

Title: Soriano v. Bautista (116 Phil. 1235)

Facts:

1. **Ownership and Mortgage Agreement:**

- Spouses Basilio Bautista and Sofia de Rosas (defendants/appellants) were the registered owners of a parcel of land in Teresa, Rizal, covered by Original Certificate of Title No. 3905.
- On May 30, 1956, they entered into a mortgage contract (“Kasulatan Ng Sanglaan”) with Ruperto Soriano and Olimpia de Jesus (plaintiffs/appellees) for P1,800.

2. **Terms and Conditions of Agreement:**

- The mortgage was to last for two years, during which time Soriano and De Jesus could purchase the land for P3,900.
- Soriano and De Jesus took possession of the land, cultivated it, and enjoyed its produce.
- Bautista and De Rosas also received an additional P450 loan from Soriano and De Jesus which was later returned.

3. **Exercise of Option to Purchase:**

- On May 13, 1958, Atty. Angel O. Ver, acting on behalf of Soriano and De Jesus, informed Bautista and De Rosas that his clients would exercise the option to purchase the land.
- Bautista and De Rosas refused.

4. **Civil Cases Filed:**

- On May 31, 1958, Soriano and De Jesus filed Civil Case No. 5023 to compel Bautista and De Rosas to execute a sale deed in their favor.
- Bautista and De Rosas filed a complaint on June 9, 1958, but it was dismissed for lack of jurisdiction. They refiled another case on August 5, 1959.

5. **Joint Trial and Lower Court Decision:**

- The Court of First Instance of Rizal ordered Bautista and De Rosas to execute the sale deed upon payment of P1,650 (remaining balance) by Soriano and De Jesus, plus P500 attorney’s fees and costs.

Issues:

1. **Whether Soriano and De Jesus had a valid claim to purchase the land under the option clause in the mortgage agreement.**
2. **Whether the right of redemption by Bautista and De Rosas was inherent and inseparable from the mortgage contract, thus overriding the option to purchase.**
3. **The legality of the option to purchase clause within the mortgage contract.**

Court's Decision:

1. **Validity of the Option to Purchase:**

- The Supreme Court confirmed that the mortgage contained a valid, legally binding option to purchase the property within two years as per Article 1479 of the Civil Code.

2. **Defeasibility of the Right to Redeem:**

- The Court ruled that the right to redeem could be circumscribed by a contractual option to purchase, and the exercise of such option converted the mortgagees' interest into a binding contract of sale upon acceptance.

3. **Exercise of the Option:**

- The Court noted that Soriano and De Jesus had exercised their option within the stipulated period by notifying the appellants on May 13, 1958. Upon their acceptance, a perfected contract of purchase and sale was established.

4. **Judgment Affirmation:**

- The judgment of the Court of First Instance was affirmed, compelling Bautista and De Rosas to execute the deed of sale for P3,900 with Soriano and De Jesus.

Doctrine:

- **Article 1479 of the Civil Code:** A promise to buy or sell a determinate thing for a certain price becomes a binding contract upon acceptance if supported by distinct consideration. This applies within the context of mortgages when accompanied by an option to purchase.

- **Defeasibility of Redemption Right:** Redemption rights inherent in mortgages can be overridden by a mutually agreed-upon, distinct option to purchase within a specified period.

Class Notes:

- **Contract of Mortgage with Option to Purchase:**

- Elements: Mortgaged property, secured sum, term period, right of possession, and specified option to purchase.

- **Article 1479 Civil Code:** Validates a binding promissory agreement given distinct consideration.

- **Acceptance and Exercise:** Notification within stipulated period completes the contract of sale.

- **Redemption Rights:** These can be waived through enforceable, contracted options.

Historical Background:

- **Legal Context in Mid-20th Century Philippines:**

- Post-WWII, agricultural land transactions often involved complex mortgage and redemption disputes.
- Increased emphasis on the enforcement of contractual freedoms, distinct options in mortgages, reflecting economic modernization and property laws transitioning towards private ordering within the Civil Code framework of 1950.

This summary provides a comprehensive analysis of the case, illustrating the legal principles and court's interpretations useful for both academic and practical understanding.