

**SERGIO KEMPIS AND HIS WIFE, ZORAHAYDA KEMPIS, PETITIONERS,
PEOPLE'S HOMESITE AND HOUSING CORPORATION
DEFENDANT-APPELLEE, VS. GUILLERMA GONZALES, AND THE
COURT OF APPEALS, RESPOND...**

G.R. No. L-31701. October 31, 1974

Ponente: ESGUERRA, J.

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ESGUERRA, J.:

Petition for review on certiorari of the decision of the Court of Appeals vacating and setting aside the decision of the Court of First Instance of Quezon City dated February 1, 1965, which dismissed the complaint for specific performance filed by plaintiff now respondent Guillerma Gonzales, and ordered the defendant-appellee, People's Homesite and Housing Corporation (PHHC for short), to execute the necessary contract of sale in favor of the intervenor-appellees, now petitioners Sergio Kempis and Zorahayda G. Kempis. The PHHC was ordered by the Court of Appeals to execute the contract of sale in favor of Guillerma Gonzales.

The factual background of the case is as follows:

On January 14, 1963, plaintiff Guillerma Gonzales filed with the Court of First Instance of Quezon City a complaint for specific performance against defendant People's Homesite and Housing Corporation, which reads as follows:

"xxx xxx xxx

"2. That defendant is the absolute owner of a parcel of land which is more particularly designated as Lot 19, Block E-148. East Avenue Subdivision, situated in Quezon City, Philippines and embraced and covered by Transfer Certificate of Title No. 1356 of the Register of Deeds for Quezon City;

"3. That by virtue of the award by defendant in favor of plaintiff of the above-mentioned lot, plaintiff, on February 4, 1957, tendered and paid to defendant the sum of NINE HUNDRED AND THIRTY PESOS (P930.00) as a pre-requisite for the sale of said lot in favor of said plaintiff:

xxx xxx xxx

"6. That notwithstanding the fact that plaintiff has fully complied with all the requirements relative to the execution in her favor of the said contract and that her payments of the installment due has date the defendant, on its part, failed and refused to execute the" said "Conditional Contract to Sell" to the said lot;

"7 That plaintiff made due representations with defendant to execute the afore-mentioned contract but the latter failed and refused, without any valid or lawful reasons, to perform its obligation in spite of repeated demands therefor made upon it by plaintiff;

xxx xxx xxx

"WHEREFORE, plaintiff most respectfully prays of this Honorable Court that judgment be rendered in favor of the plaintiff and against the defendant ordering the latter:

"(a) to execute the corresponding Conditional Contract to Sell in favor of the plaintiff over the lot above-mentioned;

xxx xxx xxx"

(pp. 2-5, Record on Appeal)

On February 5, 1963, Sergio Kempis and his wife, Zorahayda G. Kempis, filed a motion for leave to intervene in the case and were granted by the trial court the right to do so in its order of February 16, 1963,

On February 6, 1963, defendant PHHC filed its answer to the complaint, as follows:

"xxx xxx xxx

"2. It denies specifically the material allegations in paragraph 7 of the Complaint, the truth of the matter being that defendant failed to execute the corresponding Conditional Contract to Sell in favor of the plaintiff, due to the claims of Zorahayda G. Kempis and Jose Egobia over the lot in question, to the effect that even before the said lot was awarded to the plaintiff they were already occupying the same as squatters, having their houses thereon and having introduced therein other improvements;

xxx xxx xxx

"6 Both the Plaintiff and the aforesaid squatters claim that under the law, justice and equity, they are qualified and entitled to have the said lot be awarded to them

"7. While the defendant PHHC is willing and ready to execute the necessary Conditional Contract to Sell in conformity with the existing rules and regulations covering the sale of the said PHHC lots to the public, it cannot readily do so in favor of the plaintiff because of the conflicting claims of the plaintiff and the squatters, referred to herein, over the lot in question so that, to avoid multiplicity of suits, it is suggested that plaintiff's complaint be amended so as to include the aforesaid squatters as party-defendants, and to require them to litigate with the plaintiff so as to enable this Honorable Court to determine who is legally entitled to be awarded the aforesaid lot.

"WHEREFORE, it is most respectfully prayed that plaintiff be ordered to amend her complaint so as to include the squatters, namely, Zorahayda G. Kempis and Jose Egobia, as party-defendants, and, after hearing on the merits, to order the PHHC to execute the necessary Conditional Contract to Sell in favor of the party who may be declared by this Honorable Court to be legally entitled to the award to her or to him of the lot in question;

xxx xxx xxx

(pp. 9-12, Record on Appeal)

On February 13, 1963, plaintiff filed her reply to defendant's answer and on February 20, 1963, she filed her manifestation and opposition to the motion for intervention.

