

OTILLA SEVILLA, FLORENCIO QUIJANO AND LEONOR SEVILLA, PETITIONERS, VS. THE COURT OF APPEALS, NICOLAS QUIÑANOLA AND EUSTAQUIA TABIO, RESPONDENTS.

G.R. No. L-22012. April 28, 1969

Ponente: DIZON, J.

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DIZON, J.:

The spouses Nicolas Quiñanola and Eustaquia Tabio (respondents herein) commenced Civil Case No. 3066 in the Court of First Instance of Oriental Negros against the spouses Florencio Quijano and Leonor Sevilla and Otila Sevilla (petitioners herein) to consolidate their ownership over two parcels of land subject matter of a deed of pacto de retro sale executed in their favor, claiming that the Quijanos, vendors a retro, had failed to exercise their right to repurchase within the period agreed upon.

Answering the complaint, the defendants alleged that the transaction subject matter of the action was a mere equitable mortgage and that, in fact, it was a devise to cover up a usurious loan.

Before the trial of the case, however, the parties arrived at a Compromise Agreement dated February 7, 1956 and submitted it to the Court on February 9, 1956 for corresponding action. On this latter date, the Court rendered decision as follows:

"DECISION

When this case was called for hearing, the parties submitted an agreement in the following tenor:

1. That the plaintiffs grant unto the Defendants a period of EIGHT (8) MONTHS from date hereof within which to repurchase the two (2) parcels of land involved in this litigation in the sum of EIGHT THOUSAND FIVE HUNDRED TWENTY-SEVEN PESOS (P8,527.00), Philippine Currency;
2. That all expenses incident to Defendants' exercise of their right to repurchase, shall be for Defendants' account;
3. That the Plaintiffs shall become the absolute owners of the two (2) parcels of land involved in this litigation, upon Defendants failure to exercise their right to repurchase within the aforesated period of EIGHT (8) MONTHS;
4. That with this COMPROMISE AGREEMENT, the Defendants agree to have their counterclaim against the Plaintiffs, dismissed;
5. That the parties hereby confirm the fact of the two (2) parcels of land involved in this litigation as the para-phernal property of defendant OTILLA SEVILLA as stated in a DEED OF SALE WITH RIGHT OF REPURCHASE, Annex 'A' to the complaint;

IN VIEW THEREOF, Judgment is hereby rendered conformably to its terms and conditions without any pronouncement as to costs.

SO ORDERED.

Dumaguete City, February 9, 1956.

(SGD) INOCENCIO ROSAL

Judge"

On October 9, 1956, or exactly eight months from the date of the abovequoted judgment by compromise, the defendants deposited with the Clerk of Court the sum of P7,670.00 under Official Receipt No. 2277340, while the sum of P857.00 needed to complete the repurchase price was remitted on the same date to said officer by money order and registered mail, for which Official Receipt No. 2277346 was issued on October 13, 1956. When tender of the amount was made, the plaintiffs refused to accept it and to reconvey the land to the vendors, claiming that the period therefor had already expired when the repurchase money was delivered to the Clerk of Court. In view there-of, the defendants, on October 23, 1956, filed a motion for the confirmation of the repurchase made as above stated and to require the plaintiffs to execute the cor-responding deed of reconveyance. On February 27, the lower court issued an order granting said motion as follows:

"WHEREFORE, finding the deposit made which represents the total amount of the redemption money with the Clerk of Court, from whom they could withdraw it, valid, the plaintiffs are ordered to reconvey and restitute the property in question to the defendants."

Thereafter, the plaintiffs perfected an appeal from said order to the Court of Appeals. The latter court, on August 28, 1963 rendered judgment as follows:

"ACCORDINGLY, the order a quo of February 27, 1957 is set aside; the defendants' motion of October 23, 1956 for confirmation of redemption of the two parcels in litigation and for the restitution thereof to them is hereby denied; the defendants having failed to re-purchase the parcel on time the plaintiffs are hereby declared the absolute owners there-of; and we hereby order the consolidation of ownership of the parcels in the plaintiffs, and their registration in the names of the plaintiffs in the Registry of Property of the province of Negros Oriental. No pronouncement as to costs."

Hence, the present petition for review by certiorari filed in due time by petitioners.

The question now to be determined is whether or not the repurchase was made within the stipulated period of eight months.

There is no denying of the fact that the compromise agreement provides that the repurchase should be effected within "a period of EIGHT (8) MONTHS from date hereof within which to repurchase the two (2) parcels of land involved in this litigation", nor is there any dispute as to the fact that said agreement was executed on February 7, 1956 while the payment of the repurchase price was made on October 9, 1956 - exactly eight months from the date when the judgment by compromise was rendered but two days after the date of execution of the compromise agreement. Technically, the decision of the Court of Appeals is correct, but considering that the vendors a retro were obviously acting in good faith under the impression that, notwithstanding the cold letter of the agreement, it was the date of the judgment rendered by the Court that was to control the period of the re-purchase, and considering the further fact that there is no claim or pretense that the buyers a retro had suffered pre-judice of any kind because of the two days delay in making the repurchase, We are of the opinion that the provisions of Article 1234 of the New Civil Code should apply to the present case. The facts before Us leave no room for doubt that the obligors have substantially performed in good faith their obligation. Therefore, what they did must be deemed to be "a strict and complete fulfillment" of their obligation under the compromise agreement.

WHEREFORE, the decision appealed from is reversed and another is hereby rendered restoring and/or affirming

the order appealed from issued by the Court of First Instance of Oriental Negros. With costs.

Reyes, J.B.L., Zaldivar, Sanchez, Fernando, Teehankee, and Barredo, JJ., concur.

Concepcion, C.J., and Castro, J., on leave.

Makalintal, J., concurs in the result.

Capistrano, J., did not take part.

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