

SPOUSES TEODULO PADERNAL AND ANITA A. PADERNAL, PLAINTIFFS-APPELLEES, VS. SPOUSES RENE JARANILLA AND JEAN JARANILLA, DEFENDANTS-APPELLANTS.

Ponente: LAGURA-YAP, J.

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LAGURA-YAP, J.:

This is an appeal on the Decision[1] in Civil Case No. 22357 dated November 24, 2006 of the Regional Trial Court, Branch 27 of Iloilo City, the dispositive portion of which reads:

“WHEREFORE, premises considered, judgment is hereby rendered ordering:

1. That the contract to sell be cancelled or terminated;
2. The payments made by the defendants to the plaintiffs be forfeited in favor of the latter;
3. The defendants to deliver the possession of the subject property to the plaintiffs;
4. The defendants to pay reasonable rentals of P2,000.00 per year since 1983; and
5. The defendants to pay attorney's fee of P25,000.00 and the cost of the suit.

SO ORDERED.

This case involves a parcel of land, denominated as Lot 8680, situated in Municipality of New Lucena, Iloilo, with an area of 41,976 square meters, covered by TCT No. T-85796 registered under the name of plaintiffs-appellees Teodulo and Anita Padernal. On April 6, 1983, the plaintiffs-appellees and the defendants-appellants entered into a Deed of Conditional Sale[2], with the following terms and conditions:

- That the Vendee shall pay the sum of FIFTEEN THOUSAND PESOS (P15,000.00) Philippine Currency upon the signing of this instrument;
- That the Vendees shall assume the obligation which the Vendors have with the Veterans Bank, Iloilo Branch for which the above described parcel of land was offered as security of a real estate loan with interest from April 6, 1982 only until fully paid;
- That the balance of Thirty Eight Thousand Six Hundred Fifty Pesos, Philippine Currency on April 6, 1983;
- That failure to pay the sum of P38,650.00 Pesos(sic), Philippine Currency on April 6, 1983 the said amount or whatever balance of the Vendees have with the Vendors the same shall bear interest equivalent to 12% per annum beginning April 6, 1983 but not later than October 6, 1983 otherwise whatever payments the Vendees have paid to the Vendors the same will have [sic] forfeited in favor of the Vendors and the Vendees shall surrender possession of the property;
- That likewise failure to pay the bank obligation the vendees shall pay all interest and fees which the bank may impose from April 6, 1982 [sic] until fully paid;
- That ownership and title shall be transferred to the vendees upon full payment of the P38,650.00 including

the mortgage obligation with the Veterans Bank, Iloilo, Branch, Iloilo City;

- That the Vendors upon full payment of the P38,650.00 Pesos, Philippine Currency including the bank obligation of the Vendees shall execute the necessary deed of absolute sale;
- That the Vendees shall take possession of the property and may cultivate and introduce improvements thereon;
- That the parties are bound by the terms and conditions of this contract.

Plaintiffs-appellees were paid the amount of P15,000.00 as down payment. Thereafter, defendants-appellants failed to pay to the plaintiffs-appellees the balance of the obligation. Defendants-appellants also did not pay plaintiffs-appellees' loan from Philippine Veterans Bank ("PVB") as they had agreed that defendants-appellants would assume plaintiffs-appellees' loan.

Thereafter, plaintiffs-appellees received a demand letter[3] from PVB dated January 24, 1992 requiring them to pay their loan obligation. Plaintiff-appellee Teodulo Padernal wrote a letter[4] dated September 28, 1994 to the bank explaining the reasons why the obligation was not paid and asking for condonation of the penalties. The bank granted the request in a letter[5] dated October 20, 1994 attaching a statement of account[6] fixing the amount due the bank at P40,841.92 after deducting the condoned penalty charges. Plaintiffs-appellees were able to pay the bank on November 7, 1994.

