

HERMINIA MANECLANG, PLAINTIFF-APPELLEE, VS. EMILIO CUARESMA, ROLANDO CUARESMA AND NIDA CUARESMA-CARANTIS, DEFENDANTS-APPELLANTS.

Ponente: CRUZ, R.A. J.

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CRUZ, R.A. J.:

THE CASE

This is an ordinary appeal under Rule 41 of the Rules of Court assailing the Decision dated April 28, 2011[1] issued by the Regional Trial Court (“RTC”) of Lingayen, Pangasinan, Branch 39 in Civil Case No. 18976 for Sum of Money or Reconveyance of Property.

THE ANTECEDENTS

Spouses Arturo Maneclang and Herminia Maneclang were the registered owners of a parcel of land located at Brgy. Samat, Bugallon, Pangasinan with an area of 1,770 square meters, more or less, covered by Original Certificate of Title No. 21479 of the Registry of Deeds for the Province of Pangasinan.[2] Spouses Arturo Maneclang and Herminia Maneclang obtained a loan from Rural Bank of Labrador, Pangasinan which was secured by a real estate mortgage over the subject property. Arturo Maneclang died leaving his wife and five (5) children as heirs. Herminia Maneclang and her 5 children do not have the capacity to pay the loan secured by the mortgage. In order to prevent foreclosure of the subject property, they offered the subject property for sale to Defendants Pacita Vda. De Cuaresma and her son Emilio Cuaresma for and in consideration of P1,500,000.00, Philippine Currency to be paid in installments. The parties also agreed to: (1) Execute a deed of conveyance of the subject property even before full payment of the purchase price so that the buyers can mortgage the same to another bank for a higher amount; and (2) Reflect the amount of P500,000.00, Philippine Currency in the deed of conveyance as consideration for the sale of the subject property in order to avoid taxes.

Pursuant to the above agreement, the parties executed a Deed of Extrajudicial Partition with Sale on April 14, 1997.[3] Consequently, Transfer Certificate of Title No. 221879 of the Registry of Deeds for the Province of Pangasinan covering the subject property was issued in favor of Pacita Vda. De Cuaresma and Emilio Cuaresma[4]. Herminia Maneclang claims that defendants only paid a total amount of P480,000.00, Philippine Currency out of the P1,500,000.00, Philippine Currency purchase price. This prompted Herminia Maneclang to hire the services of a counsel who sent two letters demanding payment from the defendants: (1) Demand Letter dated November 19, 1999 received by Pacita Vda. De Cuaresma and Emilio Cuaresma on November 22, 1999[5]; and (2) Demand Letter dated January 27, 2006[6]. Despite demands however, defendants refused and continue to refuse to pay their outstanding balance of P1,020,000.00, Philippine Currency. Thereafter, Pacita Vda. De Cuaresma died leaving Emilio Cuaresma, Rolando Cuaresma and Nida Cuaresma-Carantis as heirs.

On November 26, 2009, Herminia Maneclang filed a Complaint[7] for Sum of Money or Reconveyance of Property with Damages before the RTC of Lingayen, Pangasinan, Branch 39. The case was docketed as Civil

Case No. 18976.

After the Answer[8] and the respective Pre-Trial Brief[9] was filed, pre-trial conference was conducted on April 16, 2010[10].

On April 28, 2011, the RTC issued a decision[11] in favor of the plaintiff ordering: (1) the defendants to pay the plaintiff the balance of the purchase price in the amount of P 999,999.00, Philippine Currency; or in the alternative (2) the defendant to reconvey the subject property to the plaintiff and her children. The findings of the RTC reveal that there was a transaction of sale between the parties covering the subject property for a consideration of P1,500,000.00, Philippine Currency. Both parties don't have any evidence as to the full payment of the purchase price. However, the RTC gave credence to the Joint Counter-Affidavit dated May 5, 2007 of the defendants in the Estafa case filed by the plaintiff against them. In said document, defendants stated under oath that they were able to pay P500,100.00, Philippine Currency out of the P1,500,000.00, Philippine Currency purchase price. The RTC justified the award of moral damages, exemplary damages, attorney's fees and litigation expenses in view of defendants' bad faith and wanton disregard of contractual obligations and gross and evident bad faith in refusing to satisfy a just and valid claim.

