

VIRGILIO SIY, PETITIONER, VS. COURT OF APPEALS, SERGIO VALDEZ, AND VIRGINIA VALDEZ, RESPONDENTS.*G.R. No. L-39778. September 13, 1985*

Ponente: GUTIERREZ, JR., J.

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This is a petition for review which seeks to annul and set aside the decision of the Court of Appeals, now Intermediate Appellate Court affirming the trial court's decision, ordering, among others, the rescission of the contract of sale entered into between the petitioner and the private respondents.

The private respondents, spouses Valdez are the owners of a parcel of land containing an area of 155 square meters, more or less, and the house constructed thereon, situated at No. 333 Jefferson Street, Makati, and covered by Transfer Certificate of Title No. 32718 of the Registry of Deeds of Rizal. There is no dispute that the petitioner and private respondents entered into a contract of sale regarding the said property. The controversy, however, stemmed from subsequent agreements executed by the parties.

The first agreement entered into by the petitioner and private respondents was the Deed of Conditional Sale (Exh. A) whereby for and in consideration of P22,000.00, the private respondents as vendors agreed to sell to the petitioner as vendee the lot covered by TCT No. 32718 with all the improvements thereon. The sale was subject to the condition that immediately upon the approval of the petitioner's loan with the Social Security System (SSS) and its payment to the respondents, the vendor shall execute the deed of absolute sale in favor of the vendee. The petitioner applied for a loan with the SSS, through the Home Financing Commission (HFC). Since the property in question was mortgaged to the Government Service Insurance System (GSIS), the HFC requested both parties to execute a Deed of Sale with Assumption of Mortgage (Exh. G) which they did, stating among others that the respondents sell, transfer, and convey to the petitioner the property for and in consideration of the sum of P22,000.00, of which P6,400.00 (representing the amount allegedly in-curred by the petitioners for improvements on said property) had been paid and the balance of P15,600.00 payable upon approval of the petitioners loan with the SSS. In reality, however, the respondents had not received a single centavo from the petitioner at the time. Subsequently, the parties executed three more contracts. The first contract (Exh. I) which was executed more than one month after Exhibit A provided that the respondents agreed to sell the property to the petitioner at P14,000.00 while the latter must negotiate a loan with the SSS in order to settle the amount within a period of thirty days from March 17, 1963. The contract also provided for the payment of rentals by the petitioner at P50.00 a month from March 1, 1963 until the date of final settlement and damages at the rate of P30.00 a day for each day of delay. The next day, another contract was executed by the parties which was essentially the same as Exh. "1". Respondent Virginia Valdez explained that she did not agree with the granting of another thirty-day extension to the petitioner and so Exh. "1" was torn up. However, the respondents changed their minds after the mother of the petitioner pleaded with them for another extension. Thus, Exh. "2" came into being. It provided that the full amount of P14,000.00 would be paid on or before the 30th day from the date of the execution of the contract and that failure of the petitioner to settle his obligation within that period shall make him liable for damages at P30.00 for every

day of delay.

The last agreement entered into by the parties, (Exh. 5), provided among others, that the respondents agreed to receive the partial amount of P12,000.00 on the condition that the balance of P4,376.00 is completely paid forty-five days after the date fixed by them and that failure of the petitioner to pay the said balance on the agreed time will entitle the respondents to damages at P20.00 for every day of delay until said balance shall have been fully paid.

Within the forty-five (45) days deadline, however, the petitioner failed to pay both the P12,000.00 which was supposed to be received by the respondents upon the execution of the agreement, (Exh. 5) and the balance of P4,376.00. Thus, when the petitioner's loan with the SSS was finally ready for release, he requested the respondents to sign the deed of absolute sale and other papers required by the SSS but the latter refused on the ground that the petitioner had already breached their latest agreement (Exh. 5). The petitioner filed an action for specific performance with writ of preliminary mandatory injunction seeking to compel the respondents to execute the deed of absolute sale of the property and other such documents required by the SSS for the immediate release of the approved loan.

