

Title: Heirs of Sofia Quirong vs. Development Bank of the Philippines

Facts:

The case revolves around a dispute over a 589-square meter untitled lot in Sta. Barbara, Pangasinan, initially left by Emilio Dalope to his wife, Felisa Dalope, and their nine children. To secure a loan from the Development Bank of the Philippines (DBP), one of their children, Rosa Dalope-Funcion, and her husband were sold the lot by Felisa. Subsequently, the lot was mortgaged to DBP, which later foreclosed it due to non-payment. On September 20, 1983, DBP sold the lot to Sofia Quirong with a waiver of warranty against eviction. Following unsuccessful interventions and legal actions, including the failure of the Quirong heirs to appeal a decision unfavorable to them, they filed an action against the DBP for rescission of the sale and reimbursement, claiming eviction from the lot due to a subsequent ruling favoring other Dalope heirs.

Procedural Posture:

The series of events led from the foreclosure by DBP, to the conditional sale to Sofia Quirong, and then to litigation initiated by the Dalope family disputing the validity of previous transactions. After the RTC's decision which partly invalidated the sale to Sofia Quirong, the Quirong heirs' failure to formally offer evidence led to their loss in reclaiming the full value of the property or its return. Their eventual filing for rescission against DBP was met with a dismissal by the RTC on grounds of prescription, a decision reversed by the CA, and subsequently appealed to the Supreme Court.

Issues:

1. Whether the Quirong heirs' action for rescission was barred by prescription.
2. If not barred, whether they were entitled to rescission due to their eviction following a court decision favoring other heirs.

Court's Decision:

The Supreme Court affirmed the CA's decision, holding that the Quirong heirs' action was indeed barred by the four-year prescriptive period under Article 1389 of the Civil Code. The Court clarified that the action accrued on January 28, 1993, meaning the heirs had until January 28, 1997, to initiate their action for rescission, but they filed only in 1998, rendering their action prescribed.

Doctrine:

The Supreme Court reiterated the distinction between "rescission" under Articles 1380 and

1381, related to contracts that are rescissible due to economic injury, and “resolution” under Article 1191, related to reciprocal obligations and breach of contract. It highlighted the prescriptive periods applicable for actions under these distinct bases—four years for actions based on injury leading to rescission and ten years for actions upon a written contract calling upon resolution (or rescission in the broader sense).

Class Notes:

- **Prescriptive periods**: Important for determining the timeliness of legal actions; four years for rescission (Article 1389, Civil Code) and ten years for actions upon written contracts (Article 1144, Civil Code).
- **Doctrine of Rescission vs. Resolution**: Rescission is applicable in cases of economic injury (Article 1380, 1381), while resolution (or rescission, as referred by Article 1191) is for breach of reciprocal obligations.
- **Role of Formal Offer of Evidence**: Crucial in litigation; failure to formally offer evidence can lead to dismissal of claims.
- **Eviction & Warranty**: Under Article 1548 of the Civil Code, a vendor is liable for warranty against eviction, which can lead to rescission if the buyer loses a significant portion of the property bought.

Historical Background:

This case exemplifies the complexities of property transactions in the Philippines, particularly involving untitled lands and the implications of foreclosure, subsequent sales, and familial disputes on property rights. It underscores the importance of adhering to procedural requirements in litigation and highlights the statutory limitations placed on actions related to contracts and property rights.