

Case Brief: Roque v. Lapuz

Title:

Felipe C. Roque v. Nicanor Lapuz, G.R. No. L-33998-R

Facts:

1. **Initial Agreement:** In 1954, Felipe C. Roque (plaintiff) entered into an agreement with Nicanor Lapuz (defendant) for the sale of Lots 1, 2, and 9, Block 1, of the Rockville Subdivision in Quezon City. These lots had an aggregate area of 1,200 sq meters, payable in 120 equal monthly installments at fixed rates per square meter. Lapuz paid a deposit of PHP 150 and initially completed payments for four months.
2. **Modification of Agreement:** When the subdivision plan was approved by the Bureau of Lands in 1955, Lapuz found it difficult to keep up with the monthly payments. He requested to substitute the lots for Lots 4 and 12, Block 2 (725 sq meters), which were corner lots at a uniform rate of PHP 17 per square meter. Roque agreed.
3. **Defendant's Non-Performance:** Despite taking possession and constructing a house on the new lots, Lapuz failed to make further payments after the initial four months. Roque made several demands for payment, which were ignored, except for assurances from Lapuz that were unfulfilled.
4. **Formal Demand:** In November 1957, Roque formally requested Lapuz to vacate the lots and pay reasonable rentals of PHP 60/month from August 1955. Lapuz did not comply.
5. **Litigation:** Roque filed a complaint for rescission and cancellation of the sale agreement with the Court of First Instance of Rizal in 1960. Lapuz filed motions and counterclaims arguing that the original contract terms allowed payment at any time within ten years and that the action for rescission had prescribed.
6. **Trial Court Ruling:** The trial court ruled in favor of Roque, rescinding the agreement, ordering Lapuz to vacate the premises, remove his house, and pay monthly rentals plus attorney's fees.
7. **Appeals Court:** On appeal, the Court of Appeals amended the trial court's decision, granting Lapuz an additional ninety days to pay the balance with interest and affirmed other parts of the trial court's ruling.

Issues:

1. **Applicability of Article 1191, New Civil Code:** Whether the respondent, who failed to pay the agreed installments, was entitled to a new period for fulfilling his obligations.
2. **Applicability of Article 1592, New Civil Code:** Whether the case falls under this article, requiring a judicial or notarial demand for rescission in non-payment cases involving real property.
3. **Interpretation of Contract Terms:** Whether the contract terms allowed for payment over ten years or required monthly installments.

Court's Decision:

1. **Non-Applicability of Article 1592:** The Supreme Court held that Article 1592, which applies to consummated sales, did not apply here because the transaction was a contract to sell, where ownership remained with Roque until full payment was made.
2. **Relief Under Article 1191 Denied:** The Court ruled that Lapuz was not entitled to additional time to pay the balance under Article 1191 due to substantial and repeated non-compliance with payment terms.
3. **Contract Interpretation:** The Court confirmed that the parties agreed on a ten-year term with monthly installments, rejecting Lapuz's claim of an option to pay anytime within ten years.

Doctrine:

The case reiterates that:

1. **Contracts to Sell:** In contracts to sell, ownership remains with the seller until full payment of the price, making non-payment a failure of a suspensive condition rather than a breach.
2. **Article 1592 Non-Applicability:** Article 1592 does not apply to contracts to sell and does not grant the buyer relief from rescission without payment within the stipulated period.
3. **Rescission and Extension:** Courts may order rescission for non-compliance with reciprocal obligations, but extensions for payment are not warranted in cases of malice or substantial breach.

Class Notes:

- **Contracts to Sell:** Ownership not transferred until full payment.
- **Article 1191 vs. 1592:** Article 1191 applied to reciprocal obligations; Article 1592

specific to real property sales, not contracts to sell.

- **Suspensive Condition:** Failure of a suspensive condition (payment) inhibits the obligation of the seller to transfer ownership.
- **Equity Applications:** Extensions for fulfilling obligations may be granted where breaches are minor or excuses plausible, but not in cases of substantial non-compliance or bad faith.

Historical Background:

In the 1950s, the concept of subdivision and real estate development was gaining traction in the Philippines. The case illustrates early challenges in urban planning and real property management, emphasizing legal adherence in property transactions. The judicial decisions reflect the effort to align contractual obligations with newer laws under the New Civil Code, which came into effect in 1950, replacing the Spanish Civil Code.