

****Title:**** De Castro vs. Artigo, G.R. No. 37996, May 4, 1994

****Facts:****

On January 24, 1984, Constante de Castro authorized Francisco Artigo to act as a real estate broker for the sale of four lots owned by the De Castro family at EDSA corner New York and Denver Streets in Cubao, Quezon City. The agreed price was P23,000,000.00, with Artigo set to receive a 5% commission. Artigo introduced Times Transit Corporation as a potential buyer. Although initially only interested in two lots, Times Transit ultimately bought lots 14 and 15 in May 1985. However, Artigo believed he was underpaid after receiving only P48,893.76, claiming his commission should be P352,500.00 based on a purchase price of P7,050,000.00.

The De Castros argued that several other agents facilitated the sale and that the actual purchase price was P3.6 million. They claimed that Artigo was overcompensated already given his minimal involvement after initial negotiations fell through.

Artigo then filed a suit on May 29, 1989, to collect the balance of his commission, arguing that the sale was eventually closed due to his efforts and that other agents primarily represented the buyer's interest.

****Procedural Posture:****

Francisco Artigo filed a suit in the Regional Trial Court (RTC) of Quezon City, which ruled in his favor, awarding him the unpaid commission, damages, and attorney's fees. The De Castros appealed to the Court of Appeals, which affirmed the RTC's decision. Consequently, the De Castros elevated the matter to the Supreme Court on the following grounds:

- Failure to include indispensable parties.
- Argument of the claim's extinguishment by full payment, waiver, or abandonment.
- Use of incompetent evidence.
- Credibility of testimony.
- Challenging the award of moral damages and attorney's fees.
- Assertion of their entitlement to damages.

****Issues:****

1. Whether the complaint should be dismissed for failure to implead indispensable parties.
2. Whether Artigo's claim was extinguished by full payment, waiver, or abandonment.
3. Whether the evidence presented was competent to determine the purchase price.
4. Whether Artigo's testimony should be dismissed as perjured.

5. Whether the award of moral damages and attorney's fees to Artigo was proper.
6. Whether the De Castros are entitled to moral and exemplary damages, and attorney's fees.

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

The Supreme Court affirmed the rulings of the lower courts as follows:

1. ****Dismissal for Non-Impleading of Parties:****

The court found no need to include the other co-owners because Constante acted as their representative and directly dealt with Artigo. The solidary liability under Article 1915 of the Civil Code makes any co-owner liable for the entire obligation, allowing Artigo to proceed against any of them.

2. ****Extinguishment of Claim by Payment or Abandonment:****

Artigo's acceptance of partial payment did not imply waiver of the full amount. The 5% commission rate was agreed upon and applied to the true selling price of P7.05 million, as per the binding contract of agency. There was no evidence that Artigo abandoned his claim.

3. ****Competence of Evidence:****

The Court held that the actual purchase price of P7.05 million could be proven using parol evidence because Artigo was not a party to the deed of sale, and such evidence is admissible to prove a fact not covered by a written instrument.

4. ****Perjured Testimony:****

The Court found no cause to invalidate Artigo's testimony. While Artigo initially claimed to be a licensed broker, the substance of his testimony regarding the transaction was corroborated by other evidence presented.

5. ****Award of Moral Damages and Attorney's Fees:****

The Court upheld the award of moral damages and attorney's fees due to Constante's bad faith in dealing with Artigo. Their refusal to pay Artigo in full without valid grounds warranted such damages.

6. ****De Castros' Counterclaims:****

The De Castros were not entitled to moral and exemplary damages or attorney's fees, as there was no basis for their claims of harassment or bad faith against Artigo.

****Doctrine:****

- **Agency and Representation:** An agent properly appointed by a representative of co-owners can hold any co-owner solidarily liable based on the terms of the agency.
- **Estoppel and Waiver:** Mere acceptance of partial performance without a waiver does not extinguish the obligation for full performance.
- **Solidary Liability:** Article 1915 of the Civil Code establishes the solidary liability of co-principals in an agency contract.

Class Notes:

- **Solidary Liability (Art. 1915, Civil Code):** Any co-owner in a common transaction with appointed agents can be held fully liable.
- **Parol Evidence Rule:** Parol evidence may be admitted to establish facts not embodied in a written contract if the contract involves third parties.
- **Prescription of Actions (Art. 1144, Civil Code):** Actions based on written contracts must be filed within ten years from cause of action.
- **Award of Damages:** Bad faith in refusing an obligation can warrant moral and attorney's fees.

Historical Background:

This case illustrates the complexities of real estate transactions in the Philippines, especially regarding the rights and obligations of agents under contracts of agency. It also reflects broader procedural rules on how claims should be filed, addressing joinder of parties, admissibility of evidence, and grounds for awarding damages. It emphasizes the legal landscape involving agency law and the enforcement of commission agreements amidst conflicting claims and multiple agents.