

**## Title:**

**\*\*Villonco Realty Co. v. Bormaheco, Inc. - G.R. No. L-26372\*\***

**## Facts:**

Francisco N. Cervantes and his wife, Rosario, owned three adjoining lots on Buendia Avenue in Makati, mortgaged to the Development Bank of the Philippines (DBP). Cervantes, as president of Bormaheco, Inc., engaged in negotiations to sell this land to Villonco Realty Company through Edith Perez de Tagle, a broker. Bormaheco, Inc. offered the property to Villonco in a letter dated February 12, 1964. Villonco Realty Company, assuming Cervantes had the authority and believing the properties belonged to Bormaheco, engaged in negotiations and counter-offers.

Negotiations resulted in a counter-offer by Villonco Realty on March 4, 1964, which Cervantes accepted, subject to the successful purchase of another property in Sta. Ana, Manila, owned by Nassco. A check for P100,000 was given as earnest money. Unexpectedly, on March 30, 1964, Cervantes rescinded the sale, claiming uncertainty in acquiring the Punta, Sta. Ana property. Villonco Realty Company refused the rescission and enacted a notice of lis pendens against the Cervantes' lots on April 7, 1964, and filed a specific performance lawsuit.

During the trial, it was revealed Bormaheco, Inc. secured the Sta. Ana property on June 26, 1964. Villonco then sought the Cervantes' inclusion as defendants. Edith Perez de Tagle sought her commission from the sale.

The lower court ordered specific performance, damages, and commission payment. Bormaheco, Inc. and the Cervantes spouses appealed.

**## Issues:**

1. **\*\*Was there a perfected contract of sale between Bormaheco, Inc. and Villonco Realty Co. despite the alleged conditions and qualifications in negotiations?\***
2. **\*\*Can Bormaheco, Inc. be compelled to sell a property registered in the names of the Cervantes spouses?\***
3. **\*\*Did Francisco N. Cervantes bind the conjugal partnership and his wife when he entered into negotiations?\***
4. **\*\*Should the specific performance order to transfer the title and properties be upheld?\***
5. **\*\*Were the awards for consequential damages, attorney's fees, and broker's commission justified?\***

**## Court's Decision:**

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

- The Supreme Court held that a contract of sale was perfected when Cervantes, on behalf of Bormaheco, Inc., accepted Villonco's revised counter-offer of March 4, 1964, and received the earnest money. The subsequent partial execution (earnest money) proved the perfection of the sale.

2. **\*\*Compelling Sale\*\***:

- The Court found that the lots, although registered under the Cervantes spouses, was essentially controlled by Cervantes through Bormaheco, Inc. The Cervantes were bound by the contract due to their inability to properly disclose the ownership and authority issues during negotiations.

3. **\*\*Binding the Conjugal Partnership\*\***:

- It was determined that Cervantes, through his actions, represented to Villonco Realty that he had full control over the properties, thereby binding the conjugal partnership, especially when considering the misrepresentation through omission of critical ownership facts. His wife did not demonstrate any opposition substantively during the procedural aspects.

4. **\*\*Specific Performance Order\*\***:

- The order by the lower court was upheld compelling the Cervantes to execute the transfer of their property to Bormaheco, Inc., and subsequently to Villonco Realty Company. The absence of material contradictions justified the specific performance awarded.

5. **\*\*Damages and Costs\*\***:

- The award of consequential damages to Villonco Realty based on stipulative effects of transactional delay, attorney's fees due to the bad faith of Bormaheco, Inc., and the broker's commission was analyzed. The Court upheld all orders except the speculative damages in the absence of concrete proof, corroborating attorney fees and broker commission awards as permissible under the law.

**## Doctrine:**

**\*\*Contracts of Sale and Earnest Money\*\***:

- A contract of sale is perfected by mutual consent regarding the object and price, as stated in Articles 1458 and 1475 of the Civil Code. The acceptance of earnest money by the seller signifies partial execution and consummation (Art. 1482, Civil Code).

**\*\*Good Faith Under Contract Law\*\***:

- Contracts must be executed in good faith, honoring stipulations and the consequences thereof (Art. 1159, Civil Code). The presence of a perfected sale binds the parties to comply with agreed terms.

**\*\*Misrepresentation and Ownership Responsibility\*\*:**

- Misrepresentation by a seller regarding authority or actual ownership binds them to the principal contract obligations (Art. 1315, Civil Code).

**## Class Notes:**

- **\*\*Elements of a perfected sale\*\*:** Meeting of minds, object of sale, and price (Arts. 1458, 1475, Civil Code).

- **\*\*Earnest money\*\*:** Part of the price and proof of contract (Art. 1482, Civil Code).

- **\*\*Doctrine of Good Faith\*\*:** Obligation compliance and reciprocal demands (Art. 1159, Civil Code).

- **\*\*Misrepresentation consequences\*\*:** Binding authorized parties to the contract if ownership is misrepresented (Arts. 1315, 1458, Civil Code).

**## Historical Background:**

This case arose during a period of transformative urban and economic development in the Philippines, where real estate transactions were pivotal to business expansion. The Supreme Court's adjudication in favor of upholding transactional integrity and proper disclosure aligns with legal reforms aimed at fortifying commercial law principles and ethical business practices. The case highlights the emphasis on adhering to contractual promises and the legal repercussions of misrepresentations in property transactions, critical during the rapid urban development era of the 1960s Philippines.