

GMA NETWORK, INC., PLAINTIFF-APPELLEE, VS. FABIAN O. MENDEZ, DEFENDANT-THIRD PARTY PLAINTIFF AND APPELLANT. VS. INTESTATE ESTATE OF LAURA & JOSE MENDOZA, NAMELY: VICENTA M. ESCA...

Ponente: INTING, S.B., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/b1de203a3851/>

INTING, S.B., J.:

In this appeal, herein defendant-third party plaintiff and appellant Atty. Fabian O. Mendez (Atty. Mendez, for brevity) seeks the reversal of the Decision[1] dated May 10, 2012 of the Regional Trial Court of Naga City, Branch 26, rescinding the Deed of Conditional Sale[2] and Deed of Absolute Sale[3] entered into between Atty. Mendez and herein plaintiff-appellee GMA Network, Inc. (GMA, for brevity). The dispositive portion of the assailed decision reads:

“WHEREFORE, in view of the foregoing, decision is hereby rendered:

1. Rescinding the Deed of Conditional Sale dated February 13, 1998 and the Deed of Absolute Sale dated February 24, 1998;
2. Ordering defendant to return the amount of Three Million Seven Hundred Ninety Thousand Five Hundred Pesos (P3,790,500.00) representing the purchase price of the subject properties with interest at 12% per annum from February 24, 1998 until fully paid;
3. To pay plaintiff the amount of P228,682.00 as actual damages;
4. To pay plaintiff the amount of P100,000.00 as Exemplary Damages;
5. To reimburse the plaintiff the amount of P100,000.00 as Attorney's Fees and P100,000.00 as litigation expenses.

The Third-Party Complaint against the Third-Party Defendants is DISMISSED for lack of merit. There being no substantial evidence presented, the counterclaims of the Third-Party Defendant against Defendant are likewise DISMISSED.

SO ORDERED.”

THE FACTS

This controversy involves four (4) parcels of land which were sold by Atty. Mendez to GMA. Said lands were originally covered by TCT No. 986 registered in the name of the Spouses Jose and Laura Mendoza, late parents of third-party defendant Fortunato Mendoza (Mendoza, for brevity).

The subject properties were conveyed by the late spouses to the Development Bank of the Philippines on January 4, 1962 by a Deed of Conveyance of Real Estate Property in Payment of Debt (dacion en pago). As such, TCT No. 986 which covers an area of 8946 square meters was canceled by the Registry of Deeds of Naga City and

TCT No. 1149 was issued in DBP's name.

Sometime in 1990, the land covered by TCT No. 1149 was made the subject of an Invitation to Bid. Atty. Mendez turned out to be the highest bidder, thus the land was sold to him by DBP for 1.2 million pesos. As such, TCT No. 1149 was cancelled and TCT No. 21190 was issued in Atty. Mendez' name.

In 1991, Weller Jopson, claiming to be a bona fide tenant-farmer of the land covered by TCT No. 21190, filed with the Provincial Agrarian Reform Adjudicator (PARAD) a Complaint for Annulment of Sale, Preemption/Redemption and Reinstatement with prayer for a writ of preliminary injunction and/or restraining order with damages against DBP, Atty. Mendez and a certain Leonardo Tominio. On November 11, 1993, Jopson caused the annotation of the notice of lis pendens in the title of Atty. Mendez.

The present controversy arose when GMA entered into the picture. GMA, which is engaged in the business of nationwide radio had been renting the roof deck and a room of the Naga College Foundation in Naga City for 10 years as a site of its transmitters. It wanted to have a bigger space where it can install its tower and transmitter, hence, it decided to purchase a vacant lot.

On November 20, 1997, Atty. Mendez sent to GMA a Letter of Intent to Sell thru Richard V. Akia (Engr. Akia, for brevity), project engineer of GMA, who recommended the purchase of the four (4) parcels of land owned by Atty. Mendez which has a total land area of 1, 083 square meters and was being sold at P3,500.00 per square meter.

After a successful negotiation, Atty. Mendez and GMA, through its Engineering Department's Senior Vice President Ernesto L. Claudio, executed a Deed of Conditional Sale over the 4 lots for a consideration of P3,790,500.00.