On February 23, 1963, the trial court denied the manifestation and opposition to the motion for intervention.

On March 13, 1963, plaintiff filed a motion to declare intervenors in default which was denied in an order of the trial court made in open court on March 6, 1963,

On March 28, 1963, intervenors filed their Answer in Intervention, as follows; to wit:

"I. That intervenors are husband and wife, of legal age and residents of Lot No. 19, Block R-148 of the East Avenue Subdivision of the defendant PHHC;

xxx xxx xxx

"4. That what was tendered by plaintiff and duly receipted by the defendant was not in the concept of a partial payment for the price of the said lot in question, but merely as a deposit for 10% of its price, should after

investigation pursuant to law, it be found that the lot has no bona fide occupant who, by the same law, is entitled to a priority of the purchase thereof, and should the said complainant be proven to be capable therefore and that she be qualified for the purchase of said lot in question

xxx xxx xxx

"9. That at the time complainant applied for the purchase of the lot in question, she was a minor, a mere student, without any property or source of income of her own, and without any authorization from her parents, for whom she claimed, she applied for the purchase of the property in question, a provincial resident, and as such not qualified to purchase the lot in question, more so that herein intervenors have been living in the lot in question since 1950 and uninterruptedly till the present with the intention of buying the same and having applied for the purchase of it, and as such bona fide residents are by law entitled to a pre-emption in the purchase of said lot, capable as they are for the payment of whatever amortizations are required and for the compliance of other requirements as provided for in defendant's rules and regulations; nor are they disqualified to purchase the same, as they own no lot or housing within the metropolitan area; and

"10. That intervenors above filed an administrative complaint with' the defendant PHHC and against plaintiff above questioning the illegality of the award of the lot in favor of said plaintiff, which administrative case is still unresolved till the present."

(pp. 32-36, Record on Appeal)

On October 28, 1963, the trial court suspended the proceedings in the case and allowed the defendant PHHC to proceed with, its investigation concerning the lot under litigation, pursuant to a directive from the Office of the President of the Republic, after which the court should be furnished with a copy of the final action taken on the result of the aforesaid investigation on or before November 30, 1963.

On December 3, 1963, plaintiff filed a motion to set the cases for hearing. Thereafter hearing on the case was conducted' and on February 1, 1965, the trial court rendered its decision against the plaintiff by dismissing her complaint for specific performance, and in favor of the intervenors, the spouses Kempis, by ordering the defendant PHHC to execute the necessary contract of sale for the lot in question in their favor.

Plaintiff Guillerma Gonzales appealed the decision to the Court of Appeals, and on October 10, 1969, the herein respondent Court of Appeals promulgated its decision, the dispositive portion of which reads as follows:

"WHEREFORE, we vote to vacate the judgment appealed from and to enter another ordering the defendant-appellee People's Homesite and Housing Corporation to execute the corresponding Conditional Contract to Sell in favor of plaintiff-appellant Guillerma Gonzales over Lot 19, Block E-148, East Avenue Subdivision, Quezon City. Said appellee People's Homesite and Housing Corporation is also hereby ordered to pay to the plaintiff-appellant the sum of P500.00 as attorney's fees, and the costs."

Hence this petition for review on certiorari of the decision.

The evidence presented by the plaintiff consist of the following, as summarized by the trial court:

"Plaintiff, who never appeared to testify in this case, presented Atty. Bernardo V. Atienza as her only witness. His testimony shows that he was the lawyer of the plaintiff in an investigation conducted by the Administrative Investigating Committee of the defendant sometime in 1961 or 1962 involving the lot that is now the subject of controversy; that on September 2, 1962, a resolution was rendered by the said investigating committee sustaining the award of the lot in favor of the plaintiff and dismissing the claim of the intervenors (Exh. A); that after the rendition of said resolution contained in Exhibit A, he wrote a letter urging the defendant to execute the corresponding conditional contract to sell in favor of the plaintiff (Exh. B); that in reply, the plaintiff was requested by the defendant to go to its office to sign the contract to sell and to bring with her Residence Certificates "A" and "B" for that current year (Exh. C); that pursuant to said request, and together

with the plaintiff, he went to the office of the defendant corporation to sign the contract, but they were informed that the records of the lot were with the Board of Directors; and that when several attempts made by the plaintiff for the defendant to execute the necessary contract to sell were of no avail, the plaintiff instituted the present action for which she suffered damages in the form of attorney's fees. Plaintiff also presented in evidence Exhibit E which is a receipt for the payment of the sum of P930.00 as 10% deposit for the lot; Exhibit F, the passbook issued to the plaintiff by the defendant for the lot in question; Exhibit G, a confirmation letter from the PHHC about the balance of the plaintiff for the said lot."

