

Title: Sta. Lucia Realty & Development, Inc. v. Spouses Francisco & Emilia Buenaventura

Facts:

On January 16, 1996, Spouses Francisco Segismundo and Emilia Buenaventura, represented by Ricardo Segismundo, filed a complaint against Sta. Lucia Realty & Development, Inc. (Sta. Lucia) before the Housing and Land Use Regulatory Board (HLURB) for Specific Performance, Damages, and Attorney's Fees. They alleged that they bought Lot 3, Block 4, Phase II at Greenwood Executive Village, Cainta, Rizal from Loida Gonzales Alfonso on August 16, 1989, a subdivision project owned by Sta. Lucia. During the construction of their house, they discovered that their lot had been subdivided and occupied by Marilou Panlaque and Ma. Veronica Banez, who were also issued a construction permit by Sta. Lucia. Despite demanding rightful possession, Sta. Lucia did not act.

Sta. Lucia asserted it had no transaction record with the respondents concerning the said lot, which belonged to its joint venture partner ACL Development Corporation, and that RCD Realty Corporation (RCD) caused the subdivision and construction errors. Sta. Lucia suggested a three-way property exchange between respondents, RCD, and the real owner of Lot 4.

On September 1, 1997, Sta. Lucia filed a third-party complaint against ACL and RCD, seeking joint and several liabilities if respondents' claims were upheld. ACL argued Sta. Lucia was responsible for the permits causing the confusion, while RCD claimed it built in good faith based on petitioner's permit.

On June 16, 1998, HLURB's Arbiter for the NCR Field Office ruled that Sta. Lucia should vacate the respondents' lot or reimburse them based on market value, granting additional damages and fees. The third-party complaint against ACL and RCD was dismissed.

The HLURB Board of Commissioners modified this decision on June 24, 1999, reducing the lot's market value reimbursement.

On July 18, 2003, the Office of the President affirmed the HLURB Board's decision, and the Court of Appeals upheld it on December 21, 2006. Sta. Lucia's subsequent motion for reconsideration was denied, prompting them to file a Petition for Review on Certiorari.

Issues:

1. Whether Sta. Lucia was liable in the complaint for specific performance.
2. Whether the award of refund with interest, moral damages, exemplary damages, and

attorney's fees to respondents was justified.

Court's Decision:

The Supreme Court partially granted the petition.

1. **Specific Performance**: The Court found that while respondents had ownership and the right to possess the lot due to the contracts being transmissible under Article 1311 of the New Civil Code, specific performance was impractical because the actual occupants were not impleaded. Hence, reimbursement in lieu of specific performance was affirmed.

2. **Damages and Fees**: The Court upheld the award of P100,000.00 moral damages, P50,000.00 exemplary damages, and P50,000.00 attorney's fees, noting Sta. Lucia's gross negligence causing undue damage and prejudice to respondents. The decision to reimburse based on the modified market value was proper, observed within respondents' final prayer for equitable relief.

3. **Interest Rate**: The applicable interest rate for reimbursement was modified to 6% per annum from the complaint's filing until judgment finality, after which it would be 12% per annum until fully paid, aligning with the Eastern Shipping Lines Inc. precedent.

Doctrine:

- Under Article 1311 of the New Civil Code, contracts bind parties and their successors unless otherwise stipulated, enabling subsequent buyers to enforce rights against the original seller.
- The determination of practical remedies over specific performance where execution is impossible, substituting suitable compensations or reimbursements.
- Applicability of interest rates on awarded damages under Eastern Shipping Lines Inc. v. Court of Appeals for non-loan obligations.

Class Notes:

- **Contract Transmissibility**: Contracts are binding to assigns/heirs unless specified. Relevant Article: Civil Code Article 1311.
- **Obligation Breach and Interest Rates**: Non-loan obligations breached attract 6% interest per annum pre-judgment, 12% post-judgment. Key Case: Eastern Shipping Lines Inc. v. Court of Appeals.
- **Specific Performance vs. Reimbursement**: When specific performance is not executable, equitable reimbursement is ordered. Relevant Statute: Civil Code Article 1191.

Historical Background:

This case lies within the context of real estate disputes, particularly focusing on developer responsibilities and the protection of property purchaser rights in the Philippines. It underscores the importance of meticulous control and documentation in large-scale development projects and demonstrates the judicial balancing of rights and equitable remedies among stakeholders in property disputes.