In the Deed of Conditional Sale dated February 13, 1998, the following stipulation appear:

“2. DOCUMENTS

The SELLER shall submit the following documents within thirty (30) days upon signing of this Deed of Sale:

- 2.1. Certificate from the Department of Agrarian Reform that said property is not covered by the CARP (original);
- 2.2. Cancellation of lis pendens (Parad Case No. 000043) filed by Efren G. Santos, counsel for Weller Jopson (complainant/petitioner);
- 2.3. Certificate of non-delinquency of Real Estate Taxes and receipts of real estate tax payments for 1997 including the tax declaration (original);
- 2.4. Owner's copy of the TCT and other documents required for the legal transfer and registration of the sale;
- 2.5. Approved subdivision plan indicating the boundaries of the 1,083 sq. m. portion of the property subject of the sale.

3. x x x x

4. WARRANTIES

- 4.1. The SELLER warrants that he is the absolute owner of the aforementioned property, and that the same is free from any lien, encumbrance and/or restriction.
- 4.2. The SELLER warrants to defend at his expense the right over the said parcel of land sold and ceded to BUYER against any adverse claim, existing or accruing upon or prior to the execution of this Deed.
- 4.3. The SELLER warrants that the said property is not tenanted nor occupied by squatters, and is outside the coverage of the Comprehensive Agrarian Reform Program.

Upon the execution of the Deed of Conditional Sale, GMA paid Atty. Mendez the amount of P1,895,250.00, the other half to be paid upon the fulfillment of the conditions stipulated in said deed.

Later, Atty. Mendez signed a Deed of Absolute Sale dated February 24, 1998 unilaterally prepared by GMA and, in turn, GMA paid in full the amount of the purchase price.

On June 5, 1998, four (4) new titles covering the subject properties were issued in GMA's name, however, said titles still carry with them the annotations from the previous title of Atty. Mendez which is the Notice of Lis Pendens of the case of Jopson v. DBP, Mendez and Tominio.

When asked why the notice of lis pendens has not been canceled despite the condition agreed upon in the Deed of Conditional Sale, Atty. Mendez furnished GMA with a copy of the decision of the PARAD in his favor. When GMA submitted said decision to the Register of Deeds, it was informed that the annotation on the title will be canceled as soon as the main office of the Department of Agrarian Reform in Quezon City issues a Certificate of Finality of the decision of the Provincial Adjudicator.

Meanwhile, GMA commenced installation of its transmitters and construction of its towers on the subject lot, however, it was prevented by Fortunato Mendoza who represented himself as the owner of the adjoining lots and who barricaded the right of way leading to the lots purchased by GMA.

Due to Mendoza's continuous refusal to let GMA pass, it was not able to make full use of the property as it could not install its transmitters and towers. Hence, in order not to impair its operation, GMA extended their stay in the Naga College Foundation thereby causing them to incur additional expenses for rentals.

Given all the above-mentioned circumstances, GMA sought the rescission of the contract of sale it entered into with Atty. Mendez and demanding a refund of the purchase price plus actual and exemplary damages, litigation expenses and attorney's fees.

For his part, Atty. Mendez alleged that it was GMA who offered to buy his lots on an "as it is, where it is" basis. He denied that he undertook any warranty other than what was implied in the deed of absolute sale. He alleged that he should not be blamed if GMA was denied of its right of way by Mendoza because from the physical appearance of the property, there is no established right of way. If at all, GMA's right to oblige Atty. Mendez to comply with the terms and conditions has been waived by the subsequent execution of the deed of sale which no longer bears the same terms and conditions. He therefore asked the court for the dismissal of the complaint against him on the ground of lack of cause of action.

Putting the blame on Mendoza on why GMA could not make use of the subject properties, Atty. Mendez filed a third-party complaint against Mendoza. Mendoza, on the other hand, claimed that he is willing to give GMA and Atty. Mendez a right of way but the same should be for a fee. This was not agreeable to Atty. Mendez as he wanted to acquire the right of way for free. Hence, came this controversy.

