

SALVADORA G. GARCIA, AND PACIFICO C. GARCIA, PETITIONERS, VS. THE HONORABLE COURT OF APPEALS, MIGUEL SOCCO, AND PURA SOCCO, RESPONDENTS.

G.R. No. L-26490. June 30, 1970

Ponente: MAKALINTAL, J.

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MAKALINTAL, J.:

In the decision now sought to be reviewed the Court of Appeals made the following statement of the case:

"On October 14, 1959, the spouses Miguel R. Socco and Pura Verona sold to the spouses Pacifico Garcia and Salvadora Garcia a three-story house and lot, situated on Pennsylvania, Malate, Manila, for the price consisting partly in money, P38,016.57, and partly in another thing, the assumption by the vendees of the vendors' mortgage debt of P20,074.13 to the Development Bank of the Philippines (Exhibit A). The vendees retained P2,000.00 of the money to answer for the fulfillment of the vendors' obligation to pay the registration fee, real estate taxes, documentary stamps and notarial fee. After the vendors had fulfilled said obligation, they demanded from the vendees payment of said amount of P2,000.00 but the vendees failed or refused to comply with the demand.

"The vendees did not immediately assume the vendors' mortgage debt of P20,074.13 to the Development Bank of the Philippines. Consequently, on November 13, 1959, the Bank foreclosed the mortgage and acquired the mortgaged property at a public auction on November 17, 1959. About one year later, on October 27, 1960, the spouses Garcia acquired the property by conditional sale from the Development Bank of the Philippines (Exhibit 11).

"On April 13, 1960, the spouses Socco, as plaintiffs, brought this action against the spouses Garcia for rescission of the contract of sale for failure on the part of the vendees to perform what was incumbent upon them. The lower court rendered judgment dismissing the complaint and ordering the plaintiffs to pay the defendants the sum of P1,000.00 as attorney's fee. From this judgment, plaintiffs appealed."

Upon the foregoing statement the Court of Appeals reversed the decision of the trial court in favor of the defendants and rendered its own judgment, as follows:

"... decreeing the rescission of the contract of sale with assumption of mortgage dated October 14, 1959 and ordering the appellees to return to the appellants the three-story house and lot object of the contract together with its civil fruits from date of the contract until its return, and ordering the appellants to return to the appellees the sum of P36,016.57, with legal interest at 6% per annum from said date until its return. The appellees are also ordered to pay the appellants the sum of P15,000.00 as moral damages, and the sum of P33,000.00 as counsel fee.

Costs against the appellees in both instances.

"After this judgment has become final and executory, the lower court shall determine from the evidence to be submitted by the parties the amount of civil fruits which the appellees are ordered by this judgment to return to the appellants. The amount so determined shall be included in the writ of execution.

REVERSED, NEW JUDGMENT RENDERED."

Five errors are attributed by the petitioner to the appellate court, of which we consider the first one to be decisive, namely, that the "decision is premised on a flagrant misapprehension of facts overwhelmingly and irrefutably established in the trial court." The findings directly impugned on this ground are: (1) that the vendees (petitioners herein) retained P2,000.00 of the money (the part of the purchase price payable in cash, amounting to P38,016.57) to answer for the fulfillment of the vendors' obligation to pay the registration fee, real estate taxes, documentary stamps and notarial fee, and refused to pay the said amount to the vendors (respondents herein); and (2) that the vendees did not immediately assume the vendors' mortgage debt of P20,074.13 to the Development Bank of the Philippines.

The preliminary question which poses itself in connection with this first assignment of error is whether this Court may make its own findings of fact independently of those made by the Court of Appeals. The general rule is that the appellate court's findings are conclusive, but this rule is not without some recognized exceptions, such as:

"(1) When the conclusion is a finding grounded entirely on speculations, surmises or conjectures; (2) when the inference is manifestly mistaken, absurd or impossible; (3) when there is a grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of fact are conflicting; (6) when the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee. (Roque vs. Buan, et al., G. R. No. L-22459, October 31, 1967; Ramos vs. Pepsi Cola Bottling Co., G. R. No. L-22533, Feb. 9, 1967; Hilario, Jr. vs. City of Manila, G. R. No. L-19570, Sept. 14, 1967)."

