canceled the contract due to missed payments and sold the lot to another buyer. Daroya filed a complaint with the HLURB for specific performance and damages.

The HLURB Arbiter ruled in Daroya's favor, ordering a refund with interest, which the HLURB Board of Commissioners later modified to a partial refund. On appeal to the Office of the President, the decision was changed to either a full refund of the lot's current value or delivery of a substitute lot. The Court of Appeals denied petitioner's subsequent appeal due to procedural deficiencies.

**### Issues:**

1. Whether procedural deficiencies at the Court of Appeals justified denial of the appeal.
2. The application and compliance with the Maceda Law (R.A. No. 6552) regarding the cancellation of the contract to sell.
3. Whether Active Realty should refund the actual value of the lot or provide a substitute lot.

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

The Supreme Court found for the respondent. It held that:

1. **Procedural Compliance:** The petitioner substantially complied with the appeal requirements. Any shortcomings, such as missing documents and certification of non-forum shopping, were due to legitimate misunderstandings or administrative lapses, not willful negligence.
2. **Maceda Law Application:** The cancellation of the contract by Active Realty failed to meet the Maceda Law's requirements, specifically the need for a notarized notice of cancellation and the payment of the cash surrender value.
3. **Refund or Substitute Lot:** Given the failure to comply with legal requirements for contract cancellation and sale of the lot to another, the petitioner was ordered to refund the

current value of the lot (PHP 875,000.00) with interest or deliver a substitute lot, at the respondent's choice.

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

The decision reinforced the Maceda Law's protective measures for buyers in real estate installment sales, specifically emphasizing the mandatory steps for contract cancellation and remedies available to the buyer. It underscored the importance of adhering to legal requirements before a contract to sell can be validly canceled.

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

- **\*\*Maceda Law Requirements:\*\*** Before canceling a contract to sell real estate on installment, the seller must provide a notarized notice of cancellation and refund the cash surrender value to the buyer.
- **\*\*Legal Remedies for Buyers:\*\*** Buyers are entitled to either a refund of their payments or a substitute lot if the seller fails to comply with the cancellation process or sells the lot to another buyer.
- **\*\*Importance of Procedural Compliance:\*\*** An entity must strictly follow procedural requirements in appellate proceedings, including timely filing and providing necessary documentation and authorizations.
- **\*\*Equitable Solutions:\*\*** The law seeks equitable solutions to disputes, balancing the rights and obligations of both parties, and ensuring that remedies are just and fair.

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

This case elucidates the application of the Maceda Law, highlighting the judiciary's role in safeguarding the rights of property buyers against unfair practices by developers. The decision illustrates the legal evolution toward more equitable consumer protection in real estate transactions in the Philippines, reflecting the social and economic context of the law's intent to aid middle and lower-income earners in securing homeownership without undue disadvantage.