Ruling of the Regional Trial Court

Finding Atty. Mendez remiss of his obligations under the contracts of sale, the trial court brushed aside his counter-arguments and accordingly ruled in GMA's favor. It found that Atty. Mendez failed to comply with his obligations under the Deed of Conditional Sale as well as the warranties under the same deed. In other words, Atty. Mendez failed to provide GMA with legal and peaceful possession of the subject properties and for this reason, the trial court rendered a decision rescinding the Deed of Conditional Sale and Deed of Absolute Sale. As a consequence, Atty. Mendez was ordered the refund of the purchase price paid to him by GMA plus interest, the payment of actual and exemplary damages as well as litigation and attorney's fees in favor of GMA.

Hence, the recourse to this Court.

THE APPEAL[4]

In this appeal, Atty. Mendez enumerated assignment of errors which all boil down to one lone issue, that is:

WHETHER OR NOT THE TRIAL COURT ERRED IN RESCINDING THE DEED OF CONDITIONAL SALE AND DEED OF ABSOLUTE SALE AND HOLDING ATTY. MENDEZ LIABLE TO GMA FOR THE REFUND OF THE PURCHASE PRICE OF THE SUBJECT PROPERTIES AS WELL AS FOR ACTUAL AND EXEMPLARY DAMAGES, LITIGATION EXPENSES AND ATTORNEY'S FEES.

THIS COURT'S RULING

The petition is meritorious.

Article 1191 of the Civil Code provides for the ground for rescission of a contract, viz:

“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”.

Briefly, the above provision speaks of the right of the injured party to choose between rescission or fulfillment of the obligation, with the payment of damages in either case.

Here, GMA claimed to be the injured party and consequently sought for the rescission of the deed of conditional sale and the deed of absolute sale as well as a refund of the purchase price it paid to Atty. Mendez plus the payment of damages. GMA anchors its claim for rescission on two (2) grounds, i.e., the alleged failure of Atty. Mendez to fulfill his obligations as stated in the deed of conditional sale, and more importantly, his alleged failure to provide a right of way on the properties he sold to GMA.

On both grounds, GMA has no legal basis to demand either the rescission of the deeds of conditional sale and absolute sale or the refund of payments it made to Atty. Mendez under the said deeds.

As can be gleaned from its pleadings, GMA's cause of action for rescission is essentially based on a breach of contract as provided for in Article 1191 of the Civil Code and is properly denominated "resolution" under the Old Civil Code. As stated earlier, one of the grounds for GMA's action for rescission is Atty. Mendez' alleged failure or noncompliance with the terms and conditions embodied in the deed of conditional sale which rendered GMA unable to occupy and possess the purchased properties. In other words, GMA would like to impress upon this Court that its action for rescission under Article 1191 of the Civil Code was necessitated by Atty. Mendez' breach of contract.

GMA's reliance on Article 1191 of the Civil Code is misplaced.

Rescission of a contract presupposes the existence of a valid and subsisting obligation. The breach contemplated in Article 1191 is the obligor's failure to comply with an existing obligation.[5] It would thus be useless to rescind a contract that is no longer in existence as in the case at bar.

It will be recalled that the parties' original agreement embodied in deed of conditional sale was entered into on

February 13, 1998. Said deed provided a provision where Atty. Mendez is supposed to comply with the conditions and warranties contained therein for a period of thirty (30) days. However, just eleven (11) days after or on February 24, 1998, GMA paid Atty. Mendez the full amount of the purchase price of the subject properties. Further, along with the full payment, GMA immediately required Atty. Mendez to sign a deed of absolute sale which it unilaterally prepared. Thereafter, GMA caused the facilitation of the transfer and registration of the titles of the subject properties to its name. This fact considered, it is readily apparent that the terms and conditions which GMA claimed Atty. Mendez was unable to fulfill are no longer existing obligations. This is so because the contract/deed of conditional sale which contains the obligations of Atty. Mendez is no longer in existence by virtue of the parties' subsequent execution a deed of absolute sale.

