

PASTOR L. DE GUZMAN, PLAINTIFF-APPELLANT, VS. J.M. TUASON & CO., INC., ET AL., DEFENDANTS-APPELLEES.

G.R. No. L-26264. December 26, 1969

Ponente: REYES, J.B.L., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/14d1a1de1093/>

REYES, J.B.L., J.:

Appeal from an order of dismissal of a complaint for lack of cause of action, upon a preliminary hearing of the defendants' affirmative defense.[1]

The complaint, filed on 29 March 1963 in the Court of First Instance of Rizal, Quezon City Branch (docketed as Civil Case No. Q-7172), alleged, among other things, that the plaintiff, Pastor L. de Guzman (herein appellant), was the lawyer representing the plaintiffs, called "Deudors", in Civil Cases Nos. Q-135, Q-139, Q-177 and Q-186 of the same court; that the herein defendants-appellees, J.M. Tuason & Co., Inc., and Gregorio Araneta, Inc., were the defendants in the said civil cases; that the parties, assisted by their lawyers, eventually entered into a compromise agreement for the final settlement of the said civil cases; that among the provisions of the said compromise agreement, which was approved by the court, are the following:

"C. The sum of P250,000.00 representing the value of the lands reserved for the residence of Gov. Alejo Santos, Atty. Pastor L. de Guzman and Capt. C. Cruz (12,200.00 sq. ms.) as hereinafter provided in clause II, shall be deducted from the amount that may be due the DEUDORS, except Misericordia. But it shall be understood that the certificate of title to the lands reserved for the above persons shall be issued (1) soon after the delivery to the OWNERS [this designation refers to the herein appellees] of the lots marked 'refund' in Annex 'C' shall have been effected and (2) the subdivision plan approved by the National Planning Commission and the Bureau of Lands;

"xxxxx xxxxx xxxxx xxxxx

"ELEVENTH. - That the OWNERS HEREBY agree to reserve for the DEUDORS, consistent with the subdivision plan that may finally be approved, the following lots measuring in all TWELVE THOUSAND (12,000.00) SQUARE METERS which the DEUDORS shall purchase for the sum of P250,000.00:

"For the residence of Gov.

Alejo Santos 5,000.00 sq. m.

For the residence of Atty.

Pastor L. de Guzman 4,000.00 sq. m.

For the residence of Capt.

C. Cruz: 3,000.00 sq. m.

12,000.00 sq. m."

The complaint further averred that, despite demands made by plaintiff, the defendants have refused to convey the lot of 4,000 square meters to him. Plaintiff prayed for judgment requiring the defendants to execute a deed of conveyance for the lot.

The defendants set up the affirmative defense that the plaintiff had no cause of action against them because the Compromise Agreement referred to in the complaint had been declared rescinded by the Supreme Court in the cases of *Deudor, et. al. vs. J. M. Tuason & Co., Inc., et. al.*, L-13768, 31 May 1961 (2 SCRA 129); *J.M. Tuason & Co., Inc., vs. Sanvictores*, L-16836, 30 January 1962 (4 SCRA 123), and other cases.

On motion of the defendants for a preliminary hearing on their affirmative defense, the court a quo held one and then issued the appealed order dismissing the suit.

Plaintiff-appellant contends that it is not true that the Compromise Agreement was declared rescinded by the Supreme Court because it merely affirmed the orders of the trial court but that nowhere in the dispositive portion of the orders, or of the decisions of the Supreme Court affirming the same, is there a declaration rescinding the Compromise Agreement; that although there was a paragraph in the order which was quoted in the Supreme Court decision and which reads:

“..... The equitable, if not the legal solution of the problem is the setting aside of the compromise agreement of 16 March 1953, in so far as it remains unimplemented or executory. The failure to deliver and the continued mushrooming of houses in the area, despite the compromise, justify the release of J.M. Tuason & Co., Inc. and Gregorio Araneta, Inc., from further obligations under the agree-ment of 16 March 1953.” --

this paragraph is merely an exposition of some of the reasons for the issuance of the orders, as the Supreme Court stated in affirming them,[2] but that an exposition is different from a disposition.

