

MARCELO AGCAOILI, PLAINTIFF-APPELLEE, VS. GOVERNMENT SERVICE INSURANCE SYSTEM, DEFENDANT-APPELLANT.

G.R. No. L-30056. August 30, 1988

Ponente: NARVASA, J.

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NARVASA, J.:

The appellant Government Service Insurance System (GSIS , for short) having approved the application of the appellee Agcaoili for the purchase of a house and lot in the GSIS Housing Project at Nangka, Marikina, Rizal, subject to the condition that the latter should forthwith occupy the house, a condition that Agcaoili tried to fulfill but could not for the reason that the house was absolutely uninhabitable; Agcaoili, after paying the first installment and other fees, having thereafter refused to make further payment of other stipulated installments until GSIS had made the house habitable; and appellant having refused to do so, opting instead to cancel the award and demand the vacation by Agcaoili of the premises; and Agcaoili having sued the GSIS in the Court of First Instance of Manila for specific performance with damages and having obtained a favorable judgment, the case was appealed to this Court by the GSIS. Its appeal must fail.

The essential facts are not in dispute. Approval of Agcaoili's aforementioned application for purchase[1] was contained in a letter[2] addressed to Agcaoili and signed by GSIS Manager Archimedes Villanueva in behalf of the Chairman-General Manager, reading as follows:

"Please be informed that your application to purchase a house and lot in our GSIS Housing Project at Nangka, Marikina, Rizal, has been approved by this Office. Lot No. 26, Block No. (48) 2, together with the housing unit constructed thereon, has been allocated to you.

"You are, therefore, advised to occupy the said house immediately.

"If you fail to occupy the same within three (3) days from receipt of this notice, your application shall be considered automatically disapproved and the said house and lot will be awarded to another applicant."

Agcaoili lost no time in occupying the house. He could not stay in it, however, and had to leave the very next day, because the house was nothing more than a shell, in such a state of incompleteness that civilized occupation was not possible: ceiling, stairs, double ceiling, lighting facilities, water connection, bathroom, toilet, kitchen, drainage, were inexistent. Agcaoili did however ask a homeless friend, a certain Villanueva, to stay in the premises as some sort of watchman, pending completion of the construction of the house. Agcaoili thereafter complained to the GSIS, to no avail.

The GSIS asked Agcaoili to pay the monthly amortizations and other fees. Agcaoili paid the first monthly installment and the incidental fees,[3] but refused to make further payments until and unless the GSIS completed the housing unit. What the GSIS did was to cancel the award and require Agcaoili to vacate the premises.[4] Agcaoili reacted by instituting suit in the Court of First Instance of Manila for specific performance and damages.[5] Pending the action, a written protest was lodged by other awardees of housing units in the same subdivision, regarding the failure of the System to complete construction of their own houses.[6] Judgment was in

due course rendered,[7] on the basis of the evidence adduced by Agcaoili only, the GSIS having opted to dispense with presentation of its own proofs. The judgment was in Agcaoili's favor and contained the following dispositions,[8] to wit:

- "1) Declaring the cancellation of the award (of a house and lot) in favor of plaintiff (Mariano Agcaoili) illegal and void;
- 2) Ordering the defendant (GSIS) to respect and enforce the aforesaid award to the plaintiff relative to Lot No. 26, Block No. (48) 2 of the Government Service Insurance System (GSIS) low cost housing project at Nangka, Marikina, Rizal;
- 3) Ordering the defendant to complete the house in question so as to make the same habitable and authorizing it (defendant) to collect the monthly amortization thereon only after said house shall have been completed under the terms and conditions mentioned in Exhibit A; and
- 4) Ordering the defendant to pay P100.00 as damages and P300.00 as and for attorney's fees, and costs."