In its first decision, the trial court rendered judgment in favor of the petitioner making the following findings:

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"Apparently, the defendants are of the impression that the provision in the agreement that 'failure of the plaintiff to settle said balance on or before the stipulated date will entitle the defendants to collect P20.00 for every day of delay until balance is fully paid' and just because plaintiff so failed to comply with it this will release them from compliance with the condition mentioned in Exhibits 'A' and 'G'. The court agrees with the defendant that plaintiff committed a breach granting that plaintiff failed to comply with the stated proviso, but this is not the breach contemplated by law and cannot be considered a sufficient cause for them to depart from their unfulfilled obligation to the plaintiff because as the provision clearly states, defendants' rights are adequately protected and compensated in the form of damages recoverable from the plaintiff in case of noncompliance by the plaintiff.

"Under the law (Article 1191, New Civil Code), in reciprocal obligations, in case one of the obligors should not comply with what is incumbent upon him, the injured party may choose between the fulfillment and the rescission of the obligation with the payment of damages in either case. In the instant case, plaintiff seeks not rescission but fulfillment of the obligation. It is obvious when the parties herein agreed that the consideration mentioned in Exhibits 'A' & 'G' that will be paid upon the approval of the loan, they mean approval and release of the loan. Weighing the evidence presented both by the plaintiff and defendants, it is the opinion of the court that the defendants by virtue of their contracts Exhibits 'A' and 'G', the defendants can be compelled to fulfill the condition agreed thereon."

In due time, the private respondents filed a motion for reconsideration stating, among others, that the decision of the lower court failed to consider the other contracts executed by the parties. Among them was the agreement marked as Exhibit "5" Which would clearly show that there was a limited period within which the petitioner was given time to secure a loan from the SSS and pay P14,000.00, the real consideration for the property agreed upon by the parties.

The petitioner filed his opposition to the respondents' motion for reconsideration. The respondents in turn asked the lower court for five (5) days within which to submit a rejoinder. The extension was granted in open court. However, even before the end of the five-day period, the court already issued an order denying the respondents' motion for reconsideration. Another motion to reconsider was, therefore, filed by the respondents praying that their rejoinder be taken into account since the same was filed within the five-day period granted by the court.

Realizing its error, another decision was consequently rendered by the trial court, this time, in favor of the private respondents, stating the following:

"This Court observes that Exhibit '5' is an implementation or confirmation of the provisions of both Exhibits '1' and '2' which are supplementary contracts providing for a definite period of payment of the agreed purchase price of the property involved herein. This period of payment is not provided for in Exhibits 'A' and 'G' thereby modifying the later contracts in this regard. Article 1374 of the new Civil Code of the Philippines, the Court believes, is also applicable to the instant case wherein it is provided that the various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken together. Exhibits 'A', 'G', '1', '2' and '5' being complementary contracts, they should be construed to correctly arrive at the true intention of the parties."

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"The wordings of Exhibit '5' when it states that the defendants-spouses agreed to receive the partial amount of P12,000.00 only show that when Exhibit '5' was executed, defendants did not yet receive said amount. It is still to be received, and evidence of the plaintiff is wanting to show that he paid this amount of P12,000.00. Neither is there any showing that the balance of P4,763.00 agreed upon in Exhibit '5' had been paid by the plaintiff within forty-five days from July 9, 1963. This clearly constitutes a breach of their last agreement Exhibit '5'. Article 1191 of the New Civil Code provides that the power to rescind obligations is implied in reciprocal ones in case one of the obligors should not comply with what is incumbent upon him. The injured party may choose between the fulfillment and the rescission of the obligation, with the payment of damages in either case. There is no dispute that all the contracts entered into by the parties herein are reciprocal ones. There is, likewise, no question that the plaintiff is guilty of delay and the defendants-spouses are entitled to damages occasioned by it in the light of the provisions of Article 1170 of the New Civil Code providing that those who, in the performance of their obligations, are guilty of delay and those who, in any manner, contravene the tenor thereof, are liable for damages. The defendants-spouses elected rescission of their agreement of purchase and sale with damages."

The petitioner filed a motion for reconsideration which the trial court denied. On appeal, the Court of Appeals affirmed the decision in toto. Hence, this petition.

