

Title: Development Bank of the Philippines vs. Court of Appeals and Spouses Nicandro

Facts:

The case revolves around a complex dispute concerning the sale of two lots in the Diliman Estate Subdivision, West Triangle, Quezon City, which were purportedly sold twice: first, collectively as part of a larger sale of 159 lots by the Philippine Homesite and Housing Corporation (PHHC) to the Development Bank of the Philippines (hereinafter the Bank) on October 25, 1955, for which a down payment was made but registration was pending due to an unapproved subdivision plan; and second, individually to the spouses Honesto G. Nicandro and Elisa F. Nicandro on October 14, 1958. The Bank's purchase was questioned, leading to a legal statute interpretation by the Secretary of Justice and an order from the President directing the Bank to revoke its purchase resolution. Despite the controversies and legal opinions questioning the Bank's authority to undertake the housing project, the Bank moved to secure its interests in the properties, which resulted in a series of legal maneuvers including the annotation of adverse claims and the eventual registration of the sales agreement. The Spouses Nicandro sought to register their purchase but were stymied due to procedural deficiencies. This sequence of events culminated in a legal challenge, with the Spouses Nicandro seeking rescission of the Bank's title and damages in court—the case ultimately reaching the Supreme Court for resolution.

Issues:

1. Whether the sale of the two lots to the Spouses Nicandro was valid and took precedence over the earlier, but contested, collective sale to the Bank.
2. Whether Republic Act 3147, amending the charter of the Development Bank of the Philippines, retroactively validated the Bank's transaction, which was initially beyond its authority.
3. The applicability of the theories of retroactivity and curative statutes in validating transactions that were initially considered ultra vires or beyond the entity's legal capacity.
4. The rights of third parties vis-à-vis contracts that are null and void for being prohibited by law.

Court's Decision:

The Supreme Court originally reversed the decisions of the lower courts, which had favored the Spouses Nicandro, based on the perceived retroactive curative effect of Republic Act 3147 on the Bank's earlier unauthorized action. Upon reconsideration, the Supreme Court recognized that its initial decision inadequately addressed the complexities surrounding the retroactivity of the said Act, neglecting the vested rights the Nicandro spouses had acquired

in favor of a presumed legislative intent to rectify the Bank's ultra vires action retroactively. The Court acknowledged that the contract between the PHHC and the Bank was null and void from inception due to the express prohibition by law, which could not be ratified or validated post facto by the PHHC or through curative legislation. Consequently, the Court set aside its original decision, denying the Bank's petition for review and upholding the Nicandro's preferential rights to the disputed properties based on their legitimate transaction with the PHHC.

Doctrine:

This case highlights several key legal principles:

1. Contracts expressly prohibited or declared void by law are "inexistent and void from the beginning" and cannot be ratified.
2. A law has no retroactive effect unless expressly stated.
3. The prohibition against curative retroactivity when it would impair vested rights or contravene public policy.

Class Notes:

- Ultra vires acts of corporations and their nullity.
- The non-retroactivity of laws absent express declaration.
- Curative statutes and their limitations, especially concerning vested rights and prohibitory laws.
- The distinction between illegal per se transactions and those void for being prohibited by law.
- The principle that in pari delicto does not apply when its invocation would contravene public policy.

Historical Background:

The case underscores the intricate dynamics of government corporations engaging in activities beyond their statutory authority during the post-World War II urban development era in the Philippines. It reflects the evolving legal interpretation of statutory limitations on the powers of public corporations and the impact of subsequent legislative changes aimed at rectifying past governance decisions. Ultimately, the resolution of this case reaffirmed the importance of adhering to statutory mandates and protecting third-party rights in contractual relationships.