Appellant GSIS would have this Court reverse this judgment on the argument that -

- 1) Agcaoili had no right to suspend payment of amortizations on account of the incompleteness of his housing unit, since said unit had been sold "in the condition and state of completion then existing * * * (and) he is deemed to have accepted the same in the condition he found it when he accepted the award;" and assuming indefiniteness of the contract in this regard, such circumstance precludes a judgment for specific performance.[9]
- 2) perfection of the contract of sale between it and Agcaoili being conditioned upon the latter's immediate occupancy of the house subject thereof, and the latter having failed to comply with the condition, no contract ever came into existence between them;[10]
- 3) Agcaoili's act of placing his homeless friend, Villanueva, in possession, "without the prior or subsequent knowledge or consent of the defendant (GSIS)" operated as a repudiation by Agcaoili of the award and a deprivation of the GSIS at the same time of the reasonable rental value of the property.[11]

Agcaoili's offer to buy from GSIS was contained in a printed form drawn up by the latter, entitled "Application to Purchase a House and/or Lot." Agcaoili filled up the form, signed it, and submitted it.[12] The acceptance of the application was also set out in a form (mimeographed) also prepared by the GSIS. As already mentioned, this form sent to Agcaoili, duly filled up, advised him of the approval of his "application to purchase a house and lot in our GSIS Housing Project at NANGKA, MARIKINA, RIZAL," and that "Lot No. 26. Block No. (48) 2, together with the housing unit constructed thereon, has been allocated to you." Neither the application form nor the acceptance or approval form of the GSIS — nor the notice to commence payment of monthly amortizations, which again refers to "the house and lot awarded" — contained any hint that the house was incomplete, and was being sold "as is," i.e., in whatever state of completion it might be at the time. On the other hand, the condition explicitly imposed on Agcaoili — "to occupy the said house immediately," or in any case within three (3) days from notice, otherwise his "application shall be considered automatically disapproved and the said house and lot will be awarded to another applicant" — would imply that construction of the house was more or less complete, and it was by reasonable standards, habitable, and that indeed, the awardee should stay and live in it; it could not be interpreted as meaning that the awardee would occupy it in the sense of a pioneer or settler in a rude wilderness, making do with whatever he found available in the environment.

There was then a perfected contract of sale between the parties; there had been a meeting of the minds upon the purchase by Agcaoili of a determinate house and lot in the GSIS Housing Project at Nangka, Marikina, Rizal at a definite price payable in amortizations at P31.56 per month, and from that moment the parties acquired the right

to reciprocally demand performance.[13] It was, to be sure, the duty of the GSIS, as seller, to deliver the thing sold in a condition suitable for its enjoyment by the buyer for the purpose contemplated,[14] in other words, to deliver the house subject of the contract in a reasonably livable state. This it failed to do.

It sold a house to Agcaoili, and required him to immediately occupy it under pain of cancellation of the sale. Under the circumstances there can hardly be any doubt that the house contemplated was one that could be occupied for purposes of residence in reasonable comfort and convenience. There would be no sense to require the awardee to immediately occupy and live in a shell of a house, a structure consisting only of four walls with openings, and a roof; and to theorize, as the GSIS does, that this was what was intended by the parties, since the contract did not clearly impose upon it the obligation to deliver a habitable house, is to advocate an absurdity, the creation of an unfair situation. By any objective interpretation of its terms, the contract can only be understood as imposing on the GSIS an obligation to deliver to Agcaoili a reasonably habitable dwelling in return for his undertaking to pay the stipulated price. Since GSIS did not fulfill that obligation, and was not willing to put the house in habitable state, it cannot invoke Agcaoili's suspension of payment of amortizations as cause to cancel the contract between them. It is axiomatic that "(i)n reciprocal obligations, neither party incurs in delay if the other does not comply or is not ready to comply in a proper manner with what is incumbent upon him." [15]

Nor may the GSIS succeed in justifying its cancellation of the award to Agcaoili by the claim that the latter had not complied with the condition of occupying the house within three (3) days. The record shows that Agcaoili did try to fulfill the condition; he did try to occupy the house but found it to be so uninhabitable that he had to leave it the following day. He did however leave a friend in the structure, who being homeless and hence willing to accept shelter even of the most rudimentary sort, agreed to stay therein and look after it. Thus the argument that Agcaoili breached the agreement by failing to occupy the house, and by allowing another person to stay in it without the consent of the GSIS, must be rejected as devoid of merit.

