

****Title:****

Reynaldo Villanueva vs. Philippine National Bank (PNB), G.R. No. 155594_

****Facts:****

The Special Assets Management Department (SAMD) of PNB issued an advertisement for the sale of certain properties, including Lot No. 17 (22,780 square meters) and Lot No. 19 (41,190 square meters) in General Santos City, with advertised prices of P1,409,000.00 and P2,268,000.00, respectively. The sale required cash bids with a 10% deposit.

On June 28, 1990, Reynaldo Villanueva offered to buy both lots for P3,677,000.00. He deposited P400,000.00 to show his good faith but stated this should only be considered if his offer was accepted. PNB's Vice President, Ramon Guevara, replied on July 6, 1990, indicating only Lot No. 19 was available at a new price of P2,883,300.00, subject to certain conditions and board approval.

Villanueva added a note of 'conforme' with a downpayment arrangement, and made partial payments totaling P580,000.00, but PNB delayed negotiations for another appraisal and bidding, returning Villanueva's deposit.

Villanueva filed a complaint for specific performance and damages. The RTC ruled in his favor, finding a perfected contract existed and awarded him damages. However, PNB appealed, and the Court of Appeals (CA) reversed the RTC's decision, concluding there was no perfected contract.

Villanueva then petitioned the Supreme Court to review the CA's decision.

****Issues:****

1. Whether there was a perfected contract of sale between Villanueva and PNB for Lot No. 19.
2. Whether PNB's actions constituted bad faith, entitling Villanueva to moral and exemplary damages and attorney's fees.

****Court's Decision:****

1. ****Perfected Contract of Sale****:

- The Supreme Court affirmed the CA's decision that no perfected contract of sale existed. A contract of sale requires mutual consent on the object and the price. Villanueva's June 28, 1990 offer for both lots at P3,677,000.00 was countered by PNB on July 6, 1990 with a new price and conditions, indicating only Lot No. 19 was available.

- Villanueva's response on July 11, 1990, accepting the price but proposing new terms (downpayment and balance payment over two years) constituted a counter-offer and not an acceptance. PNB's non-acceptance of these new terms meant no mutual consent was achieved, hence no perfected contract.
- Additionally, payments made by Villanueva were deemed deposits, not earnest payments, as the acceptance and completion of the sale were still pending board approval.

2. **PNB's Actions and Bad Faith**:

- The Court ruled that PNB acted within its contractual rights and corporate procedural norms in rejecting Villanueva's counter-offer and deciding to reappraise and rebid the property.
- There was no evidence to suggest PNB acted in bad faith.

Doctrine:

- **Perfected Contract of Sale**: Under Article 1482 of the Civil Code, a contract of sale is perfected by mutual consent as to the object and price. Any modification to the offer constitutes a counter-offer and no binding contract until mutual agreement on all terms.
- **Counter-Offer**: A qualified acceptance of an offer amounts to a counter-offer, which needs acceptance to form a valid contract.

Class Notes:

- **Elements of a Contract of Sale**: Must have an object certain and a price certain. Mutually agreed upon (Civil Code, Art. 1475).
- **Offer and Acceptance**: A bid/offer needs an unequivocal acceptance for a contract to be perfected (Civil Code, Art. 1319).
- **Counter-Offer**: Modifications to the initial offer creates a counter-offer, not a contract (Tolentino, Commentaries on the Civil Code).

Historical Background:

- The case underscores the strict adherence to contractual laws and the importance of mutual consent in contracts of sale, reflecting the legal safeguards in the disposition of corporate assets in the Philippines. The litigation reflects the common challenges faced in property transactions and corporate compliance with procedural norms.