

GOTESCO PROPERTIES, INC., JOSE GO, EVELYN GO, LOURDES ORTIGA, GEORGE GO AND VICENTE GO, PETITIONERS, VS. SPS. ROMEO AND VIOLETA ABALLA, RESPONDENTS.

Ponente: BARRIOS, M. M., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/7212df726761/>

BARRIOS, M. M., J.:

This Petition for Review under Rule 43 of the Revised Rules of Court assails the Decision dated 07 February 2011 of the Office of the President in O.P. Case No. 08-A-030, which dismissed petitioners' appeal and consequently affirmed the Decision of the Housing and Land Use Regulatory Board (HLURB) Board of Commissioners which also affirmed the decision of the Housing and Land Use Regulatory Board-Expanded National Capital Region Field Office (HLURB-ENCRFO).

The decretal portion of the HLURB-ENCRFO decision relevantly states:

“WHEREFORE, in the light of the foregoing premises, judgment is hereby rendered:

- Respondent Gotesco Properties, Inc. is ordered to execute a Deed of Absolute Sale in favor of complainants spouses Romeo and Violeta Aballa and to deliver the Transfer Certificate of Title over Block 7, Lot 14, Evergreen Executive Village Phase IV, Deparo Road, Novaliches, Caloocan City; or, at the option of complainants spouses Aballa, to refund to them the amount P169,176.40 plus legal interest reckoned from September 2002 until fully paid;

- Respondents, jointly and severally, are ordered to pay to complainants spouses Romeo and Violeta Aballa:

- the amount of P50,000.00 as and by way of moral damages;
- the amount of P20,000.00 as and by way of exemplary damages; the amount of P10,000.00 as and by way attorney's fees and the cost of the litigation.”
- the amount of P10,000.00 as and by way attorney's fees and the cost of the litigation.”

The Antecedents

From the records, it is undisputed that on 24 January 1995, respondent spouses entered in to a Contract to Sell with petitioner Gotesco Properties, Inc. for the purchase of the 100-square meter Lot No. 14, Block 7 situated at Phase IV of the Evergreen Executive Village in Caloocan City, a subdivision project owned and developed by petitioner corporation. The subject lot is a portion of a bigger lot covered by a mother title identified as Transfer Certificate of Title No. 244220. Pursuant to their contract, private respondents undertook to pay the purchase price of One Hundred Twenty Six Thousand Pesos (Php 126,000.00) for a period of Ten (10) years with interest rate of nine percent (9%) per annum. On the other hand, petitioner-corporation agreed to execute the deed of absolute sale and to deliver the title and possession of the subject lot upon full payment of the purchase price. However, despite full payment by respondent spouses and ensuing demands, petitioner-corporation failed to comply with its aforesaid obligation. Consequently, on 03 May 2006, respondent-spouses filed a complaint for

specific performance or rescission of contract with damages against herein petitioners before the HLURB-ENCRFO.

For its part, petitioners postulate that they cannot be compelled to execute the deed of absolute sale and to deliver the title and possession of the subject property nor refund the payment of private respondents for the reason that the cause of delay is beyond their control. Petitioners argue that their petition for inscription of the technical description (LRC Case No. 4211) that was favorably granted by the Regional Trial Court of Caloocan City, Branch 131 was reversed by the Court of Appeals in CA G.R. CV No. 72187 entitled “Gotesco Properties, Inc., petitioner-appellee versus Republic of the Philippines, oppositor-appellant due to material defects in the petition. Hence, a new petition was filed which is still pending and which, thus, caused the delay in the subdivision of the property into individual lots with individual titles. Further, petitioners maintain that at the time of the execution of the contract to sell, private respondents were aware that the mother title had no technical description inscribed on it, and that said title was free from any liens or encumbrances. The BSP's adverse claim/levy was annotated long after the execution of the contract to sell with private respondents.

After due hearing, the HLURB-ENCRFO rendered the afore-quoted decision which, on appeal, was affirmed both by the HLURB Board of Commissioners and later, by the Office of the President.

Hence, this petition arguing that:

THE HONORABLE OFFICE OF THE PRESIDENT HAD GRIEVOUSLY ERRED WHEN IT DISMISSED THE APPEAL THEREBY AFFIRMING THE FINDINGS OF THE HOUSING ARBITER AND THE HLURB.

The Court's Ruling

The petition is bereft of merit.

Section 25 of PD 957[2] unequivocally imposes upon the subdivision owner or developer the obligation to cause the transfer of the corresponding certificate of title to the buyer upon full payment.

In the present case, there is no dispute that respondent-spouses already paid in full the purchase price, but this notwithstanding, petitioner corporation still failed to execute the deed of sale and to deliver the title and possession over the subject lot to respondent-spouses.

Petitioners seeks to exonerate themselves because their failure to comply with their prestation was largely impelled by circumstances beyond its control i.e., the legal proceedings concerning the subdivision of the property into individual lots. Moreso, given the foregoing situation, the provisions of Article 1191 of the Civil Code is not applicable in the instant case.