Moreover, Atty. Mendez cannot be faulted for being unable to fulfill what was incumbent upon him under the deed of conditional sale. Evidently, it was none other than GMA, through its subsequent act of preparing and executing the deed of absolute sale, which prevented Atty. Mendez from fully complying with his obligations under the deed of conditional sale. To be sure, the act of GMA in knowingly seeking Atty. Mendez to sign the deed of absolute sale despite the fact that the latter had not yet fully complied with the conditions and warranties stipulated in the deed of conditional sale within the agreed period of thirty (30) days, and more importantly, its subsequent act of registering the deed of absolute sale which eventually led to the issuance of certificates of title in its name, operate as waiver on its part to exact from Atty. Mendez compliance with the conditions and warranties embodied in the now defunct deed of conditional sale. In other words, the unqualified execution and acceptance by GMA of the deed of absolute sale constitutes a waiver of any action based on the provisions of the deed of conditional sale with respect to the conditions and warranties specified therein. Plainly therefore, GMA's action for rescission based on the first ground is an exercise in futility.

On the second ground, GMA claims that Atty. Mendez is likewise guilty of misrepresentation when he represented that a right of way exists when in truth there was really none. Hence, it demanded that the sale of the subject properties be rescinded and cancelled.

We are convinced that no misrepresentation ever took place in the case at bar. With representatives who are highly and technically equipped in dealing with lands, GMA could not claim lack of knowledge of the physical circumstances surrounding the subject properties. For another, the absence of a right of way does not constitute a breach of contract in the context of Article 1191 of the Civil Code. Breach of contract implies a failure, without legal excuse, to perform any promise or undertaking that forms part of the contract.[6] Here, the deed of conditional sale did not contain a specific stipulation by the parties or a promise by Atty. Mendez that there exists a right of way in the subject properties sold to GMA. And, even assuming *arguendo* that there was misrepresentation, the same may not be considered a breach that would justify rescission.

The right to rescind pursuant to Article 1191 is not absolute. Rescission of a contract will not be permitted for a slight or casual breach but only for a substantial and fundamental breach as would defeat the very object of the parties in making the agreement.[7] It must be a breach of faith that destroys or violates the reciprocity between the parties.[8] Here, the alleged misrepresentation on the existence of a right of way was definitely not a breach, be it substantial or casual.

To recap, Article 1191 of the Civil Code recognizes the implied or tacit resolutive condition in reciprocal obligations. The condition is imposed by law, and applies even if there is no corresponding agreement thereon between the parties. The explanation for this is that in reciprocal obligations a party incurs in delay once the other party has performed his part of the contract; hence, the party who has performed or is ready and willing to perform may rescind the obligation if the other does not perform, or is not ready and willing to perform. As previously mentioned, Atty. Mendez cannot be faulted for being unable to fully comply with his obligations as it

was none other than GMA which prevented him from doing so. More importantly, there was no evidence proving that Atty. Mendez was not ready or unwilling to perform his obligations, hence, GMA has no basis to ask for rescission.

As regards the third party complaint filed by Atty. Fabian Mendez against the Intestate Estate of Laura and Jose Mendoza, namely: Vicenta M. Escabar, Laura M. Marnales, Rosita M. Alonzo and Fortunato Mendoza, all represented by Fortunato “Tato” Mendoza, the same is without basis. The trial court's dismissal of the same is thus proper.

WHEREFORE, premises considered, the appeal is GRANTED. The assailed decision of the Regional Trial Court of Naga City, Branch 26 is REVERSED AND SET ASIDE. No costs.

SO ORDERED.

Reyes, Jr., J. C. (Chairperson), and Lopez, M. V., JJ., concur.

[1] Rollo, pp. 75-89

[2] Records, pp. 12-14

[3] Records, pp. 15-16

[4] Rollo, Appellant's Brief, pp. 48-74, filed February 19, 2013.

[5] Yaneza v. CA, G.R. No. 149322, November 28, 2008.

[6] Ibid.

[7] EDS Manufacturing, Inc. v. Healthcheck International, Inc., G.R. No. 162802, October 9, 2013.

[8] Sps. Francisco v. DEAC Construction, Inc., G.R. No. 171312, February 4, 2008.

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.