

Title: Cebu Winland Development Corporation vs. Ong Siao Hua (G.R. No. 173751)

Facts:

1. Petitioner, Cebu Winland Development Corporation, offered to sell condominium units in Cebu Winland Tower Condominium located in Cebu City to respondent, Ong Siao Hua, at promotional prices with a 3% discount for early payment terms.
2. On January 6, 1995, respondent bought two units (Nos. 2405 and 2406) and four parking slots and paid the requisite down payment of P2,298,655.08 and issued 24 postdated checks for the balance.
3. The initial agreed area per unit was 155 square meters at P22,378.95 per square meter, and each parking slot was priced at P240,000.
4. On October 10, 1996, possession of the units was transferred to the respondent, who later discovered discrepancies in the units' stated area (actual 110 sq.m each) versus the listed 155 sq.m.
5. Respondent demanded a refund for the overpayment (P2,014,105.50) based on the size discrepancy; petitioner refused.
6. Respondent filed a complaint with the HLURB, seeking a refund, moral damages, and attorney's fees.
7. The Housing and Land Use Arbiter dismissed the complaint, stating the action had prescribed pursuant to Article 1543, relating to Articles 1539 and 1542 of the Civil Code.
8. Respondent appealed to the HLURB Board of Commissioners, which found an actionable mistake and proposed rescission or a refund.
9. Petitioner appealed to the Office of the President, which ruled in favor of prescription.
10. Respondent then filed a Petition for Review with the Court of Appeals (CA), which reversed the OP's decision.
11. Petitioner's Motion for Reconsideration was denied, prompting the current Petition for Review before the Supreme Court.

Issues:

1. Whether the respondent's action has prescribed in accordance with Article 1543, relating to Articles 1539 and 1542 of the Civil Code.
2. Whether the respondent's action adheres to conditions regarding ownership transfer in sales transactions.
3. Whether the Court of Appeals exceeded its jurisdiction by declaring petitioner guilty of misrepresentation, bypassing the HLURB Board's decision on the same.

Court's Decision:

1. The Supreme Court held that the respondent's action had not prescribed because ownership had not been transferred due to the non-execution of deeds of absolute sale. Delivery under sales law requires transfer of both possession and ownership.
2. The Court concluded that the contract was one made at a rate per unit of measure, hence governed by Article 1539, entitling the respondent to a refund proportional to the area discrepancy.
3. The CA reinstated the Board's decision erroneously using Articles 1330 and 1331 related to mistake, which were inapplicable, as the issue was a size discrepancy and not a fundamental error.
4. Thus, the Supreme Court affirmed the CA decision with the modification that the HLURB's erroneous basis for rescission was not reinstated but mandated the refund.

Doctrine:

1. "Delivery" in the Law on Sales entails the concurrent transfer of possession and ownership. Transfer of possession alone does not commence the prescriptive period under Article 1543.
2. In real estate sold at a specified rate per unit, discrepancies in area entitle the buyer either to a proportional reduction in price or rescission if the lack is substantial, as provided under Article 1539 of the Civil Code.

Class Notes:

- Key Elements: Distinction between lump-sum and unit-based real estate sales (Art. 1539 vs. Art. 1542); Prescription period commencing upon full "delivery" (both possession and ownership); Legal relief under Art. 1539.
- Relevant Provisions: Civil Code Articles 1495-1498, 1539, 1542, 1543.
- Application: The buyer may claim a price adjustment proportionate to the area discrepancy if the sale is based on a unit measure per square meter. Delivery and transfer of ownership are not synonymous by mere possession transfer.
- Memorization Tip: Remember real estate sales laws hinge on the sale method - unit price versus lump sum - and "delivery" must include transfer of ownership for prescription periods.

Historical Background:

This case reflects a common commercial transaction where promotional offers in real estate sales can lead to disputes over contract terms and enforcement, demonstrating the perennial intersection of consumer protection and property rights. It underscores the importance of precise contract terms and diligent adherence to legal requirements for the

transfer of both possession and ownership. This legal precedent clarifies the application of specific Civil Code articles to real estate transactions and their resolution in judicial contexts.