Dissatisfied, defendants are now before Us through their Notice of Appeal[12], raising as errors the following:

THE ASSIGNED ERRORS

In assailing the Decision rendered against them, Defendants Emilio Cuaresma, Rolando Cuaresma and Nida Cuaresma-Carantis, as appellants before us, pose the queries,

I.

WHETHER OR NOT THE RTC ERRED IN NOT RULING THAT THE ACTION OF THE PLAINTIFF HAS EXPIRED;

II.

WHETHER OR NOT THE RTC ERRED IN FAILING TO DEDUCT FROM THE AMOUNT DUE AND OWING TO THE PLAINTIFF THE VALUE OF IMPROVEMENTS WHICH WERE NO LONGER EXISTING ON THE SUBJECT PROPERTY;

III.

WHETHER OR NOT THE RTC ERRED IN FAILING TO ORDER THE RETURN OF THE P480,000.00 WHICH DEFENDANTS-APPELLANTS PAID FOR THE SUBJECT PROPERTY.

IV.

WHETHER OR NOT THE RTC ERRED IN AWARDING DAMAGES.

Defendants-appellants claim that the action of the plaintiff-appellee has already prescribed because the Deed of Extrajudicial Partition with Sale was executed way back in April 14, 1997 while the complaint was filed only on November 26, 2009 or 11 years after. Defendants-appellants insist that the purchase price have been paid in full which is why plaintiff-appellee vacated the subject property. Assuming arguendo that the purchase price was not paid in full, the outstanding balance should only be P888,339, Philippine Currency. The RTC should have deducted P111,660.00, Philippine Currency, the value of improvement which were no longer existing on the subject property. Defendants-appellants stress that the RTC erred in not ordering the return of the P480,000.00, Philippine

Currency representing the amount which they already paid to plaintiff-appellee. Lastly, defendants-appellants asseverate that damages should not be awarded in favor of the plaintiff-appellee because they also suffered as a consequence of the filing of the suit.

OUR RULING

We dismiss this appeal.

Our examination of the records reveal that there was a perfected contract of sale between the parties over the subject property for and in consideration of P1,500,000.00, Philippine Currency. While this consideration was not reflected in the Deed of Extrajudicial Partition with Sale dated April 14, 1997, this amount was admitted by both parties to be the real consideration for the sale.[13]

There is no doubt that the contract of sale in question gave rise to a reciprocal obligation of the parties. Reciprocal obligations are those which arise from the same cause, and which each party is a debtor and a creditor of the other, such that the obligation of one is dependent upon the obligation of the other.[14] They are to be performed simultaneously, so that the performance of one is conditioned upon the simultaneous fulfillment of the other. The contract of sale carried with it the correlative duty of the plaintiff-appellee to deliver the subject property and the obligation of the defendants-appellants to pay the purchase price.

Indisputably, Herminia Maneclang and her children as the sellers had already performed their obligation of executing the Extrajudicial Partition with Sale on April 14, 1997, which led to the cancellation of their title in favor of defendants-appellants. Defendants-appellants as the buyers, on the other hand, failed to perform their correlative obligation of paying the full amount of the purchase price. They were only able to pay P500,100.00, Philippine Currency as evident from the Joint Counter-Affidavit presented by plaintiff-appellee where defendants-appellants stated under oath that they were only able to pay P500,100.00, Philippine Currency of the purchase price of the sale. Despite repeated demands and the filing of the complaint, defendants-appellants failed to pay the remaining balance until the present.

Clearly, defendants-appellants committed a substantial breach of their reciprocal obligation, entitling Herminia Maneclang and her children to the rescission or fulfillment of the sales contract. The law grants this relief to the aggrieved party under Article 1191[15] of the Civil Code. The law contemplates alternative remedies for the injured party who is granted the option to pursue, as principal actions, either the rescission or the specific performance of the obligation, with payment of damages in either case. While the case is denominated as a case for sum of money or reconveyance of property, a close scrutiny of the records show that the cause of action of the plaintiff-appellee against the defendants-appellants is for breach of contract of the reciprocal obligations of the parties predicated on Article 1191 of the Civil Code where an injured party may choose between fulfillment or rescission of the obligation.

Defendants-appellants contend that action of the plaintiff-appellee has already prescribed because the Deed of Extrajudicial Partition with Sale was executed way back in April 14, 1997 or 11 years ago.

