

REHABILITATION FINANCE CORPORATION, PETITIONER, VS. COURT OF APPEALS AND REALTY INVESTMENTS, INC., RESPONDENTS.*G.R. No. L-7185. August 31, 1955*

Ponente: REYES, A., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/0e9cb355bc70/>**REYES, A., J.:**

On June 17, 1948, Delfin Dominguez signed a contract with Realty Investments, Inc., to purchase a registered lot belonging to the latter, making a down payment of P39.98 and promising to pay the balance of the stipulated price in 119 monthly installments. Some three months thereafter, to finance the improvement of a house Dominguez had built on the lot the Rehabilitation Finance Corporation—hereafter called the RFC—agreed to loan him P10,000 on the security of a mortgage upon said house and lot, and, at his instance, wrote Realty Investments a letter, dated September 17, 1948, requesting that the necessary documents for the transfer of title of the vendee be executed so that the same could be registered together with mortgage, this with the assurance that as soon as title to the lot had been issued in the name of Dominguez and the mortgage in favor of the RFC registered as first lien on the lot and the building thereon, the RFC would pay Realty Investments 'the balance of the purchase price of the lot in the amount of P3,086.98.' Complying with RFC's request and relying on its assurance of payment, Realty Investments, on the 20th of that same month, deeded over the lot to Dominguez "free of all liens and incumbrances" and thereafter the mortgage deed, which Dominguez had executed in favor of RFC three days before, was recorded in the Registry of Deeds for the City of Manila as first lien on the lot and the building thereon.

It would appear that once the mortgage was registered, the RFC let Dominguez have P6,500 out of the proceeds of his loan, but that the remainder of the loan was never released because Dominguez defaulted in the payment of the amortizations due on the amount he had already received, and as a consequence the RFC foreclosed the mortgage, bought the mortgaged property in the foreclosure sale, and obtained title thereto upon failure of the mortgagor to exercise his right of redemption.

Required to make good its promise to pay Realty Investments the balance of the purchase price of the lot, the RFC refused, and so Realty Investments commenced the present action in the Court of First Instance of Manila for the recovery of the said balance from either Delfin Dominguez or the RFC.

The trial court allowed recovery from Dominguez, but absolved the RFC from the complaint. But on appeal, the Court of Appeals reversed that verdict, declared the judgment against Dominguez void for having been rendered after his exclusion from the case, and sentenced the RFC to pay plaintiff the amount claimed together with interests and costs. From this judgment the RFC has appealed to this Court.

We find no merit in the appeal. While the amount sought to be recovered by plaintiff was originally owing from Dominguez, being the balance of the purchase price of the lot he had agreed to buy, the obligation of paying it to plaintiff has already "been assumed by the RFC with no other condition than that title to the lot be first conveyed to Dominguez and RFC's mortgage lien thereon registered, and that condition has already been fulfilled.

It is, however, contended for the RFC that its obligation to pay "has been modified, if not extinguished" by plaintiff's letter of September 20, 1948, which reads as follows:

"September 20, 1948

"The R. F. C.

Manila

Sirs:

In connection with your guarantee to pay us the balance of P3,086.98 of the account of Mr. Delfin Dominguez for the purchase of lot No. 15, block 7 of our Riverside Subdivision, which lot has been conveyed to him on the strength of your guaranty to us the said balance, we want to inform you that, at the request of Mr. Dominguez, we are agreeable to have that amount paid us at the second release of proceeds of his loan, which he informs us will be on or about October 15, 1948.

Yours truly,

Realty Investments, Inc.

C.M. Hoskins & Co., Inc.

Managing Agents

By: (Sgd.) A. B. Aquino"

President

Passing upon the above contention, the Court of Appeals says: "As narrated in the statement of the case, both Dominguez and the appellee kept appellant ignorant on the terms and conditions of their agreement concerning the loan of P10,000 and of the manner that sum was to be released, and in such circumstances plaintiff's letter of September 20, 1943, cannot be construed in the manner contended by appellee and sustained by the court, for plaintiff merely said in substance and effect that it was agreeable to have the balance of P3,086.98 of the account of Delfin Dominguez paid to it at the second release of proceeds of his loan, which he (Dominguez) informs us will be on or about October 15, 1948.' Defendant-appellee, should know that it would be absurd for the plaintiff to waive appellee's guaranty contained in its letter of September 17, 1948, wherein Governor E. Ealdama bound the Rehabilitation Finance Corporation to pay the unpaid balance of the purchase price of the lot in question after title hereof was transferred in the name of Dominguez free from any incumbrance. If the Rehabilitation Finance Corporation was not to make any further release of funds on the loan, or if such release was to be subject to future developments, it was the duty of the Rehabilitation Finance Corporation to answer the latter's letter of September 20, 1948, and, to inform appellant of the terms and conditions of the loan, but the officers of the appellee failed to do this. For this reason, appellee's contention in this respect is most unfair and cannot be upheld by the courts of justice. It was the Rehabilitation Finance Corporation that induced plaintiff to issue title to the lot free from all encumbrances to Dominguez on its guaranty, and it cannot now without any fault of the plaintiff keep the lot in question and Dominguez' building without paying anything to the plaintiff. Under the circumstance of the case, appellant was not under any obligation of assuming Dominguez' right of redemption of the property foreclosed just to save said lot, payment for which was guaranteed by the Rehabilitation "Finance Corporation."

We are in accord with the above pronouncement. Plaintiff was induced to part with his title to a piece of real property upon RFC's assurance that it would itself pay the balance of the purchase price due from the purchaser after its mortgage lien thereon had been registered. Lulled by that assurance, plaintiff thereafter looked to the RFC, instead of the purchaser, for payment. It is true that plaintiff later expressed willingness to have the payment made at a later date, when—so it was informed by the buyer—"the second release of proceeds of his loan" would take place. But it is evident that this period of grace was granted by plaintiff in the belief that the information furnished by the buyer was true, and, as found by the Court of Appeals (and this finding is conclusive upon this

Court), RFC never made plaintiff know that said information was not correct. In those circumstances, we do not think it fair to construe plaintiff's letter to be anything more than a mere assent to a deferment of payment, and such assent should not be taken as willingness on its part to have the payment made only if and when there was to be second release of proceeds of th loan. It would be unreasonable to suppose that the creditor, already assured of payment by the RFC itself, would want to create uncertainty by making such payment dependent upon a contingency.

In view of the foregoing, the decision appealed from is affirmed, with costs against the RFC.

Bengzon, Acting, C. J. Padilla, Montemayor, Jugo, Labrador, Concepcion and Reyes, J.B.L., JJ., concur.

Judgment affirmed.

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