

Title: Republic of the Philippines v. Antonio V. Bañez et al.

Facts:

In 1976, respondents Antonio V. Bañez, Luisita Bañez Valera, and Nena Bañez Hojilla (collectively, respondents) offered a 20,000 sq m parcel of land in Bangued, Abra to Cellophil Resources Corporation (CRC). On December 7, 1981, a Letter Agreement was executed granting CRC an irrevocable option to purchase the land for P400,000. Respondents asked for and received advances amounting to P217,000 from CRC. CRC began constructing staff houses on the property. The respondents also executed a Special Power of Attorney (SPA) in favor of Edgardo B. Hojilla to manage the registration of the property title.

Subsequently, CRC operations ceased, and the Development Bank of the Philippines and National Development Company took over, transferring CRC's equity to Asset Privatization Trust (APT). APT's powers were later transferred to the Privatization and Management Office (PMO), representing the Republic of the Philippines, the petitioner in this case.

Respondents later declared the land under the name "Urbano Bañez," rented out the staff houses, and prevented the petitioner from entering the property. Consequently, the petitioner filed a complaint for specific performance, recovery of possession, and damages against the respondents in 2000. The RTC dismissed the complaint, citing prescription under Article 1144(1) of the Civil Code, as it was filed beyond the 10-year limit from the contract's execution in 1981.

Issues:

1. Whether the complaint for specific performance is barred by the Statute of Limitations.
2. Whether extrajudicial demands interrupted the prescriptive period.
3. Whether the SPA granted to Edgardo B. Hojilla was sufficient to receive demands.
4. Whether prescription runs against the State in this context.
5. Whether equitable considerations were ignored.

Court's Decision:

The Supreme Court reversed the decisions of the RTC and the Court of Appeals, remanding the case for further trial.

1. ****Prescription and Extrajudicial Demands:****

- ****Acknowledgement of Obligation****: The Court identified that the letter dated August 15, 1984, from Hojilla to the petitioner, acknowledged the respondents' obligations, stating they

would seek the full payment only upon obtaining a clean title. This written acknowledgment interrupted the prescriptive period setting it anew until August 15, 1994.

- **Subsequent Demands**: Demand letters sent on May 29, 1991, and October 24, 1991, also served as interruptions. Based on these, each letter reset the 10-year period, thus making the April 2000 filing within the allowable period (until May 29, 2001).

2. **SPA and Principal-Agent Relationship**:

- The SPA given to Hojilla by respondents vested him with sufficient authority to perform tasks related to the property's title, making his receipt of demands binding on the respondents.

3. **Prescription Against the State**:

- Since the property was patrimonial when acquired by APT, the principle that prescription cannot run against the State applies in this case.

4. **Equitable Considerations**:

- The Court emphasized that respondents' inaction and failure to meet their obligations should not defeat the petitioner's claims, stressing the need to prevent unjust enrichment and uphold contractual commitments.

Doctrine:

The case reiterated that:

1. Written acknowledgments of debt or obligation can reset the prescriptive period.
2. Demand letters and acknowledgments acting as interruptions must be considered in calculating the prescriptive period.
3. The authority conferred by SPA, and acts of agents, especially in property transactions, have binding effects on the principals.
4. Prescription does not generally run against the State in matters of patrimonial property.

Class Notes:

1. **Prescription Period and Interruptions**: Under Article 1155 of the Civil Code, prescription can be interrupted by a written extrajudicial demand by the creditor or any written acknowledgment of the debt by the debtor.
2. **Special Power of Attorney**: An SPA grants an agent authority to act on behalf of the principal, binding the principal to the agent's actions within the given authority.
3. **Prescription Against the State**: As per prevailing law, the prescriptive period does not generally run against the State in relation to patrimonial property, establishing a distinction

between general property and public domain assets.

Historical Background:

The case's context traces back to the economic policies and privatization efforts in the Philippines, particularly the role of state entities like APT and PMO in managing non-performing assets.