Finally, the GSIS should not be heard to say that the agreement between it and Agcaoili is silent, or imprecise as to its exact prestation. Blame for the imprecision cannot be imputed to Agcaoili; it was after all the GSIS which caused the contract to come into being by its written acceptance of Agcaoili's offer to purchase, that offer being contained in a printed form supplied by the GSIS. Said appellant having caused the ambiguity of which it would now make capital, the question of interpretation arising therefrom, should be resolved against it.

It will not do, however, to dispose of the controversy by simply declaring that the contract between the parties had not been validly cancelled and was therefore still in force, and that Agcaoili could not be compelled by the GSIS to pay the stipulated price of the house and lot subject of the contract until and unless it had first completed construction of the house. This would leave the contract hanging or in suspended animation, as it were, Agcaoili unwilling to pay unless the house were first completed, and the GSIS averse to completing construction, which is precisely what has been the state of affairs between the parties for more than twenty (20) years now. On the other hand, assuming it to be feasible to still finish the construction of the house at this time, to compel the GSIS to do so so that Agcaoili's prestation to pay the price might in turn be demanded, without modifying the price therefor, would not be quite fair. The cost to the GSIS of completion of construction at present prices would make the stipulated price disproportionate, unrealistic.

The situation calls for the exercise by this Court of its equity jurisdiction, to the end that it may render complete justice to both parties.

"As we * * * reaffirmed in *Air Manila, Inc. vs. Court of Industrial Relations* (83 SCRA 579, 589 [1978]), '(E)quity as the complement of legal jurisdiction seeks to reach and do complete justice where courts of law, through the inflexibility of their rules and want of power to adapt their judgments to the special circumstances of cases, are incompetent so to do. Equity regards the spirit of and not the letter, the intent and not the form, the

substance rather than the circumstance, as it is variously expressed by different courts." [16]

In this case, the Court can not require specific performance of the contract in question according to its literal terms, as this would result in inequity. The prevailing rule is that in decreeing specific performance equity requires [17] —

"* * * not only that the contract be just and equitable in its provisions, but that the consequences of specific performance likewise be equitable and just. The general rule is that this equitable relief will not be granted if, under the circumstances of the case, the result of the specific enforcement of the contract would be harsh, inequitable, oppressive, or result in an unconscionable advantage to the plaintiff * * *."

In the exercise of its equity jurisdiction, the Court may adjust the rights of parties in accordance with the circumstances obtaining at the time of rendition of judgment, when these are significantly different from those existing at the time of generation of those rights.

"The Court is not restricted to an adjustment of the rights of the parties as they existed when suit was brought, but will give relief appropriate to events occurring ending the suit. [18]

"While equitable jurisdiction is generally to be determined with reference to the situation existing at the time the suit is filed, the relief to be accorded by the decree is governed by the conditions which are shown to exist at the time of making thereof, and not by the circumstances attending the inception of the litigation. In making up the final decree in an equity suit the judge may rightly consider matters arising after suit was brought. Therefore, as a general rule, equity will administer such relief as the nature, rights, facts and exigencies of the case demand at the close of the trial or at the time of the making of the decree." [19]

That adjustment is entirely consistent with the Civil Law principle that in the exercise of rights a person must act with justice, give everyone his due, and observe honesty and good faith. [20] Adjustment of rights has been held to be particularly applicable when there has been a depreciation of currency.