The issues raised are:

I

WHETHER OR NOT THE COURT OF APPEALS ERRED IN RULING THAT THE FIRST DECISION OF THE TRIAL COURT WAS NOT FINAL WHEN THE SAME WAS SET ASIDE AND SUPERSEDED BY THE SECOND DECISION AND THUS, THE TRIAL COURT HAD NO MORE JURISDICTION TO RENDER SAID SECOND DECISION, AND

II

WHETHER OR NOT THE COURT OF APPEALS ERRED IN SUSTAINING THE TRIAL COURT IN ORDERING THE RESCISSION OF THE AGREEMENT (EXHIBIT 5) AND THE PAYMENT OF DAMAGES AND ATTORNEY'S FEES.

The petitioner maintains that the motions for reconsideration filed by the respondents are both pro forma because they presented issues which the trial court had already considered and ruled upon and that the second motion for reconsideration merely asked the court to consider two documents which were already submitted by respondents in evidence. The petitioner argues that the said motion did not interrupt the running of the period to appeal and thus, when the second decision was rendered the trial court had already lost its jurisdiction over the case, making such decision null and void.

The above contentions are untenable.

In the first place, the very purpose of a motion for reconsideration is to point out the findings and conclusions of the decision which in the movant's view, are not supported by law or the evidence. The movant is, therefore, very often confined to the amplification or further discussion of the same issues already passed upon by the court. Otherwise, his remedy would not be a reconsideration of the decision but a new trial or some other remedy. In the case of *Viña v. Court of Appeals* (126 SCRA 381-382), we emphasized the nature of a motion for reconsideration. We ruled:

"Contrary to petitioner's contention, REPUBLIC's Motion for Reconsideration dated January 10, 1973 was not pro forma, even if we were to concede that it was a reiteration of its previous Motion for suspension of the proceedings.

"x x x Among the ends to which a motion for reconsideration is addressed, one is precisely to convince the court that its ruling is erroneous and improper, contrary to the law or the evidence (Rule 37, Section 1, subsection [c]); and in doing so, the movant has to dwell of necessity upon the issues passed upon by the court. If a motion for reconsideration may not discuss these issues, the consequence would be that after a decision is rendered, the losing party would be confined to filing only motions for reopening and new trial. We find in the Rules of Court no warrant for ruling to that effect, a ruling that would, in effect eliminate subsection (c) of Section 1 of Rule 37." (*Guerra Enterprises Co., Inc. v. Court of First Instance of Lanao del Sur*, 32 SCRA 317 [1970]).

Secondly, as far as the second motion of respondents is concerned, the same should not be strictly construed as a motion for reconsideration although captioned as such because in reality, it is merely a supplementary pleading aimed to call the court's attention to the fact that it had given the respondents five days to file their rejoinder, with which they complied and, therefore, said rejoinder should have been considered before the court acted upon the respondents' first motion for reconsideration. Supplemental pleadings are meant to supply deficiencies in aid of original pleadings, not to entirely substitute the latter (See *Pasay City Government v. CFI of Manila*, 132 SCRA 169), and neither should they be considered independently nor separately from such original pleadings.

We, therefore, hold that the appellate court did not commit grave abuse of discretion in upholding the trial court's jurisdiction when it rendered the second decision.

In the second assignment of error, the petitioner contends that the Court of Appeals committed a reversible error in affirming the rescission of the contract when the respondents did not pray for rescission and in ordering the payment of damages and attorney's fees notwithstanding the fact that the complaint for specific performance was not instituted in bad faith.

It is noteworthy to mention that in their answer to the petitioner's complaint, the respondents prayed for the annulment of both the Deed of Conditional Sale (Exh. 'A') and the Deed of Sale with Assumption of Mortgage (Exh. 'G') which are the very bases of the supplemental agreements (Exhs. '1', '2' and '5') executed between the petitioner and the respondent. The technical argument that the respondents never prayed for the rescission of the contracts and that the trial court and the appellate court should never have rescinded the same has no merit. Furthermore, by failing to pay the amount of P12,000.00 and the balance of P4,376.00 as stipulated in the contract within the forty-five (45) days period, the petitioner clearly committed a breach of contract which sufficiently and justly entitled the respondents to ask for the rescission of the contracts. In the case of *Nagarmull v. Binalbagan-Isabela Sugar Co., Inc.* (33 SCRA 52), we ruled that "x x x The Breach of contract committed by appellee gave appellant, under the law and even under general principles of fairness, the right to rescind the contract or to ask for its specific performance, in either case with right to demand damages x x x". It is evident, in the case at bar, that the respondents chose to rescind the contracts after the petitioner repeatedly failed to pay not only the balance but the initial amount as downpayment in consideration of which the contracts or agreements

