

Title:

Traders Royal Bank v. Cuison Lumber Co., Inc.

Facts:

1. **Loan and Mortgage:** On July 14, 1978, and December 9, 1979, Cuison Lumber Co., Inc. (CLCI), via its president Roman Cuison Sr., secured two loans from Traders Royal Bank (TRB) and executed a mortgage over a parcel of land (TCT No. 10282).
2. **Foreclosure:** CLCI defaulted on the loans, leading TRB to foreclose the mortgage. TRB emerged as the highest bidder at the auction on August 1, 1985, receiving a Certificate of Sale.
3. **Repurchase Proposal:** CLCI indicated intentions to restructure their loan obligations and repurchase the property. On July 31, 1986, Josefa Vda. De Cuison proposed terms including payments amounting to P132,832.35 by August 8, 1986.
4. **Payments and Offer:** CLCI paid P50,000 on August 8, 1986, and P85,000 on September 3, 1986, which TRB considered as “earnest money”. TRB’s board agreed to repurchase terms on October 10, 1986, which CLCI informally acknowledged by further payments but did not formally sign.
5. **Alleged Breach and Extensions:** CLCI failed to meet some of the specified terms but continued making payments and requested adjustments to the repurchase terms.
6. **TRB’s Actions:** On September 30, 1988, TRB set a new sell price of P3 million, later offering a repurchase price of P1.5 million to CLCI, which also went unaccepted.
7. **Litigation:** On February 10, 1989, CLCI and Mrs. Cuison sued for breach of contract, specific performance, damages, and attorney’s fees. TRB counterclaimed for unpaid rentals, moral, and exemplary damages.

Issues:

1. **Whether there was a perfected contract to repurchase between the parties.**
2. **Whether TRB lawfully cancelled the repurchase agreement based on CLCI’s failure to comply.**
3. **Whether the payments made by CLCI constituted earnest money or deposits.**
4. **The appropriate damages and fees, if any, to be awarded to either party.**

Court’s Decision:

1. **Perfected Contract Issue:** The Supreme Court found that a perfected contract of repurchase existed, supported by documentary evidence and actions demonstrating an agreement to repurchase under specific terms.
2. **Cancellation of Repurchase Agreement:** Despite the perfected contract, the Court held that TRB validly cancelled the repurchase agreement due to CLCI's noncompliance. The Court noted that time extensions provided did not equate to a waiver of TRB's right to declare defaults.
3. **Definitions of Payments:** It was established that the payments made by CLCI were accepted by TRB as earnest money within the scope of the repurchase agreement, forming part of the consideration of the sale.
4. **Damages and Fees:** The Court found no justification for moral and exemplary damages or attorney's fees for CLCI, reversing the lower court's order. TRB's counterclaims for rentals due were upheld, and the court ordered CLCI to pay back the use of the property and legal interest.

Doctrine:

- **Perfection of Contract:** A contract is perfected by mere consent when there is a meeting of minds on offer and acceptance over the contract's subject matter and consideration.
- **Conditions in Contracts:** Distinguishes conditions related to performance from conditions to the perfection of a contract.
- **Earnest Money:** Payments designated as earnest money support the existence of a perfected contract.

Class Notes:

- **Elements Central to the Case:**
- **Perfection of Contract:** Requires definite offer and absolute, unqualified acceptance (Art. 1319, Civil Code).
- **Earnest Money:** Part of the price and proof of contract's perfection under Art. 1482, Civil Code.
- **Breach and Remedies:** Conditions of breach and terms for cancellation are determined by contract specifics (Art. 1169, Art. 2209, Civil Code).

Historical Background:

The case arises from the 1980s financial difficulties and foreclosure practices in the

Philippines, reflecting typical disputes over the right to repurchase foreclosed properties, and issues of contract interpretation and compliance, prevalent during a peak period of economic volatility.