Meanwhile, plaintiffs-appellees sent a letter[7] dated November 22, 1983 to defendants-appellants informing them that they are cancelling the contract due to the latter's failure to pay the balance of P38,650 on or before April 6, 1983. Plaintiffs-appellees sent another letter[8] dated January 5, 1995 demanding payment in the amount of P70,000.00 representing rentals of P5,000.00 per year for compensation for defendants-appellants' possession of the subject land or the former would be constrained to file a legal action against the latter.

As the defendants-appellants still failed to pay and return possession of their land, plaintiffs-appellants filed a case for Rescission of Contract, Recovery of Possession and/or Ownership and Damages.

During the trial, plaintiff-appellant Anita Padernal and her son Hubert Paternal were presented as witnesses.

Mrs. Padernal confirmed having received the following payments the receipts: P9,000.00 on August 19, 1984; P12,000.00 on March 2, 1985 and P500.00 on September 21, 1984. The first two were received by her and the third by her husband. She also identified the signature of her daughter-in-law, Catalina Padernal in an undated receipt for P400.00. She also identified her son Herbert Padernal's signature in two (2) receipts, one for P8,000.00 dated January 22, 1985 as partial payment for the subject lot and one for P2,950.00 (undated) representing full payment of the said lot. Mrs. Padernal also stated that she and her husband did not authorize anyone to receive payment in their behalf.

Herbert Padernal testified that he borrowed money in the amount of P8,000.00 from the defendants-appellants sometime in 1985 for the repair of his truck because his parents were in Manila. He wrote and signed a receipt stating that the amount was in partial payment of defendants' obligation to his parents pertaining to the subject lot. After several months, Herbert went back to the defendants-appellants as he was in urgent need of money. He was told that defendants-appellants still had a balance with his parents. He received the amount of P2,950.00 and signed an undated receipt stating that the amount represented full payment of defendants-appellants' obligation. The text of the receipt was written by Jose Serafin Jaranilla.

On the other hand, defendants-appellants claim that the plaintiffs-appellees had no more cause of action against them as they had fully paid the purchase price to the latter. They presented the following receipts: receipt for

P9,000.00 dated August 19, 1984[9], receipt for P500.00 dated August 21, 1984[10], undated receipt for P400.00[11], receipt for P8,000.00 dated January 22, 1985[12], receipt for P12,000.00 dated March 2, 1985[13], and an undated receipt for P2,950.00 representing full payment[14].

Defendants-appellants presented Jose Serafin Jaranilla, the brother of defendant Rene Jaranilla. Jose Jaranilla testified that defendants-appellants bought the subject land from the plaintiffs-appellees on April 6, 1982. Defendants-appellants paid the down payment amount of P15,000.00. Defendants-appellants were able to fully pay their obligation to the plaintiffs-appellees through their son Herbert Padernal sometime in September 1985, as evidenced by the receipt for P2,950.00 representing full payment of the purchase price. Witness Jose Jaranilla said he made the last payment to Herbert Padernal. Due to inadvertence the receipt evidencing full payment was undated.

Jose Jaranilla said that PVB was under liquidation sometime 1985 until 1993 or 1994. When the bank re-opened, defendants-appellants tendered payment to PVB. Defendants-appellants sent a letter[15] dated October 19, 1994 to PVB and tendered a UCPB manager's check[16] bearing No. 1730139 in the amount of P55,610.00 representing the full amount of the obligation including interest and other charges. However, the Branch Manager of the bank informed defendants-appellants that he was advised to refuse to acknowledge receipt of the letter as well as the check.

On November 24, 2006, the Regional Trial Court, Branch 27 of Iloilo City, rendered a Decision[17] in favor of the plaintiffs and against the defendants. The court *a quo* found that defendant failed to pay the purchase price and violated the terms and conditions of the Deed of Conditional Sale. The court *a quo* stated that the plaintiff had the right to ask for the termination of the contract as a seller has the right to unilaterally terminate a contract to sell in case of non-payment of the purchase price.

Aggrieved, defendants filed this appeal[18] with the following assignment of errors:

I.