were executed. As a matter of fact, the petitioner later asked the SSS to cancel his loan application. He thereby abandoned his own claim for specific performance. Therefore, the appellate court correctly affirmed the rescission of the above-mentioned contracts. It also correctly affirmed the payment of attorney's fees. While the petitioner may not have acted in bad faith in filing his complaint, still the payment of attorney's fees is warranted in this case because of the environmental circumstances which compelled the respondents to litigate for the protection of their interests. (See *Bert Osmeña & Associates v. Court of Appeals*, 120 SCRA 401 and Article 2208 (2) New Civil Code).

We, however, find the award of damages in the amount of P4,376.00 unwarranted. In their motion for reconsideration, the respondents explained how they arrived at this amount —

"Plaintiff obliged himself to pay P30.00 for everyday of delay after the lapse of thirty days from the execution of the document of March 17, 1963 (Exh. 1-Defendants). Thirty days from March 17, 1963 would be April 18, which will mark the beginning of the counting of the days of delays. From April 18, 1963 to July 9, 1963, the number of days of delay was 82 days. Plaintiff requested that this be reduced to 70 days and defendants agreed. At P30.00 per day of delay the amount in 70 days will be P2,100.00. The rental as provided for in the same exhibit 1 for defendants was P50.00 per month. From March 1, 1963 to June 20, 1963, 4 months elapsed. At P50.00 per month the rental would be P200.00. Plaintiff got or utilized adobe stones belonging to defendant which he found in the premises when he and his parents transferred to the lot in question in March, 1963 the value of which was P76.00. Adding this to the P2,100.00 which is the amount to be paid for the delay in making payments and the P200.00 for 4 months rental, the total will be P2,376.00. The agreed purchase price was P14,000.00 but P12,000.00 was the amount of loan the Social Security System was then willing to give to plaintiff so that there will be a shortage of P2,000.00 more to complete the payment of the purchase price. This shortage of P2,000.00 was added to the P2,376.00 and the sum will be P4,376.00. Hence, in the agreement of July 9, 1963, this amount of P4,376.00 was to be paid within 45 days from the date thereof and the P12,000.00 which was the loan then approved by the Social Security System was to be paid to defendants on the day of the execution of the said agreement."

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It is evident from the motion that the amount of P4,376.00 awarded by the appellate court as damages is mainly based on "P30.00 per day of delay" penalty clause embodied in the agreement marked Exhibit "1". Enforcement of the clause on daily penalties now would result in excessive damages considering that the agreement was entered into way back in 1963. Moreover, the P2,000.00 represents part of the purchase price of the sale which was already rescinded.

Under Article 1191 of the Civil Code, "the injured party may choose between the fulfillment and rescission of the obligation, with the payment of damages in either case. He may also seek rescission, even after he has chosen fulfillment, if the latter should become impossible x x x." The law, however, does not authorize the injured party to rescind the obligation and at the same time seek its partial fulfillment under the guise of recovering damages.

The appellate court, therefore, erred in including both the penalty clause and the part of the purchase price in the computation of damages. There is no question that the petitioner must pay damages for the use of the house and lot until he vacates the premises. The petitioner and his family have lived in the respondents' house all these years without paying either the price he obligated himself to pay or the monthly rentals he agreed to pay as early as 1963. At the very least, the petitioner should pay P50.00 monthly rentals with legal interest from March, 1963.

WHEREFORE, the decision appealed from is MODIFIED in that the award of damages in the amount of P4,376.00 is set aside. The petitioner is ordered to vacate the disputed property and to pay FIFTY PESOS (P50.00) as monthly rentals with interest at the legal rate from March, 1963 up to the time he and his

successors-in-interest vacate the property in question. In all other respects, the decision is AFFIRMED.

SO ORDERED.

Melencio-Herrera, Plana, Relova, De La Fuente, and Patajo, JJ., concur.

Teehankee, J., (Chairman), reserves his vote.

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