Defendants-appellants' contention lacks factual and legal basis. Based on Article 1144 of the Civil Code, an action upon a written contract must be brought within ten (10) years from the time the right of action accrues. Well-settled is the rule that since a cause of action requires, as essential elements, not only a legal right of the plaintiff and a correlative duty of the defendant but also "an act or omission of the defendant in violation of said legal right," the cause of action does not accrue until the party obligated refuses, expressly or impliedly, to comply with its duty.

Otherwise stated, a cause of action has three elements, to wit, (1) a right in favor of the plaintiff by whatever

means and under whatever law it arises or is created; (2) an obligation on the part of the named defendant to respect or not to violate such right; and (3) an act or omission on the part of such defendant violative of the right of the plaintiff or constituting a breach of the obligation of the defendant to the plaintiff[16].

It is only when the last element occurs that a cause of action arises. Accordingly, a cause of action on a written contract accrues only when an actual breach or violation thereof occurs.[17] Applying the foregoing principle to this case, we rule that plaintiff-appellee's cause of action accrued only on January 27, 2006, when its final demand for payment of the remaining balance of the purchase price was refused by defendants-appellants. It was only at that time, and not before that, when the written contract was breached and the right of action of the plaintiff-appellee accrued. Even if we reckon the same from the time of the first demand letter dated November 22, 1999 which was received by the defendants-appellants on November 22, 1999, the right of action accrued only when defendants-appellants failed to pay after the expiration of the 10-day-period from receipt of the demand letter or on December 2, 1999. Whether right of action accrued on January 27, 2006 or December 2, 1999, it is clear that the action was filed before the expiration of ten (10) years prescriptive period.

There is no basis for the deduction of P111,660.00, Philippine Currency, representing the value of improvement which were no longer existing on the subject property from the remaining balance of the purchase price. First, defendants-appellants failed to provide any basis for the given figure or valuation of P111,660.00, Philippine Currency. Second, the subject matter of the contract of sale was the subject property. The parties never placed any separate valuation on the improvement therein. The contract of sale was also not dependent on the existence or non-existence of the improvement on the subject property.

As previously adverted to, defendants-appellants breached the contract of sale by refusing to pay the balance of the purchase price despite the execution of deed of sale and transfer of the title to the subject property in their favor. To date or fourteen (14) years later defendants-appellants still failed to pay. They did not even attempt to pay plaintiff-appellee the balance of the purchase price after the case was filed, to amicably end this litigation.

Plaintiff-appellee is therefore entitled to specific performance which consists in the payment by the defendants-appellants of the remaining balance on the purchase price which amounts to P999,900.00, Philippine Currency. (P1,500,000.00 - P500,100.00). The clear language of Article 1191 of the Civil Code mandates that damages shall be awarded in either case of fulfillment or rescission of the obligation. Pursuant to Articles 2209[18] and 2210[19] of the Civil Code, we impose interest on the remaining balance of the purchase price to cover the damages caused the plaintiff-appellee by defendants-appellants' breach.

Since the obligation consists of the payment of a sum of money, and defendants-appellants have incurred delay in satisfying that obligation, legal interest at six percent (6%) per annum is hereby imposed on the balance of P999,900.00, Philippine Currency to be computed starting January 27, 2006 -- when the claim was made extra-judicially -- until the finality of this Court's judgment. Following the ruling in *Dario Nacar vs. Gallery Frames and/or Felipe Bordey, Jr.*[20], the sum so awarded shall likewise bear interest at the rate of 6 percent per annum from the time this judgment becomes final and executory until its satisfaction.

If fulfillment should become impossible, plaintiff-appellee is also entitled to rescission of the Deed of Extrajudicial Partition with Sale dated April 14, 1997 under Article 1191 of the Civil Code. To rescind is to declare a contract void at its inception and to put an end to it as though it never was. Hence, rescission restores the parties to their relative positions, as if no contract has been made. Mutual restitution is required in cases involving rescission under Article 1191 of the Civil Code; such restitution is necessary to bring back the parties to their original situation prior to the inception of the contract. Accordingly, defendants-appellants are required to reconvey the property to Herminia Maneclang and her children while plaintiff-appellee is required to return the

P500,100.00, Philippine Currency representing partial payment of the purchase price by defendants-appellants lest the plaintiff-appellee unjustly enrich herself at the expense of defendants-appellants the former.