“IN RULING THAT DEFENDANTS FAILED TO PAY THE BALANCE OF THE PURCHASE PRICE OF THE PARCEL OF LAND SUBJECT OF THE DEED OF CONDITIONAL SALE

II.

IN FINDING THAT APPELLANTS FAILED TO COMPLY WITH THEIR ASSUMED OBLIGATION TO PAY THE LOAN OF THE PLAINTIFFS WITH THE BANK

III.

IN FORFEITING ALL PAYMENTS MADE BY THE APPELLANTS TO THE PADERNALS DESPITE THAT THERE WAS NO GROUND FOR SUCH FORFEITURE

IV.

IN AWARDING DAMAGES TO PLAINTIFFS-APPELLEES BY WAY OF ATTORNEY'S FEE AND REASONABLE RENTALS FOR THE USE OF THE LAND SUBJECT OF THE DEED OF CONDITIONAL SALE

V.

IN RESCINDING THE DEED OF CONDITIONAL SALE BETWEEN THE PARTIES DESPITE FULL PAYMENT AND COMPLIANCE WITH TERMS AND CONDITIONS OF THE CONDITIONAL SALE.[19]

The first and second errors are taken jointly as they are inter-related.

Defendants-appellants allege that the court a quo erred in finding that they failed to pay the balance of the purchase price of the subject lot. They had paid in full as evidenced by the receipt of P2,950.00 signed by plaintiffs-appellants' son, Herbert Padernal.

This argument fails.

In this case, plaintiffs-appellees were able to show that the defendants-appellants failed to comply with the terms and conditions stated in the Deed of Conditional Sale. It was incumbent upon the defendants-appellants to prove that they had paid the purchase price of P38,650.00. Unfortunately, defendants-appellants failed to prove this. They continue to rely on the P2,950.00 receipt signed by Herbert Padernal and insist that they had fully paid the purchase price. We agree with the findings of the court a quo, in that:

“[U]nlike the receipt for P8,000.00 which was fully written and signed by Herbert himself (indicating that it was partial payment of the lot), the text of the receipt for P2,950 indicating full payment was written by Jose Serafin Jaranilla. Herbert only signed the receipt. He could have not known how much the defendants still owed his parents considering that the other payments were made to them. That is possible the reason why, unlike the receipt for P8,000, he did not write the text of the second receipt. Thus, the statement of full payment in the receipt written by Jose Serafin Jaranilla was self-serving. xxx

[T]he defendants failed to show all the receipts which would prove that the whole obligation was paid. The total amount of all the receipts presented by the defendants – even including those issued by Herbert and his wife, Catalina – only amounted to P32,850.00 which was short of the P38,650.00 they owed to the plaintiffs, not to mention the accumulated interests for late payment. Defendants did not even allege loss of the other receipts but relied on the receipt for P2,950.00 purporting to be “full payment.” Considering however, the circumstances surrounding the issuance of the said receipt, the presumption that the previous installments have been paid is not applicable”

Defendants-appellants likewise assert that the court a quo erred in finding that they failed to comply with their obligation to pay the plaintiffs-appellees' loan with PVB. They allege that they tried to pay the bank, but the bank refused upon plaintiffs-appellees' orders.

This must also fail.

It is undisputed that the defendants-appellants were not able to pay the bank obligation. They say that the closing of the bank excuses their non-payment of their bank obligation. They blame plaintiffs-appellees for the bank's refusal to accept their payment. It should be remembered that Paragraphs 2 and 5 of the Deed refer to the bank obligation of the plaintiffs-appellees. Paragraph 2 states that defendants-appellants shall assume the bank obligation which the plaintiffs-appellees have with the PVB with interest, while Paragraph 5 provides that defendants-appellants shall pay the interest and bank fees imposed if they failed to pay the bank obligation. As it is clearly stated in the Deed, defendants-appellants should have been more vigilant in complying with the terms and conditions of the Deed. They could have informed the plaintiffs-appellees of the bank's closure and worked out a payment scheme. They could have ask the bank's main office on how to pay the loan obligation. They could even have tendered payment in court. Hence, the court a quo is correct in saying that:

