

****Title:**** Jestra Development and Management Corporation v. Daniel Ponce Pacifico

****Facts:****

Daniel Ponce Pacifico signed a Reservation Application on June 5, 1996, for purchasing a property from Fil-Estate Marketing Association, which was managed by Jestra Development and Management Corporation. The total purchase price was set at P2,500,000, with a down payment of 30% payable in six monthly installments starting July 1996. Due to payment difficulties, an agreement allowed Pacifico to make periodic payments. By March 6, 1997, a Contract to Sell was executed despite the down payment not being fully paid.

Pacifico failed to comply with the agreed upon payment schedule for the remaining 70% balance, leading to several attempts to restructure the payment scheme, which increased monthly amortizations and subsequently resulted in dishonored payments. In March 1998, Pacifico sought to suspend payments and proposed selling the property, which Jestra rejected, eventually sending a notarial cancellation notice in May 1998.

Pacifico filed a complaint with the Housing and Land Use Regulatory Board (HLURB), claiming non-delivery of the property and highlighting Jestra's resale to another buyer. The HLURB ruled in favor of Pacifico, mandating Jestra to reimburse payments with interest and levy fines for non-registration of the contract. Jestra's appeals to the Office of the President and Court of Appeals were unsuccessful, which led to the filing of a petition to the Supreme Court.

****Issues:****

1. Whether penalty payments should be included in computing total installment payments in relation to the Realty Installment Buyer Protection Act (RA 6552).
2. Whether Jestra failed to deliver possession of the property to Pacifico upon full payment of the down payment.
3. The applicability of RA 6552 in the cancellation of the contract to sell due to non-payment.

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

The Supreme Court granted Jestra's petition, reversing the decisions of the lower bodies. It ruled that penalty payments should not be included in the computation of total installment payments as they do not form part of the purchase price. The Court determined that since Pacifico failed to pay at least two years of installments, he was not entitled to the cash surrender value under RA 6552.

The Court used a different computation for installments, focusing on the down payment installment rate, and concluded that Pacifico had not met the two-year payment requirement mandated by RA 6552 for a refund of payments. As such, Jestra was justified in cancelling the contract following the procedures outlined in the Act, provided there was a grace period and proper notification to the buyer.

****Doctrine:****

The case reiterates the protective framework established by RA 6552 for buyers of real estate on installment against onerous conditions, outlining the seller's obligations in case of the buyer's non-payment and the process for contract cancellation. It highlights the necessity of following the specific legal steps provided by law before a contract can be considered properly cancelled.

****Class Notes:****

- RA 6552 (Realty Installment Buyer Protection Act) is critical in transactions involving real estate on installment payments.
- The Act stipulates specific rights for buyers in default, including grace periods and refund entitlements depending on the payment period completed.
- The cancellation process under RA 6552 involves granting a grace period and formal notice requirements.
- Penalty payments for late installment payments are not considered part of the purchase price for the purpose of computing installment payments made by the buyer.
- Calculation of installments paid must consider the agreed terms and the nature of payments made.

****Historical Background:****

This case reflects the complex interplay between real estate developers and buyers within the Philippine legal framework. It underlines the strict compliance requirements for contract cancellations and the judiciary's role in balancing the interests of both parties, while ensuring protective measures for installment buyers are duly enforced. The interpretation of RA 6552 in this context underscores the Act's significance in providing a safety net for buyers against potentially exploitative practices in the real estate sector.