

Title: Teddy G. Pabugais vs. Dave P. Sahijwani

Facts:

In a contract dated December 3, 1993, Teddy G. Pabugais agreed to sell a property in Makati, Metro Manila, to Dave P. Sahijwani for PHP 15,487,500.00, receiving an option/reservation fee of PHP 600,000.00 with the balance due within 60 days alongside necessary documents for the transfer. Failure to fulfill these terms resulted in obligations for both parties: Sahijwani's forfeiture of the option fee or Pabugais's return of the fee with 18% interest per annum upon failure to deliver the required documents. Pabugais's failure led to the return of the option fee through a Far East Bank & Trust Company check, which was dishonored.

Pabugais claimed to have attempted to remit PHP 672,900.00, including interest, via manager's check, which was refused by Sahijwani's counsel for not being attached to the correspondence and being insufficient due to alleged additional verbal agreements. Pabugais then opted for consignation with the Regional Trial Court (RTC) of Makati City after these failed attempts.

The RTC deemed the consignation invalid, citing a lack of valid tender of payment, among other things, and ordered Pabugais to pay the original amount with interest, moral damages, and attorney's fees. Pabugais appealed to the Court of Appeals, which eventually reversed the RTC's decision, recognizing the validity of the consignation and thereby extinguishing Pabugais's obligation to Sahijwani under their agreement.

Issues:

1. Whether there was a valid consignation.
2. Whether Pabugais can withdraw the amount consigned as a matter of right.

Court's Decision:

The Supreme Court denied Pabugais's petition for review and affirmed the Court of Appeals' decision. The Court held that there was a valid tender of payment through a manager's check, countering the trial court's finding that a manager's check is not legal tender and stating the creditor's option to refuse or accept it. Furthermore, the Court found the tendered amount sufficient to cover the obligation, thus validating the consignation. On the right to withdraw the consigned amount, the Court found against Pabugais, citing that the respondent's acceptance of the consignation equated to the obligation's extinction. The Court also addressed the prohibition against lawyers acquiring property involved in

litigation they represent, as Pabugais attempted to assign the consigned money to his lawyer as attorney's fees, which the Court found void.

Doctrine:

This case reiterates the principles surrounding consignation, specifically that a valid tender of payment and the actual consignation with prior notification to the creditor are essential for its effectiveness. Furthermore, it emphasizes that a creditor's refusal or acceptance of payment affects the validity of consignation and that consigned money cannot be withdrawn unilaterally if it essentially leads to the satisfaction of the obligation. Additionally, the prohibition of lawyers to acquire properties subject to litigation they are involved in was upheld, emphasizing ethical boundaries in legal representation.

Class Notes:

1. ****Consignation**** requires a valid debt, refusal or inability of the creditor to accept payment, prior notification, placing the amount with the court, and subsequent notification.
2. ****Legal Tender and Manager's Check****: A creditor has the option to refuse or accept a manager's check, and its acceptance can be implied if no prompt objection is made.
3. ****Assignment to Lawyers****: Article 1491(5) of the Civil Code prohibits lawyers from acquiring by purchase or assignment properties involved in litigation they represent.
4. ****Withdrawal of Consignation****: Per Article 1260 of the Civil Code, consigned money cannot be withdrawn if the creditor has accepted the consignation or if it would unjustly enrich the debtor at the creditor's expense.

Historical Background:

This case provides insight into commercial transactions and disputes over property sales in the Philippines, showcasing the processes involved in consignation, the intricacies of legal tender, and ethical considerations in legal practice. It reflects the judiciary's role in interpreting agreements and ensuring fair dealings between parties in contractual commitments.