We do not find it necessary to inquire at this stage whether or not the compromise entered into by appellees Tuason and the Deudors was rescinded. It is enough to observe that the complaint does not state a cause of action, because it fails to allege that the conditions precedent to the effectivity of the defendants' obligation under the compromise agree-ment, to deliver to the plaintiff a lot of 4,000 square meters, have been complied with. The conditions were "that the certificate of title to the lands reserved for the above persons (one of them the herein plaintiff-appellant) shall be issued (1) soon after the deliver to the OWNERS of the lots marked 'refund' in Annex 'C' shall have been effected and (2) the subdivision plan approved by the National Planning Commission and the Bureau of Lands" (emphasis supplied). Pursuant to the very terms of the compromise, therefore, the obligation of the defendants to deliver the lot claimed was not a pure obligation that is immediately demandable, but depended on the compliance with the two conjunctive conditions stated in the agreement (See Articles Nos. 1179 & 1181, Civil Code; *Wise & Co. vs. Kelly*, 37 Phil. 696; *Phil. National Bank vs. Phil. Trust Co.*, 68 Phil. 48). Hence, unless it is alleged in the complaint that these conditions were or have been complied with, and the plaintiff's complaint in the present case does not so allege, the complaint would state no cause of action against the defendants.

"If the cause of action of the plaintiff depends upon a condition precedent, the complaint must allege the fulfillment of the condition or a legal excuse for its non-fulfillment. Omission of such allegation will make the complaint insufficient." (1 Moran 216-217, citing *Gov't of P.I. vs. Inchausti & Co.*, 24 Phil. 315, 318)

The failure to allege the compliance of the conditions precedent dispenses with the resolution of whether or not the obligation of the defendants to deliver the lot to the plaintiff is a *pour autrui* stipulation because its classification, one way or the other, will not eliminate the conditions precedent which have first to be fulfilled before the obligation to deliver the lot is demandable. Furthermore, even as stipulation *pour autrui*, the same could not be enforceable, unless it is first shown that the beneficiary of such stipulation had notified his acceptance

thereof in due time to the corresponding obligor.[3] Article 1311 of the Civil Code of the Philippines, in its second paragraph, prescribes that -

"If a contract should contain some stipulation in favor of a third person, he may demand its fulfillment provided he communicated his acceptance to the obligor before its revocation."

And, in this connection, this Court held in the case of *Deudor vs. Tuason & Co., Inc.*, promulgated on 30 May 1961 (2 SCRA 129), that the Deudors had been legally given by the Court four (4) months, from 28 February 1957, to deliver the lands referred to in clause 8, section (d), of the Compromise Agreement (*cas. cit.*, page 135); that said Deudors failed to do so; and that -

"..... the period of four (4) months, given to the Deudors, in said decision, for the delivery of the land of 30 "quiñones" --- to which their right to collect P614,925.74 was subject as a suspensive condition constituted a resolutive period. When the same expired with said suspensive condition still unfulfilled, appellants' right to comply with it was extinguished, and the conditional obligation of the appellees to pay said sum was terminated (Article 1193, Civil Code of the Philippines." (*Cas. cit.*, page 142; emphasis supplied)

In other words, at the expiration of the four months aforesaid on July, 1957, the Deudors (and consequently, all persons holding under them) lost all further right to enforce the basic Compromise Agreement, and this loss amounts to a revocation of the uncomplied portions of said compromise for the purposes of Article 1311 of the Civil Code. It is for these reasons that in various later decisions this Court viewed such compromise as rescinded, i.e., prospectively terminated, *ex nunc*.

There being no showing in the complaint that the two conditions precedent to appellant's alleged right have been complied with, or that plaintiff-appellant notified the appellees in due time of his adherence to the clause stipulated by the parties in his favor (which is a third condition precedent in this case), the complaint was correctly dismissed for lack of a cause of action.

WHEREFORE, the order of dismissal appealed from is affirmed. Costs against appellant.

Concepcion, C.J., Dizon, Zaldivar, Sanchez, Castro, Fernando, Teehankee and Barredo, JJ., concur.
Makalintal, J., did not take part.

[1] "SEC. 5. Pleading grounds as affirmative defenses. - Any of the grounds for dismissal provided for in this rule, except improper venue, may be pleaded as an affirmative defense, and a preliminary hearing may be had thereon as if a motion to dismiss had been filed." (Rule 16, Rules of Court)

[2] *Deudor vs. Tuason & Co., Inc.*, 2 SCRA 129.

[3] *V. Bank of P. I. vs. V. Concepcion e Hijos, Inc.*, 53 Phil. 806; TS of Spain, Sent 11 Nov. 1950; 10 Dec. 1956.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.