“The evidence of the defendants have not sufficiently proven that they have complied or even attempted to comply with the obligation to pay the bank. No bank official of PVB was summoned to testify on the alleged offer of the defendants to pay and the refusal of the bank to receive defendants' letter and payment. As a matter of fact, the original check was not even presented. In any case, the offer – assuming, without admitting, that the same was done – came too late. The bank had already demanded payment from the plaintiffs, under pain of legal action. And while the plaintiffs were trying to find means to pay the bank, and to get the bank to

condone the penalty charges, still the defendants did not make any move to comply with their obligation. There is no evidence that the defendants approached plaintiffs to discuss the payment of the obligation. It was only in October 1994 that defendants allegedly offered to pay, after the plaintiffs have gone to a lot of trouble to pay the obligation. Defendants have only themselves to blame for unreasonably neglecting to pay the bank. Before the bank demanded from the plaintiffs, all the defendants had to do was show the bank the agreement and pay the loan balance.”

The above findings of fact of the court a quo must be accorded respect. It is a hornbook doctrine that the findings of fact of the trial court are entitled to great weight on appeal and should not be disturbed except for strong and valid reasons, because the trial court is in a better position to examine the evidence presented before it. It is not a function of this Court to analyze and weigh evidence by the parties all over again.[20] The circumstances prevailing in the instant case do not justify a deviation from the aforestated doctrine.

Anent the third assigned error, as a general rule, a contract is the law between the parties.[21] Thus, "from the moment the contract is perfected, the parties are bound not only to the fulfillment of what has been expressly stipulated but also to all consequences which, according to their nature, may be in keeping with good faith, usage and law." [22] Also, "the stipulations of the contract being the law between the parties, courts have no alternative but to enforce them as they were agreed [upon] and written, there being no law or public policy against the stipulated forfeiture of payments already made." [23] However, it must be shown that the vendees failed to perform their obligation, thereby giving the vendors the right to demand the enforcement of the contract.[24]

In this case, Paragraph 4 of the Deed clearly states that if defendants-appellants fail to pay the P38,650.00, which they failed to do, whatever payments the vendees have paid to the vendors the same will have (sic) forfeited in favor of the vendors and the vendees shall surrender possession of the property. As discussed above, defendants-appellants failed to pay P38,650.00 to the plaintiffs-appellees and also failed to pay PVB. Hence, the automatic forfeiture clause, which deems any previous payments forfeited and the possession of the property surrendered back to plaintiffs-appellees is valid.

As correctly pointed out by the defendants-appellants in their fourth assigned error, the court a quo erred in awarding attorney's fees to plaintiffs-appellees. The award of attorney's fees is the exception rather than the rule and the court a quo must state explicitly the legal reason for such award.[25] A perusal of the Decision of the court a quo reveals that the attorney's fees appeared only in the dispositive portion of the Decision, with no discussion in the body of the Decision. Even when a claimant is compelled to litigate with third persons or to incur expenses to protect his rights, still attorney's fees may not be awarded where, as here, no sufficient showing of bad faith can be reflected in the party's persistence in a case other than an erroneous conviction of the righteousness of his cause.[26] Hence, the attorney's fees must be deleted.

As to fifth assigned error, jurisprudence has established that where the seller promises to execute a deed of absolute sale upon the completion by the buyer of the payment of the price, the contract is only a contract to sell.[27] The Supreme Court has held in numerous cases[28] that the remedy of rescission under Article 1191 cannot apply to mere contracts to sell. As aptly explained by the court a quo, citing Santos vs. Court of Appeals[29], viz:

