

Title:

****Theis v. Court of Appeals: A Study on Mistake in the Annulment of Contracts****

Facts:

This case involves a dispute arising from a mistaken sale of real property. The plaintiffs, Spouses Heinzrich and Betty Theis, entered into a contract of sale with the defendant, Calsons Development Corporation, represented by Atty. Tarcisio S. Calilung, for a parcel of land adjacent to Calsons' property where a two-storey house was built. Due to an error in a 1985 survey, the parcels mistakenly identified led to the sale of the wrong parcels to the Theis.

The Theis, based on the erroneous survey, purchased what they believed to be parcel no. 4 (the vacant lot next to Calsons' property). Upon their return from Germany in 1990, they discovered the mistake, with parcel no. 4 belonging to another owner and the actual parcels sold (2 and 3) not matching their purchase intent—parcel no. 3 already had Calsons' structure, greatly exceeding the purchase price paid.

Attempts to rectify the situation by Calsons through offering other vacant lots or double the refund were rejected by the Theis, leading to Calsons filing an action for annulment of the deed of sale and reconveyance of properties, citing the mistake in the sale.

The Regional Trial Court ruled in favor of Calsons, finding the sale voidable due to mistake. This decision was appealed by the Theis but was affirmed by the Court of Appeals.

Issues:

1. Whether the contract of sale between Spouses Theis and Calsons Development Corporation is voidable due to mistake.
2. The applicability of the principle of unjust enrichment if the Theis were to retain the property with the built structure at a price far below its construction cost.

Court's Decision:

The Supreme Court dismissed the petition, affirming the decision of the Court of Appeals.

The key findings were:

- The contract of sale was voidable due to the substantial mistake made in identifying the parcels intended to be sold. The sale involved a mistaken parcel not owned by Calsons and not intended to be sold.
- The Court rejected the Theis's claim to the lot with the constructed house, highlighting it would constitute unjust enrichment to allow them to acquire the property far below its

construction and material value.

Doctrine:

The decision underscored two important legal doctrines:

1. **Voidable Contracts due to Mistake**: A contract is voidable when consent is vitiated by mistake, as stipulated under Article 1390 of the New Civil Code.
2. **Unjust Enrichment**: It is impermissible for a party to enrich themselves at the expense of another unjustly, aligning with principles established in prior jurisprudence.

Class Notes:

- **Key Elements of Voidable Contracts**: A voidable contract, as demonstrated, arises when there is a substantial mistake affecting the consent of a party, particularly relating to the substance of the object of the contract (Article 1390, New Civil Code).
- **Unjust Enrichment Principle**: This principle prohibits parties from benefiting or enriching themselves unjustly at another's expense. This case reinforces the necessity of equitable considerations in the enforcement of contracts.

Historical Background:

This case reflects on the complexities and challenges in real property transactions, emphasizing the importance of accurate property identification and the ethical considerations underlying contractual agreements. It demonstrates the judiciary's role in rectifying and addressing contractual mistakes, ensuring justice and fairness are upheld in the resolution of property disputes.