The evidence for the defendant, as likewise summarized by the trial court, is as follows:

"The evidence for the defendant consisted of the testimony of an employee of the Record Division of the defendant and Any. Olimpio R. Epis, Head Executive Assistant and concurrently Chairman of the Administrative Investigating Committee of the defendant corporation up to March, 1964. It was shown from their testimony that plaintiff was awarded the lot in question by virtue of an application to purchase a lot she filed on January 21, 1957 (Exh. 5); that the resolution rendered by the Administrative Investigating Committee of the defendant corporation sustaining the award in favor of the plaintiff (Exh. A) was appealed by the intervenors to the Board of Directors; that the Board of Directors, acting on said appeal, issued an action slip directing the committee on investigation then headed by Atty. Olimpio R. Epis to conduct an investigation concerning the lot (Exhibit 4); that said committee submitted its findings and recommended the cancellation of the award in favor of the plaintiff on the grounds that the award was made to the plaintiff when she was still a minor and that the herein intervenors who were incessantly applying to purchase the lot were in continuous, peaceful and public possession of the same since the year 1950 up to the present. (Exh. 7)."

As to the intervenors, their evidence, as also summarized by the trial court, is as follows:

"The intervenors, aside from adopting in toto the evidence of the defendant, also preserved in evidence a certified copy of a teacher's contract between the plaintiff and the Mabini High School of Balete, Tanauan, Batangas, showing that "plaintiff was born on Feb. 10, 1937 (Exh. 1-Intervenors); a certification from the Office of the Civil Registrar General Bureau of Census and Statistics, Manila, to the effect that birth records filed at the Municipality of Tanauan, Batangas for the year 1937 were among those destroyed during the last world war as per report of the Local Civil Registrar of said municipality dated November 24, 1959 (Exh. 2-Intervenors); a notice by publication intended for the plaintiff to appear before the Chairman, PHHC investigating committee on or before January 25, 1961 (Exh. 7-Intervenors); and a directive coming from the Office of the President of the Philippines directing the defendant to cancel conditional awards of PHHC lots in the East Avenue Subdivision (Piñahan Area), Quezon City, made in favor of outsiders who are not occupants of the area in question and the immediate sale thereof to the members of the Piñahan Homeowners Association who were and still are occupants thereof from the time the area was reclassified and subdivided in accordance with the directive of the late President Magsaysay (Exh. 8-Intervenors). The testimony of the intervenors were dispensed with upon admission by the counsel for the plaintiff of the actual occupation by the former of the lot in dispute since 1950 and continuously up to the present; that intervencnor Zorahayda Kempis was included in the list of the census map of actual occupants made by the defendant sometime in 1957; the existence of Exhibit 8-intervenors; and that intervenor Zorahayda Kempis is a member of the Piñahan Homeowners Association."

(Record on Appeal, pp. 96-100, which is a portion of the decision of the trial court dated February I, 1965)

The issue to be determined in this case is whether the award of the lot in question by defendant PHHC to plaintiff Guillerma Gonzales constitutes a perfected contract of sale which bestows upon the awardee the incontrovertible right to compel the PHHC to convey the lot to her.

Well settled is the rule in this jurisdiction that an award of this nature is not in itself a perfected contract of sale, the same being still subject to revocation in case the applicant is found not to possess the necessary qualifications

(Alvarez, et al. vs. Board of Liquidators, G.R. No. L-14834, Jan. 31, 1962, 4 SCRA 195; Galvez, et al vs. Kcmgleon, G.R. No. L-17197, Sept. 29, 1962. 6 SCRA 162; Guardiano vs. Encarnacion, G.R. No. L-23396, Aug. 29. 1969, 29 SCRA 326). Here applicant Gonzales is not qualified for being a minor and not gainfully employed.