“[I]n a contract to sell, title remains with the vendor and does not pass on to the vendee until the purchase price is paid in full. Thus, in a contract to sell, the payment of the purchase price is a positive suspensive condition. Failure to pay the price agreed upon is not a mere breach, casual or serious, but a situation that prevents the obligation of the vendor to convey title from acquiring an obligatory force. This is entirely different from the situation in a contract of sale, where non-payment of the price is a negative resolutive condition. The effects in law are not identical. In a contract of sale, the vendor has lost ownership of the thing sold and cannot recover it, unless the contract of sale is rescinded and set aside. In a contract to sell, however, the vendor remains the

owner for as long as the vendee has not complied fully with the condition of paying the purchase price. If the vendor should eject the vendee for failure to meet the condition precedent, he is enforcing the contract and not rescinding it. x x x Article 1592 speaks of non-payment of the purchase price as a resolutive condition. It does not apply to a contract to sell. As to Article 1191, it is subordinated to the provisions of Article 1592 when applied to sales of immovable property. Neither provision is applicable [to a contract to sell].

In this case, the contract between the parties is a contract to sell. Defendants-appellants failed to comply with the terms and conditions of the Deed of Conditional Sale. Plaintiffs-appellees were no longer obliged to convey the title to defendants-appellants. We, therefore, hold that the contract to sell was terminated when the defendants-appellants failed to pay the balance of the purchase price and to pay the bank obligation of the plaintiffs-appellees.

WHEREFORE, the instant appeal is DENIED. The Decision dated November 24, 2006 in Civil Case No. 22357 is AFFIRMED with MODIFICATION in that the attorney's fees are DELETED.

SO ORDERED.

Ingles[*], and Lopez, JJ., concur.

[*] Vice Justice Delos Santos who is on wellness leave, per Office Order No. 13-14-GTI dated June 17, 2014.

[1] Record, pp. 298-306 (Penned by Judge Ma. Elena G. Opinion).

[2] Record, pp.162-163.

[3] Record, pp.165.

[4] Record, p. 173.

[5] Record, p. 169.

[6] Record, p. 166.

[7] Record, p. 165.

[8] Record, p. 171-173.

[9] Record, p. 213.

[10] Record, p. 214.

[11] Record, p. 214.

[12] Record, p. 216.

[13] Record, p. 215.

[14] Record, p. 217.

[15] Record, p. 218.

[16] Record, p. 222 (Photocopy only).

[17] Record, pp. 298-306.

[18] Record, pp. 307-308.

[19] Rollo, pp. 10-11.

[20] Tayco v. Heirs of Tayco-Flores, et. al., G.R. No. 168692, December 13, 2010; Arangote v. Maglunob, G.R. No. 178906, February 18, 2009, 579 SCRA 620, 632.

[21] Art. 1306, Civil Code; Philippine Telegraph and Telephone Company vs. NLRC, 272 SCRA 596, May 23, 1997; Banana Growers Collective at Puyod Farms vs. NLRC, 276 SCRA 544, July 31, 1997; Cha vs. Court of Appeals, 277 SCRA 690, August 18, 1997.

[22] Pangilinan vs. Court of Appeals, 279 SCRA 590, September 29, 1997.

[23] Manila Racing Club vs. Manila Jockey Club, 69 Phil. 57.

[24] Valarao vs. Court of Appeals, G.R. 130347, March 3, 1999.

[25] Development Bank of the Philippines vs. Traverse Development Corp., G.R. No. 169293, October 5, 2011.

[26] Oceaneering Contractors (Phils), Inc. vs. Barreto, G.R. No. 184215, February 9, 2011.

[27] Philippine National Bank v. Court of Appeals, 330 Phil. 1048 (1996).

[28] Gomez v. Court of Appeals, G.R. No. 120747, September 21, 2000, 340 SCRA 720; Padilla v. Paredes, G.R. No. 124874, March 17, 2000, 328 SCRA 434; Valarao v. Court of Appeals, G.R. No. 130347, March 3, 1999, 304 SCRA 155; Pangilinan v. Court of Appeals, G.R. No. 83588, September 29, 1997, 279 SCRA 590; Rillo v. Court of Appeals, G.R. No. 125347, June 19, 1997, 274 SCRA 461.

[29] G.R. No. 120820, August 1, 2000, 337 SCRA 67.

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