We quote with approbation the finding of the HLU Arbiter that:

“The law grants the injured parties alternative remedies of rescission or to enforce fulfillment of the contract, with damages in either case if the obligor does not comply with what is incumbent upon him. For the injured party to avail of the remedy of rescission, the breach must be substantial as to defeat the object of the parties in entering into the contract. In the case at bar, the failure of respondents to deliver the title covering the subject property to complainants, which is the very essence of the contract to sell, is undoubtedly a substantial breach of obligation under the contract. Thus, the remedy of rescission is available under the law.

For failure of respondent to deliver possession and title covering the subject lot after repeated demands made by complainants, without any justifiable reason nor assurance of its delivery causing complainants serious anxiety, mental anguish and sleepless nights, the award of 50,000.00 as moral damages is proper; and, so as not to be emulated by other developers similarly minded, the award of exemplary damages to complainants in

the amount of 20,000.00 is in order. To enforce their rights under the law and the contract, complainants were constrained to file this suit, thus an award of P10,000.00 by way of attorney's fees, is granted.”

To be sure, from the records, We also gather that the subdivision project has not been improved in accordance with petitioners' undertaking. It is substantially undeveloped and hardly considered habitable; and definitely a great disappointment to respondent spouses' quest to build a dream home for the family.

This contractual breach committed by petitioners grants to herein respondents the right to rescind the Contract to Sell pursuant to Article 1191[3] of the Civil Code of the Philippines.

Rescission does not merely terminate the contract and release the parties from further obligations to each other, but abrogates the contract from its inception and restores the parties to their original positions as if no contract has been made.[4] Consequently, mutual restitution, which entails the return of the benefits that each party may have received as a result of the contract, is thus required.[5]

It is settled that the effects of rescission as provided for in Article 1385[6] of the Code are equally applicable to cases under Article 1191.

On the award of moral and
exemplary damages and attorney's fees,
including costs of suit

This Court finds that there is proper legal basis to accord moral and exemplary damages and attorney's fees, including costs of suit.

Verily, petitioner's unjustified failure to comply with its obligations as above-discussed caused herein respondent-spouses serious anxiety, mental anguish and sleepless nights, thereby justifying the award of moral damages. In the same vein, the payment of exemplary damages remains in order so as to prevent similarly minded subdivision developers to commit the same transgression.

Furthermore, considering that respondent-spouses were constrained to engage the services of counsel to file this suit, the award of attorney's fees must be likewise sustained.

WHEREFORE, premises considered, the Decision dated 07 February 2011 of the Office of the President in O.P. Case No. 08-A-030 is AFFIRMED.

SO ORDERED.

Reyes, Jr., (Chairperson) and Pizarro, JJ., concur.

[*] This case was assigned to this ponente by raffle on 22 January 2014 in view of the inhibition of Justice Victoria Isabel A. Paredes. The case was first raffled to Justice Socorro B. Inting and was declared submitted for decision on 12 July 2012. It was then raffled to Justice Rosalinda Asuncion-Vicente as replacement case pursuant to the Zero Backlog Project of this Court. Thereafter it was raffled to Justice Victoria Isabel A. Paredes as part of her initial caseload.

[1] Decision dated 07 February 2011, signed by Executive Secretary Paquito N. Ochoa, Jr., Annex A, Rollo, pages 37 to 39.

[2] Section 25 of Presidential Decree No. 957, explicitly provides:

x x x

“Section 25. Issuance of Title. The owner or developer shall deliver the title of the lot or unit to the buyer upon full payment of the lot or unit. No fee, except those required for the registration of the deed of sale in the Registry of Deeds, shall be collected for the issuance of such title. In the event a mortgage over the lot or unit is outstanding at the time of the issuance of the title to the buyer, the owner or developer shall redeem the mortgage or the corresponding portion thereof within six months from such issuance in order that the title over any fully paid lot or unit may be secured and delivered to the buyer in accordance herewith.”

x x x

[3] ART. 1191. 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. He may also seek rescission, even after he has chosen fulfillment, if the latter should become impossible. The court shall decree the rescission claimed, unless there be just cause authorizing the fixing of a period. This is understood to be without prejudice to the rights of third persons who have acquired the thing, in accordance with articles 1385 and 1388 and the Mortgage Law.

[4] Unlad Resources Development Corporation vs. Dragon, G.R. No. 149338, July 28, 2008, 560 SCRA 63, 79.

[5] Goldloop Properties Inc. vs. Government Service Insurance System, G.R. No. 171076, August 1, 2012.

[6] x x x x

ART. 1385. Rescission creates the obligation to return the things which were the object of the contract, together with their fruits, and the price with its interest; consequently, it can be carried out only when he who demands rescission can return whatever he may be obligated to restore. Neither shall rescission take place when the things which are the object of the contract are legally in the possession of third persons who did not act in bad faith. In this case, indemnity for damages may be demanded from the person causing the loss.

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.