

Title: ****Associated Marine Officers and Seamen’s Union of the Philippines – PTGWO-ITF vs. Noriel Decena****

****Facts:****

The Associated Marine Officers and Seamen’s Union of the Philippines – PTGWO-ITF (AMOSUP) engaged in a Shelter Program offering houses to its member seafarers. On April 27, 1995, AMOSUP entered into a contract with Noriel Decena under this program, involving a house and lot in Cavite. The contract required Decena to reimburse the cost in 180 monthly payments and stipulated automatic contract cancellation for failure to remit three monthly payments, with a three-month grace period to cover arrears.

Decena failed to pay 25 monthly reimbursements from August 1999 to August 2001. After demands and a grace period notice were ignored, AMOSUP canceled the contract, considering the payments as rental, and requested Decena to vacate. This led to an unlawful detainer complaint filed by AMOSUP against Decena in the Municipal Trial Court (MTC) of Dasmariñas, Cavite.

****Procedural Posture:****

The MTC ruled in favor of AMOSUP, a decision affirmed by the Regional Trial Court (RTC) upon appeal. The Court of Appeals (CA), however, overturned the RTC’s decision, ruling the contract as a contract to sell and finding the action for ejectment premature for non-compliance with the Maceda Law’s requirements for contract cancellation.

****Issues:****

1. Whether the contract between AMOSUP and Decena is a contract of lease or a contract to sell.
2. Whether the action for unlawful detainer filed by AMOSUP was premature.

****Court’s Decision:****

The Supreme Court affirmed the CA’s decision, with modifications, concurring that the agreement was a contract to sell and not a lease. It ruled that AMOSUP failed to cancel the contract validly under the Maceda Law, specifically lacking a notarized notice of cancellation and refund of the cash surrender value. Thus, the contract to sell subsisted, and the ejectment action was premature. The Court ordered Decena to pay his arrears with interests and upon payment, directed AMOSUP to execute a Deed of Absolute Sale in favor of Decena.

****Doctrine:****

This decision reaffirms the principle that the essence of contracts is determined by law based on the agreement's stipulations, regardless of what the parties may call it. Specifically, it underscored the application of the Maceda Law (R.A. No. 6552) on contracts to sell real estate on installment payments, elucidating the mandatory requirements for a valid cancellation of such contracts.

****Class Notes:****

- Contract to Sell vs. Lease: Identified based on who retains ownership until full payment.
- Maceda Law: Requires notarized notice of cancellation and refund of cash surrender value for installment sales.
- Unlawful Detainer: Not appropriate action without valid contract cancellation under Maceda Law.
- Critical Legal Provisions: R.A. No. 6552 Sections; importance in installment sales context.
- Application of Interest for Delayed Payments: Legally stipulated interest application for unpaid balances post-default.

****Historical Background:****

The case illustrates the evolving interpretation of housing programs and the protection afforded to buyers under Philippine law, particularly regarding installment sales. It manifests the judiciary's stance on ensuring fairness in transactions involving installment payments for real estate, reinforcing buyer protections against premature contract cancellations and wrongful ejectments.