Several circumstances compelled us to go into the record of this case in order to find out whether or not it falls within the exceptions above stated: first, the findings of the Court of Appeals are contrary to those of the trial court; second, said findings are in the nature of conclusions, without citation of the specific evidences on which they are based; and third, the facts set forth in the petition as well as in the petitioners' main and reply briefs, with the corresponding references to the record, are not disputed by the respondents. These facts are necessary for a clear understanding and proper resolution of the issue of rescission in this case.

Before the sale of the property in question to the petitioners on October 14, 1959, the same had been mortgaged by the respondents twice - first to the Development Bank of the Philippines (DBP) and second to the General Financing Corporation. On August 5, 1959 the DBP, through its legal department, started extrajudicial foreclosure proceedings. So did the General Financing Corporation on October 14, 1959. The negotiations concerning the sale of the property to the petitioners were handled by the brokerage firm of Leviste & Co., who had advertised the same in the "Manila Times." When the deed of sale was executed in their favor on October 14, 1959 the petitioners were aware of the existence of the mortgages, but not of the fact that the one in favor of the DBP was already under foreclosure. They were dealing with the real estate department of that office, which evidently was not coordinating its activities with the legal department.

The price of the sale was P65,000.00. Of this amount petitioner Salvadora Garcia paid P18,766.80 to the second mortgagee. The then outstanding loan obligation with the DBP was P27,085.56, and to update the same Salvadora Garcia paid, on October 16, 1959, two sums in the name of respondent Miguel Socco - one of P6,912.21 for the accumulated arrears in his amortizations and the other, P99.32, as further adjustment of the account. These payments brought down the mortgage obligation to P20,074.13, which the petitioners assumed under the terms of the deed of sale of October 14, 1959, aside from the cash consideration of P38,016.57 expressly stated on the same instrument. The breakdown of the price, as made by the parties before the deed was released to the vendees on October 16, 1959, is as follows, as set forth in the petitioners brief without any contradiction on the part of the respondents:

Earnest money (Check Exh. 1) -----

P5,000.00

Paid to General Financing Co.

(Check Exh. 2) -----

18,766.80

Paid to DBP on account of

vendors (Check Exh. 5) -----

6,912.21

Paid to DBP for adjustment

of account (Check Exh. 4) -----

99.32

Paid to Leviste & Co.

(Check Exh. 6) -----

2,000.00

Assumed obligation to DBP -----

20,074.13

T o t a l -----

P52,852.46

Subtracting this total amount of P52,852.46 from the purchase price of P65,000.00, the balance was P12,147.54. This balance was admittedly paid to the vendors, as respondent Miguel Socco stipulated with them in open court at the trial, thus:

"Atty. Garcia: The amount of P12,147.54 was received by Mr. Socco himself after we have computed all that we have paid in his favor and this is the balance due them.

"Atty. Socco: Admitted, sir."

As far as the real estate department of the DBP was concerned, everything was apparently in order. The mortgage account had been updated and the mortgaged property had been sold, with the buyers assuming the mortgage indebtedness, although the formal approval of the sale by the said department did not come until later, that is, on May 5, 1960.

Meanwhile the legal department of the DBP, un-informed of the developments aforesaid, proceeded with the extrajudicial foreclosure it had started since August 5, 1959, and on November 17, 1959 caused the property to be sold at public auction and bought it as the highest bidder. The sale was registered and the title to the property was subsequently transferred in the name of the DBP. The Soccos were notified of the sale, but of course took no steps to redeem, having already conveyed the property to the petitioners. The latter's justifiable grievance, undenied by the respondents, is that they were not apprised of the fact that the property was under foreclosure even while they were buying it and making the mortgage account up-to-date. The foreclosure could indeed have been avoided if

only the respondents had informed them about it. Anyway, after the discovery of the rather anomalous situation which had arisen by virtue of the assumption, on one hand, of the mortgage by the Garcias, and, on the other hand, the foreclosure of the same mortgage as against the Soccos and the consequent public sale of the property to the DBP, the latter, as a practical solution, executed a deed of conditional sale in favor of the Garcias, with the DBP retaining ownership of the property until full payment of the selling price.

