

Title: Spouses Constante Firme and Azucena E. Firme vs. Bukal Enterprises and Development Corporation - Analysis of Supreme Court Decision

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Facts:

****Ownership and Parties Involved:****

- Spouses Constante and Azucena Firme owned a parcel of land in Fairview Park, Quezon City.
- Bukal Enterprises and Development Corporation, represented by Vice President Renato de Castro, sought to acquire the said property.

****Negotiation Attempts:****

- ****January 23, 1995:**** Aviles, a broker authorized by Bukal Enterprises, met with Spouses Firme to present a draft deed of sale.
- ****Draft Deeds:****
- ****First Draft (February 1995):**** Rejected by Spouses Firme due to conditions such as seller bearing capital gains tax and squatters' relocation.
- ****Second Draft (March 1995):**** Allegedly agreed upon as objectionable conditions were omitted; proposal entailed P4,000 per square meter.

****Withdrawal and Unauthorised Excavation:****

- ****March 1995:**** Spouses Firme communicated their withdrawal from selling, despite Aviles' assertions of mutual agreement.
- ****Bukal Enterprises' Activities:**** Pursued relocation of squatters and constructed improvements on the Property, despite knowing Firme's refusal.

****Legal Proceedings:****

- ****Complaint Filed:**** March 28, 1995, for specific performance and damages by Bukal Enterprises against Spouses Firme.
- ****Trial Court (RTC) Decision (August 7, 1998):**** Dismissed the complaint, ruling no perfected contract of sale existed, ordering Bukal Enterprises to pay damages.
- ****Court of Appeals (CA) Decision (January 3, 2001):**** Reversed RTC decision, directing Spouses Firme to execute Deed of Absolute Sale after receiving purchase price.

Issues:

1. **Existence of Perfected Contract of Sale:** Did Spouses Firme and Bukal Enterprises reach a meeting of minds for the sale of the property?
2. **Enforceability under Statute of Frauds:** Was the alleged contract enforceable despite it potentially falling under the Statute of Frauds?
3. **Authority to Finalize Sale:** Did Aviles have the requisite authority from the board of Bukal Enterprises to bind the corporation to the sale?
4. **Awards for Moral and Compensatory Damages:** Was the award by the trial court for such damages warranted?

Court's Decision:

On Existence of Perfected Contract:

Lack of Consent:

- The Supreme Court affirmed that no perfected contract of sale existed.
- **Key findings:**
- **Firme's Rejection:** Spouses Firme consistently refused the sale both in meetings and subsequent telephone conversations.
- **Aviles Inconsistencies:** Conflicting testimonies by Aviles on meetings and presented drafts.
- **Absence of Signed Deed:** No signed deed substantiating Bukal Enterprises' claim.

On Authority to Finalize Sale:

Lack of Board Authorization:

- Aviles lacked authority as no Board of Resolutions authorized him to bind the corporation.
- Bukal Enterprises' primary authority—the board—was neither directly involved nor provided explicit approval.

On Statute of Frauds:

Application Invalid:

- Supreme Court deemed it inapplicable as no perfected contract existed to begin with; stipulated Article 1403 only applies to enforceable agreements under Statute of Frauds.

On Moral and Compensatory Damages:

Damages Reassessment:

- While actual and compensatory damages awarded by RTC were vacated, nominal damages

of P30,000 were awarded for the violation of property rights by Bukal Enterprises.

Doctrine:

1. **Consent and Perfected Contracts:** Essential element, without agreement on terms and acceptance, no contract exists (Art. 1318 of Civil Code).
2. **Board Authority in Corporations:** Corporate transactions concerning real property require board authorization (Corporation Code §§ 23, 36).
3. **Statute of Frauds Application:** Relates to enforceable agreements, presupposes existing perfected contract (Art. 1403).

Class Notes:

- **Elements of a Valid Contract:** Consent, Object, Cause (Art. 1318, Civil Code).
- **Corporate Authorization:** Transactions must be board-approved or properly delegated (Corp. Code §§ 23, 36).
- **Statute of Frauds:** Contracts involving sale of real property need written form (Art. 1403, Civil Code).

Historical Background:

- The case serves as a critical reference point for property law and corporate governance in the Philippines.
- Marks significant emphasis on legal rigor in contractual consent and highlights the procedural checks within corporate transactions.

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This case exemplifies complexities in real estate transactions, corporate authority, and the interplay of contractual elements within Philippine jurisprudence. It underscores the importance of precise legal procedures and clear, incontrovertible consent to bind parties to a contract.