

### Title:

Bricktown Development Corp. vs. Amor Tierra Development Corp. and The Hon. Court of Appeals

### Facts:

This case revolves around a dispute arising from two Contracts to Sell and a Supplemental Agreement executed on 31 March 1981 between Bricktown Development Corporation (now Multinational Realty Development Corporation), represented by its President Mariano Z. Velarde, as the seller, and Amor Tierra Development Corporation, represented by its Vice-President Moises G. Petilla, as the buyer. The contracts entailed the sale of 96 residential lots totaling 82,888 square meters for PHP 21,639,875.00, with specific payment schedules. Upon failure to fully meet the initial payments and subsequent installments, continuous negotiations occurred without reaching a conclusive modification of the original agreement. On 12 October 1981, Bricktown sent Amor Tierra a “Notice of Cancellation of Contract” due to payment failures, offering a 30-day grace period for rectification, which was unheeded.

Following unsuccessful demands for refund or lot assignment by Amor Tierra, litigation ensued at the trial court, resulting in a judgment favoring Amor Tierra by ordering the contract rescission and refund of payments made with interest and attorney’s fees. The Court of Appeals affirmed this decision in total. Bricktown’s petition to the Supreme Court challenged these decisions, raising questions on their entitlement to contract cancellation and payment forfeitures.

### Issues:

1. Whether Bricktown Development Corp. validly rescinded the contracts to sell based on Amor Tierra’s payment failures.
2. Whether the payments made by Amor Tierra under these contracts should be forfeited in favor of Bricktown or refunded.

### Court’s Decision:

The Supreme Court ruled that Bricktown’s cancellation of the contracts to sell was within its legal rights, observing that the agreed terms of payment were not met by Amor Tierra. However, considering the constant negotiation attempts between the parties, the Court found it unconscionable to sanction the forfeiture of payments made by Amor Tierra. The decision of the Court of Appeals was affirmed in part (validity of the cancellation) but modified to order a refund of payments made by Amor Tierra with 12% interest per annum from the date of the finality of the decision.

**### Doctrine:**

The Supreme Court reiterated the principle that contracts, once perfected, must be complied with in good faith by both parties. Additionally, it stated that in a contract to sell, non-payment of the purchase price can prevent the obligation to convey title from acquiring obligatory force, thus allowing for the contract's cancellation. It also highlighted that while parties are bound by the terms of their contract, the obligation to act with justice, honesty, and good faith remains paramount.

**### Class Notes:**

- Contracts to Sell: Non-fulfillment of payment obligations can lead to valid contract rescission.
- Obligation to Refund: Even upon valid contract rescission, circumstances may necessitate a refund of payments made, particularly when parties have engaged in ongoing negotiations that could have misled the defaulting party.
- Good Faith in Contractual Relations: Parties are always required to deal with each other in good faith, fair dealing, and honesty.
- Grace Periods and Legal Notice: The grant of a grace period and the requirement for legal notice before contract cancellation can affect the obligations and rights of both parties.

**### Historical Background:**

The case reflects the intricate dynamics of contract law and real estate transactions in the Philippines, affirming the supreme authority of contracts while also emphasizing the necessity of fairness, good faith, and the equitable treatment of parties within contractual relationships. It underscores the importance of clear communication and adherence to agreed terms while also recognizing the potential for negotiations to impact parties' expectations and obligations.