

Title: Republic of the Philippines vs. Jerry V. David

Facts:

Jerry V. David, an employee of the Social Security System (SSS), was awarded a housing unit in North Fairview, Quezon City, under the SSS Employees' Housing Loan Program. A Deed of Conditional Sale was executed between SSS and David, stipulating conditions for the sale, including actual occupancy and possession by David or his immediate family. Investigations by SSS revealed allegations that David had not occupied the property and had allowed another individual, Buenaventura Penu, to occupy it. SSS sent David a letter revoking the deed of conditional sale due to these violations, leading to the filing of a complaint in the Quezon City RTC by SSS for the revocation of the deed and for a writ of possession.

The trial court initially observed a discrepancy in the complaint's caption versus its body, leading to its amendment to focus on rescission of the deed. David denied the allegations, claiming Penu was only a caretaker during renovations. The RTC dismissed the complaint, finding that SSS failed to prove violations of the deed by David. SSS appealed to the Court of Appeals (CA), which upheld the RTC's decision, affirming that through his caretakers, David met the deed's occupancy and possession requirements.

Issues:

1. Whether the Court of Appeals committed an error in affirming the lower court's decision that David did not violate the terms and conditions of the Deed of Conditional Sale.

Court's Decision:

The Supreme Court found merit in the petition, holding that "actual possession" cannot be equated with "actual occupancy," as required by the Deed of Conditional Sale. The Court ruled that David failed to satisfy the condition of actual occupancy because the property was occupied by persons other than him or his immediate family, in clear violation of the agreement. The Court highlighted the distinct legal meanings of possession and occupancy and determined that the Deed's intent was to confine the housing unit's use to the SSS employee beneficiary and their immediate family. The Court reversed the decisions of the lower courts and canceled the Deed of Conditional Sale, ordering restitution between the parties.

Doctrine:

The Supreme Court reiterated the principle that in contractual obligations, the parties'

intentions must be determined from the contract's language, viewed in its entirety. Moreover, the decision differentiated between "actual possession" and "actual occupancy," emphasizing the requirement for both in some contractual contexts like the SSS Employees' Housing Loan Program.

Class Notes:

- **Contract Interpretation**: Language in a contract should be considered in the whole context to ascertain the parties' intentions.
- **Actual Possession vs. Actual Occupancy**: Possession can be actual or constructive, based on acts of dominion, while actual occupancy implies physical inhabitation by the contractually intended party.
- **Rescission of Contracts**: Grounds for rescission include failure to adhere to stipulated conditions, with mutual restitution following.
- **Legal Interest and Improvements**: Upon rescission, parties may be entitled to the return of financial contributions and compensation for substantial improvements to the property.

Article 1191 of the Civil Code: The power to rescind obligations is implied in reciprocal ones, in case one of the obligors fails to comply with his obligations.

Article 531 of the Civil Code for "Possession": Defines possession as acquired by material occupation, exercise of a right, or by acts established for acquiring such right.

Historical Background:

This case reflects the legal intricacies involved in the SSS Employees' Housing Loan Program aimed at providing affordable housing to its employees. It also underscores the judiciary's role in interpreting contract stipulations related to housing programs and ensuring compliance with social and legal objectives intended by such initiatives.