We sustain the award of moral and exemplary damages in favor of the plaintiff-appellee. In order that moral damages may be awarded in breach of contract cases, the defendant must have acted in bad faith, must be found guilty of gross negligence amounting to bad faith, or must have acted in wanton disregard of contractual obligations.[21] Verily, defendants-appellants' unjustified failure to comply with its obligations as above-discussed caused plaintiff-appellee serious anxiety, mental anguish and sleepless nights.[22] Defendants-appellants' acted in bad faith when they breached their contract, failed to address plaintiff-appellee's grievances and adamantly refused to pay the remaining balance despite repeated demands for over a period of 14 years. The award of moral damages is therefore justified under the circumstances. In the same vein, the payment of exemplary damages remains in order so as to prevent similarly minded buyers to commit the same transgression.

WHEREFORE, the appeal is DISMISSED. The Decision dated April 28, 2011 issued by the Regional Trial Court of Lingayen, Pangasinan, Branch 39 in Civil Case No. 18976 is AFFIRMED with MODIFICATION in that Defendants-Appellants Emilio Cuaresma, Rolando Cuaresma and Nida Cuaresma-Carantis are ordered to pay Herminia Maneclang the remaining balance of the purchase price in the amount of P999,900.00, Philippine Currency plus 6 percent interest per annum, from January 27, 2006 until the finality of this judgment instead of P999,999.00 only. Thereafter, interest of 6 percent per year shall then be imposed on that amount upon the finality of this Decision until the satisfaction thereof. The Decision is affirmed in all other respects.

SO ORDERED.

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, it is hereby certified that the conclusions in the above decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

Abdulwahid, H.S., Chairperson, and Barza, R.F., JJ., concur.

[1] Rollo, pp. 17-27.

[2] Record for Civil Case No. 18976, vol. 1, pp. 8-10.

[3] Record for Civil Case No. 18976, vol. 1, pp.13-14.

[4] Record for Civil Case No. 18976, vol. 1, pp.11-12.

[5] Record for Civil Case No. 18976, vol. 1, p. 15.

[6] Record for Civil Case No. 18976, vol. 1, p. 16

[7] Record for Civil Case No. 18976, vol. 1, pp. 2-17.

[8] Record for Civil Case No. 18976, vol. 1, pp. 23-24.

[9] Record for Civil Case No. 18976, vol. 1, pp. 34-37,41.

[10] Record for Civil Case No. 18976, vol. 1, p. 42. For Pre-Trial Order, See Record for Civil Case No. 18976, vol. 1, pp. 48-50.

[11] Record for Civil Case No. 18976, vol. 1, pp. 181-191.

[12] Notice of Appeal dated May 20, 2011, Record for Civil Case No. 18976, vol. 1, p. 197.

[13] TSN dated June 17, 2010, p. 12. TSN dated March 2, 2011, p. 6.

[14] Antonio Cortes vs. Court of Appeals, G.R. No. 126083, July 12, 2006.

[15] Article 1191 of the Civil Code provides:

Article 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 payment of damages in either case. He may also seek rescission, even after he has chosen fulfillment, if the latter should become impossible.

[16] Soloil, Inc. vs. Philippine Coconut Authority, G.R. No.174806, August 11, 2010.

[17] China Banking Corporation vs. Court of Appeals, G.R. No. 153267, June 23, 2005.

[18] Art. 2209. If the obligation consists in the payment of a sum of money, and the debtor incurs in delay, the indemnity for damages, there being no stipulation to the contrary, shall be the payment of the interest agreed upon, and in the absence of stipulation, the legal interest, which is six per cent per annum. (1108)

[19] Art. 2210. Interest may, in the discretion of the court, be allowed upon damages awarded for breach of contract.

[20] G.R. No. 189871, August 13, 2013. "To recapitulate and for future guidance, the guidelines laid down in the case of Eastern Shipping Lines are accordingly modified to embody BSP-MB Circular No. 799, as follows:

I. When an obligation, regardless of its source, i.e., law, contracts, quasi-contracts, delicts or quasi-delicts is breached, the contravenor can be held liable for damages. The provisions under Title XVIII on "Damages" of the Civil Code govern in determining the measure of recoverable damages.¹

II. With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

When the obligation is breached, and it consists in the payment of a sum of money, i.e., a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 6% per annum to be computed from default, i.e., from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.

When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages, except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code), but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.

When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 6% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.”

[21] Fil-Estate Properties vs. Spouses Conrado and Maria Victoria Ronquillo, G.R. No. 185798, January 13, 2014.

[22] TSN dated June 17, 2010, pp. 18-19.

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