The background facts having been disposed of the first question is: Did the vendees retain P2,000.00 of the consideration of the sale to them by the Soccos, as stated by the Court of Appeals? The payments made on account of the said sale are itemized hereinabove, showing that this particular sum of P2,000.00 was paid by check (Exh. C) to Leviste & Co., on October 16, 1959. This is not denied by the respondents; but it seems that their contention is that the payment should have been made to them directly. The uncontroverted facts, however, support the validity of such payment. In the first place, Leviste & Co., was the respondents' agent who handled the transaction for them, and to whom in fact all the checks drawn by the petitioners were delivered. Secondly, the very deed of sale with assumption of mortgage (Exh. A) recites that the vendors "hereby acknowledge and confess to have received from the vendees the sum of 38,016.57," which according to the computation made by both parties included the sum of P2,000.00. Thirdly, Atty. Mariano Agoncillo, testifying for the respondents, said that it was he who prepared the deed of sale and that he did not release it to the vendees "until the full amount due Mr. Socco was paid." Finally, one of the facts proposed for stipulation by the petitioners and admitted by the respondents is "that the amount of P12,147.54 was received by Mr. Socco himself after we have computed all what we have paid in his favor and that is the balance due him."

It is quite clear that the conclusion arrived at by the appellate court with respect to the particular item of P2,000.00 is not only without basis but contrary to the indubitable evidence in this case - evidence which the respondents have not even cared to refute. Under the circumstances no reliance can be placed on the general rule that findings of fact of the Court of Appeals are conclusive and may no longer be reviewed.

The second ground on which the Court of Appeals ordered the rescission of the sale is that the petitioners failed to assume the mortgage in favor of the DBP. We are at a loss to see how such a conclusion was arrived at. The deed of sale itself recites that the petitioners assumed "the obligation of paying the Development Bank of the Philippines the balance of P20,074.13. . . as if they were the original mortgagors." The said balance was determined after the petitioners had updated the respondents' mortgage obligation by delivering two checks in payment - one for P6,912.21 (Exh. 3) and the other for P99.32 (Exh. 4). This fact was even stipulated by the parties at the trial. There could hardly have been any more effective act of compliance by the petitioners with their obligation to assume the respondents' mortgage. The payments were accepted by the mortgagee, although its formal approval of the sale and of the transfer of the mortgage did not come until later, as evidenced by the letter of the Manager of the Real Estate Department of the DBP to petitioner Salvadora Garcia, dated May 5, 1960. (Exh. 10).

The respondents argue that if the petitioners had assumed the mortgage it would not have been foreclosed and the property would not have been sold at public auction. The simple answer to this argument is that the respondents had ceased to have any interest in the said property; that they had already transferred it and had received all that was due them by virtue of such transfer; and that if the mortgage was foreclosed it was not the respondents but the petitioners who were prejudiced, since they had to recognize the DBP's title by virtue of the foreclosure sale, contenting themselves with a subsequent conditional sale in their favor.

But the respondents say that the sale caused damage to their good name, for which they claimed and were awarded by the Court of Appeals moral damages in the sum of P15,000.00 and attorney's fees in the sum of P3,000.00. On this point the said court entirely overlooked the fact that the foreclosure proceeding started

months before the property was even offered to the petitioners and that the respondents did not inform them about it. Indeed there was no reason to foreclose at all. It came about simply because the fore-closure was being handled by the legal department of the DBP while the sale with assumption of mortgage was being handled by the real estate department; and neither department, incredible as it may seem, was privy to what the other was doing. Such was the communication-gap between the two that notwithstanding the foreclosure sale on November 17, 1959, whereby the DBP became the owner of the property, it still approved the assumption of mortgage by the petitioners on May 5, 1960. In any event the confusion cannot be attributed to them: it was in their interest to prevent the same, and they would surely have done so if the respondents had only informed them of the pendency of the foreclosure proceeding. There was no failure on their part to fulfill their obligation to the petitioners, and no ground to rescind the contract between them.

Wherefore, the decision of the Court of Appeals is reversed and set aside, and the judgment of the Court of First Instance of Manila dated August 5, 1963 is reinstated and affirmed, with costs against the respondents.

Concepcion, C.J., Reyes, J.B.L., Dizon, Zaldivar, Castro, Fernando, Teehankee, Barredo, and Villamor, JJ., concur.

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