

### Title: Racelis v. Spouses Javier, G.R. No. 189609

### Facts:

Before his death, Pedro Nacu Sr. appointed his daughter, Victoria N. Racelis, to administer his properties, including a residential house and lot in Marikina City. He requested his heirs to sell the property, which led Racelis to advertise it for sale.

- **August 2001:** Spouses Germil Javier and Rebecca Javier offered to purchase the property but lacked sufficient funds. They proposed leasing it to raise the money. Following initial hesitation, Racelis agreed to a month-to-month lease at P10,000 per month, later increased to P11,000.

- **July 2002:** Racelis inquired about the spouses' interest in purchasing the property, leading them to pay an initial amount of P65,000 and several smaller sums, amounting to P78,000 by the end of 2003. The spouses, however, failed to meet the P100,000 commitment and continued to rent the property while falling behind on the rent payments by February 2004.

Racelis, realizing the lack of genuine purchase intent, informed the spouses of the family's decision to terminate the lease and their forfeiture of the P78,000 earnest money. The spouses argued that this amount was advanced rent and proposed to apply it against their outstanding rent. Upon failure to reach a barangay-level settlement, Racelis disconnected the property's electricity on May 12, 2004, prompting a damages complaint by the spouses and an ejectment complaint by Racelis.

1. **Metropolitan Trial Court:**

- **Decision (August 19, 2005):** Dismissed Racelis' complaint. Ruled that the spouses could suspend rent payments under Article 1658 due to the electrical disconnection and ordered the return of the P78,000.

2. **Regional Trial Court:**

- **Decision:** Reversed MTC, indicating the absence of justification to suspend rent payments and stating that P78,000 was earnest money. Ordered the spouses to pay P54,000 in accrued rent.

3. **Court of Appeals:**

- **Decision (January 13, 2009):** Affirmed the spouses' right not to suspend rent payments. Ordered compensation, reducing the spouses' liability by P78,000 and instructing Racelis to reimburse P24,000.

4. **Supreme Court:**

- **Decision (January 1, 2020):** Petition by Racelis challenged CA's rationale.

**Issues:**

1. Can respondents invoke Article 1658 to suspend rent payments due to electrical disconnection?
2. Can the P78,000 initial payment be used to offset respondents' accrued rent?

**Court's Decision:**

1. **Suspension of Rent under Article 1658:**

- **Analysis:** The SC cited Articles 1654 and 1658, stating that suspension is valid only during an existing lease if lessees' legal possession is disrupted. The disconnection occurred post-lease expiry, invalidating the spouses' justification to suspend rent.
- **Ruling:** Respondents were not entitled to suspend rent payments based on electrical disconnection after the lease ended.

2. **Earnest Money vs. Advanced Rent:**

- **Analysis:** Distinguished earnest money under Article 1482. Established that contracts of sale vs. contracts to sell were distinct. The P78,000 given by respondents was deemed earnest money, refundable only upon failure of sale without seller's fault.
- **Ruling:** The spouses could not offset unpaid rent with the earnest money, as it was not advanced rent but part of the purchase price.

**Doctrine:**

Earnest money given in a contract to sell serves as a commitment to purchase, not advanced rent, and subject to forfeiture unless seller defaults. The lessee's payment suspension per Article 1658 applies only if legal possession is perturbed during the lease term.

**Class Notes:**

- **Key Elements:**
- **Lessor's Obligations** (Art. 1654 (3)): Ensure peaceful and adequate enjoyment for lessee.
- **Lessee's Right of Suspension** (Art. 1658): Valid on non-repair or inadequate enjoyment during the lease.
- **Earnest Money** (Art. 1482): Commitment to pay, indicating purchase intent, not necessarily refundable.

**Historical Background:**

This case specifically contextualizes norms under the Philippine Civil Code regarding lessor-lessee relationships and contractual commitments in real estate transactions, reflecting judiciary interpretations of seemingly ambiguous transactions over procedural lapses and tenant-landlord obligations. The outcomes signal stringent adherence to articulated contract principles, diminishing reliance on implied or subsequent subjective assertions devoid of explicit documented proof.