"Depreciation of the currency or other medium of payment contracted for has frequently been held to justify the court in withholding specific performance or at least conditioning it upon payment of the actual value of the property contracted for. Thus, in an action for the specific performance of a real estate contract, it has been held that where the currency in which the plaintiff had contracted to pay had greatly depreciated before enforcement was sought, the relief would be denied unless the complainant would undertake to pay the equitable value of the land. (Willard & Tayloe [U.S.] 18 Wall 557, 19 L Ed 501; Doughdrill v. Edwards, 59 Ala 424) [21]

In determining the precise relief to give, the Court will "balance the equities" or the respective interests of the parties, and take account of the relative hardship that one relief or another may occasion to them. [22]

The completion of the unfinished house so that it may be put into habitable condition, as one form of relief to the plaintiff Agcaoili, no longer appears to be a feasible option in view of the not inconsiderable time that has already elapsed. That would require an adjustment of the price of the subject of the sale to conform to present prices of construction materials and labor. It is more in keeping with the realities of the situation, and with equitable norms, to simply require payment for the land on which the house stands, and for the house itself, in its unfinished state, as of the time of the contract. In fact, this is an alternative relief proposed by Agcaoili himself, i.e., "that judgment issue * * * (o)rdering the defendant (GSIS) to execute a deed of sale that would embody and provide for a reasonable amortization of payment on the basis of the present actual unfinished and uncompleted condition, worth and value of the said house." [23]

WHEREFORE, the judgment of the Court a quo insofar as it invalidates and sets aside the cancellation by respondent GSIS of the award in favor of petitioner Agcaoili of Lot No. 26, Block No. (48) 2 of the GSIS low

cost housing project at Nangka, Marikina, Rizal, and orders the former to respect the aforesaid award and to pay damages in the amounts specified, is AFFIRMED as being in accord with the facts and the law. Said judgment is however modified by deleting the requirement for respondent GSIS "to complete the house in question so as to make the same habitable," and instead it is hereby ORDERED that the contract between the parties relative to the property above described be modified by adding to the cost of the land, as of the time of perfection of the contract, the cost of the house in its unfinished state also as of the time of perfection of the contract, and correspondingly adjusting the amortizations to be paid by petitioner Agcaoili, the modification to be effected after determination by the Court a quo of the value of said house on the basis of the agreement of the parties, or if this is not possible, by such commissioner or commissioners as the Court may appoint. No pronouncement as to costs.

SO ORDERED.

Cruz, Gancayco, Griño-Aquino and Medialdea, JJ., concur.

[1] Dated June 24, 1964.

[2] Dated October 5, 1965 (Exh. A); Folder of Exhibits, p. 1.

[3] O.R. No. 186558, Oct. 10, 1966.

[4] Exh. D, Folder of Exhibits, p. 4.

[5] Docketed as Civil Case No. 69417.

[6] The letter was sent thru the awardees' "Samahang Lakas ng Mahihirap," copy having been marked at the trial as Exh. F; to the letter was attached a resolution of said Samahan adopted at its meeting of July 23, 1967 and to which, in turn, was appended a 3-page list of uncompleted houses with a specification of items not completed.

[7] By Hon. Manuel P. Barcelona, presiding over Br. VIII of the CFI of Manila; Record on Appeal, pp. 22-25, Rollo, p. 13.

[8] Parenthetical insertions identifying the parties, supplied.

[9] Appellant's brief, pp. 11-14.

[10] Id., pp. 7-8.

[11] Appellant's brief, pp. 8-10.

[12] Exh. E .

[13] Art. 1475, Civil Code; Pacific Oxygen & Acetylene Co. v. Central Bank, 37 SCRA 685.

[14] Lim v. de los Santos, 8 SCRA 798.

[15] Art. 1169, last paragraph, Civil Code.

[16] Cristobal vs. Melchor, 101 SCRA 857, 865.

[17] 71 Am. Jur. 2d. 101.

[18] 30 C.J.S. 929.

[19] 27 Am. Jur. 2d, 818.

[20] Art. 19, Civil Code: "Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith."

[21] 71 Am. Jur. 2d, 120.

[22] 27 Am. Jur. 2d, 628-629: "There is a general principle that a court of equity will balance the equities' between the parties in determining what, if any, relief to give. * * * Thus, for example, where the effect of the only relief which can be granted to protect the plaintiff will be destructive of the defendants' business, which would be lawful but for the harm it does to the plaintiff, relief may be refused if, on a balancing of the respective interests, that of the defendant is found to be relatively important, and that of the plaintiff relatively insignificant. * * *."

[23] Record on Appeal, p. 5; Rollo, p. 13

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