

SOUTHWESTERN SUGAR AND MOLASSES COMPANY, PLAINTIFF AND APPELLEE, VS. ATLANTIC GULF & PACIFIC COMPANY, DEFENDANT AND APPELLANT.

G.R. No. L-7382. June 29, 1955

Ponente: BAUTISTA ANGELO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/4af39af1a285/>

BAUTISTA ANGELO, J.:

This is an action for specific performance.

On March 24, 1953, the Atlantic Gulf & Pacific Company of Manila, hereafter called Atlantic Gulf for short, granted an option to Southwestern Sugar & Molasses Co. (Far East) Inc., hereafter called Southwestern Company, to buy its barge No. 10 for the sum of P30,000 to be exercised within a period of ninety days.

On May 11, 1953, the Southwestern Company wrote to Atlantic Gulf advising the latter that it wanted "to exercise our option at your earliest convenience" and requested that it be notified as soon as the barge was available.

On May 12, 1953, the Atlantic Gulf replied stating that their understanding was that the "offer of option" is to be a cash transaction and to be effected "at the time the lighter is available", and, on June 25, 1953, reiterating the unavailability of the barge, it further advised the Southwestern Company that since there is still further work for it, and as this situation still applies" the barge could not be turned over to the latter company.

On June 27, 1953, in view if such vacillating attitude, the Southwestern Company instituted the present action to compel the Atlantic Gulf to sell the barge in line with the option, depositing with the court a check covering the sum of P30,000. This check however was later withdrawn with the approval of the court.

On June 29, 1953, the Atlantic Gulf withdraw its "offer of option" with due notices to the Southwestern Company stating as reason therefor that the option was granted merely as a favor. The Atlantic Gulf set up as a defense the option to sell made by it to the Southwestern Company is null and void because it is not supported by any consideration.

After due trial, the lower court rendered judgment granting plaintiff's prayer for specific performance. It further ordered the defendant to pay damages in an amount equivalent to 6 per centum per annum on the sum of P30,000 from the date of the filing of the complaint, and to pay the sum of P600 as attorney's fees, plus the costs of action. The case is before us on the assertion that the only issue involved is one of law.

The option granted by appellant to appellee is contained in a letter dated March 24, 1953 which reads as follows:

"March 24, 1953

"Southwestern Sugar & Molasses Co. Far East; Inc.

"145 Muelle de Binondo

"Manila, Philippines

"Gentlemen:

"This is to confirm our conversion of today whereby we offer you our Barge No. 10, which is 120' 00" long by 44'-0" wide and 9'-0" deep, for the sum of P30,000. Barge to be cleaned of creosote and fuel oil.

"This option is to be good for ninety (90) days, or until June 30, 1953.

Yours very truly,
Altantic, Gulf & Pacific Co. of Manila
(Sgd.) W. H. Schoening
Marine Department"

The main contention of appellant is that the option granted to appellee to sell to it barge No. 10 for the sum of P30,000 under the terms stated above has no legal effect because it is not supported by any consideration and in support thereof it invokes article 1479 of the new Civil Code. This article provides:

"Art. 1479. A promise to buy and sell a determinate thing for a price certain is reciprocally demandable.

"An accepted unilateral promise to buy or to sell a determinate thing for a price certain is binding upon the promisor if the promise is supported by a consideration distinct from the price."

On the other hand, appellee contends that, even granting that the "offer of option" is not supported by any consideration, that option became binding on appellant when the appellee gave notice to it its acceptance, and that having accepted it within the period of option, the offer can no longer be withdrawn and in any event such withdrawal is ineffective. In support of this contention, appellee invokes article 1324 of the Civil Code which provides:

"Art. 1324. When the offerer has allowed the offeree a certain period to accept, the offer may be withdrawn at any time before acceptance by communicating such withdrawal, except when the option is founded upon consideration, as something paid or promised."

There is no question that under article 1479 of the new Civil Code "an option to sell", or "a promise to buy or to sell", as used in said article, to be valid must be "supported by a consideration distinct from the price," This is clearly inferred from the context of said article that a unilateral promise to buy or to sell, even if accepted, is only binding if supported by a consideration. In other words, "an accepted unilateral promise" can only have a binding effect if supported by a consideration, which means that the option can still be withdrawn, even if accepted, if the same is not supported by any consideration. Here it is not disputed that the option is without consideration. It can therefore be withdrawn notwithstanding the acceptance made of it by appellee.

It is true that under article 1324 of the new Civil Code, the general rule regarding offer and acceptance is that, when the offerer gives to the offeree a certain period to accept, "the offer may be withdrawn at any time before acceptance" except when the option is founded upon consideration, but this general rule must be interpreted as modified by the provision of article 1479 above referred to, which applies to "a promise to buy and sell" specifically. As already stated, this rule requires that a promise to sell to be valid must be supported by a consideration distinct from the price.

We are not oblivious of the existence of American authorities which hold that an offer, once accepted, cannot be withdrawn, regardless of whether it is supported or not by a consideration (12 Am. Jur. 528). These authorities, we note, uphold the general rule applicable to offer and acceptance as contained in our new Civil Code. But we are prevented from applying them in view of the specific provision embodied in article 1479. While under the "offer of option" in question appellant has assumed a clear obligation to sell its barge to appellee and the option has been exercised in accordance with its terms, and there appears to be no valid or justifiable reason for appellant

to withdraw its offer, this Court cannot adopt a different attitude because the law on the matter is clear. Our imperative duty is to apply it unless modified by Congress.

Wherefore, the decision appealed from is reversed, without pronouncement as to costs.

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

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.