

****Title**:**

Salazar v. Borres, 327 Phil. 944 (1996)

****Facts**:**

Dr. Emilio A. Salazar owned two parcels of land with improvements in Makati, Metro Manila. He offered to sell these properties to Jonette Borres for PHP 1,000,000. The negotiation began at a restaurant where Salazar initially allowed a 6-month payment term, later shortened to 3 months. On May 28, 1989, Borres, with another Emilio Salazar, visited Dr. Salazar in Bataan with a Deed of Absolute Sale and Deed of Warranty, but Salazar refused to sign as Borres did not have the payment ready.

On June 2, 1989, at the Ninoy Aquino International Airport, Borres persuaded Dr. Salazar to sign the Deed of Absolute Sale, agreeing to pay PHP 500,000 by June 15, 1989, and the remaining PHP 500,000 by June 30, 1989. Salazar entrusted the deed and titles to Teresita Dizon, instructing her to release them to Borres only upon full payment.

Borres informed Dizon she would pay the full amount on June 15, 1989, but when meeting Dizon to get the documents, they were not available. Borres had a check for PHP 1,500,000 from Balao but failed to pay as she could not cash the check without Balao's presence.

Salazar called Dizon on June 16, 1989, and learning Borres missed the downpayment, he ordered the sale stopped. Despite having the check, Borres never actually paid the downpayment.

The trial court held the Deed of Absolute Sale was a contract to sell with the title transfer conditional upon full payment. Borres' failure to pay the downpayment by June 15, 1989, led the court to dismiss her complaint for specific performance. The Court of Appeals reversed this decision, considering the Deed of Absolute Sale a perfected contract of sale without a stipulation that ownership was reserved until full payment.

****Issues**:**

1. Whether the Deed of Absolute Sale constitutes a perfected contract of sale or merely a contract to sell.
2. Whether Borres was entitled to compel Dr. Salazar to convey the titles despite failing to meet the payment conditions.
3. Whether Teresita Dizon acted in bad faith by frustrating Borres' ability to comply with the payment terms.

Court's Decision:

1. Whether the Deed of Absolute Sale was a perfected contract of sale or a contract to sell:

The Supreme Court ruled that the agreement between Dr. Salazar and Borres was a contract to sell, not a sale. The existence of the Deed of Warranty, Borres' acknowledgment of lacking ownership rights until full payment, and the conditions placed around the delivery and execution of the Deed of Absolute Sale underscored this conclusion.

2. Specific performance entitlement:

Borres' failure to pay the PHP 500,000 on June 15, 1989, a suspensive condition, meant Salazar could not be compelled to deliver the deed and titles. Borres' action for specific performance thus failed; the obligation to pass ownership was not triggered.

3. Bad faith actions by Teresita Dizon:

The Supreme Court disagreed with the Court of Appeals' finding that Dizon acted in bad faith. Instead, they found no sufficient evidence that Dizon prevented Borres from fulfilling her payment obligations. Dizon adhered to Salazar's instruction to release the documents only upon full payment.

Doctrine:

- Contract to Sell vs. Contract of Sale:** The distinction lies in the transfer of ownership. In a contract to sell, ownership remains with the vendor until the full purchase price is paid. In a contract of sale, ownership transfers upon delivery unless otherwise stipulated.
- Suspensive Condition:** In conditional obligations where a suspensive condition must be met (such as full payment), the failure to fulfill the condition means no obligation arises for the vendor to transfer ownership.

Class Notes:

- Contract of Sale:**
 - Title transfers upon delivery.
 - Vendor loses ownership immediately unless specified otherwise.
- Contract to Sell:**
 - Ownership remains with the vendor until full payment.
 - Payment of price as suspensive condition.
- Suspensive Condition (Art. 1181, Civil Code):**
 - Rights and obligations dependent on a future event.

- Failure to fulfill the condition means no rights or obligations materialize.

4. **Legal Tender and Consignation (Art. 1256, Civil Code)**:

- Payment must be tendered and, if rejected, consigned in court to be effective.

5. **Bad Faith in Contract Law**:

- Requires clear evidence to establish one party intentionally prevented the fulfillment of contractual conditions.

Historical Background:

The case occurred amid the resurgence of the Philippine economy post-1986. The business and real estate sectors were undergoing substantial changes, requiring clearer definitions in property transactions. This decision helped refine the understanding between contracts to sell and contracts of sale, particularly around conditions tied to ownership transfers.