There being no valid and perfected contract of sale, the question is who between the contending parties should be given preference over the lot in dispute? The law and jurisprudence are on the side of the intervenor-petitioners and We declare that they are entitled to preference thereto as against respondent Guillerma Gonzales. As We held in Guardiano vs. Encarnacion, 29 SCRA 326, 331-336:

"We find the appellate court erred in concluding from the documents submitted in evidence that 'there had been entered into between PHHC as vendor, and Jorge (Encarnacion), as vendee, a perfected contract to sell,' citing 'the conditional contract to sell, Exh. B, under which the PHHC promise and agree to sell the property in question,' supra, x x x The record likewise shows that what respondent transacted with the PHHC was to file on February 8, 1957, his application to purchase the subject lot, Exh. A-2 and on the same date secure a tentative award of the lot to him, by virtue of which he was authorized to make a 10% deposit in the amount of P810.00 (Exh. A-1). The application, Exh. A-2, shows that there was no "perfected contract to sell," because it was a mere application which provided that a contract setting out the terms would still have to be executed after survey and inspection of the lot involved and further provided for the forfeiture to the PHHC of 5% of the 10% deposit should the applicant not proceed with the purchase, 'when (the lot) is ready to be sold.' The initial 10%, deposit was expressly and precisely received as such deposit, not as "10% initial payment" for which there was a separate space provided in the Order of Payment form, Exh. A-1.xxx

"We find no explicable or plausible reason in the record why respondent who was just squatting in the nearby lot of the MVO offices, would insist on taking over the subject lot occupied by petitioner since 1945 and reject the PHHC offer to sell to him another lot "which is free and just as good, but located in another block." Incidentally, this offer of the PHHC to provide another home lot to respondent was not brought out or appreciated in the appealed decisions of the trial and appellate courts. On the other hand, we find the PHHC to have acted properly and in accordance with its functions under its charter and the Presidential policy since 1957 to sell its subdivided lots to actual bona fide occupants, such as petitioner, and re-affirmed in the directive of then President Macapagal, through then Executive Secretary Calixto O. Zaldivar, on February 20, 1964, that the lots in the East Avenue subdivision should be sold to the members of the Pinahan Homeowners Association who were still occupants thereof, and whose names are listed in the East Avenue Subdivision Plan as occupants, in which petitioner was admittedly listed as a member and actual occupant under No. 272.x x x

"We find untenable the appellate court's curt dismissal of petitioner's claim of priority to the subject lot on the ground that 'the law has never and can never make it a policy to give prior choice unto the first squatter, supra. Untenable in fact, because petitioner's initial status as a squatter had been legalized with her having been duly accepted by the PHHC as a "registered squatter" or bona fide occupant occupying the lot since 1945, and untenable in law, because as stated in the PHHC Answer, 'the lot in question was really intended for squatters as per PHHC policy and by virtue of a Memorandum of the President of the Philippines, dated April 15, 1957, whereby lots in said area were earmarked for allocation to prior and deserving squatters.'"

In giving preference to the petitioners, spouses Zorahayda Kempis and Sergio Kempis, We have not overlooked, but are fully aware of, the decision in Bañez, et al. vs. Court of Appeals and Pio Arcilla, G. R. No. L-30351, September 11, 1974, where it was held that the awardee there has a better right to the PHHC lot involved than the squatter thereon, Pio Arcilla. There are, however, substantial differences between the two cases which do not make this (Kempis) case fall within the law of the Bañez case and, consequently, there would be no conflict between them.

In the Bañez case, although respondent Pio Arcilla, occupied the lot in question as early as 1956, long before the award thereof to applicant Cristeta Laguison on May 20, 1960, he did not take the necessary steps towards

acquiring the lot from the PHHC. He asserted his right over the lot only in 1963 when he filed a protest with the PHHC against the transfer of the same to Aurea Bañez by Basilio Laguison, father and successor of Cristeta Laguison. The protest was dismissed by the PHHC Office and although Arcilla went to court, he did not obtain a favorable decision.

It should be noted that awardee Cristeta Laguison was qualified to acquire the lot in question; that when she died on May 9, 1962, her father, Basilio Laguison, inherited all her rights to the lot and in turn transferred his rights thereto on July 27, 1962, to Aurea Bañez in consideration of the indebtedness of P3,000.00 of Cristeta Laguison to Aurea Bañez; that the transfer of rights from Basilio Laguison to Aurea Bañez was approved by the PHHC Board of Directors in Resolution No. 200, dated November 15, 1962, and thereafter Aurea Bañez continued paying the installments on the purchase price of the lot until it was fully paid; that on October 29, 1964, the PHHC executed the corresponding deed of sale for the lot and on October 30, 1964, Transfer Certificate of Title No. 85886 (p. 102, Record) was issued to the spouses Aurea Bañez and Ramon Bañez. The land was declared by them for taxation purposes under Tax Declaration No. 5475 and they paid the taxes thereon.

In the Bañez case, there is not only a perfected but a consummated contract of sale between the PHHC, as vendor, and Aurea Bañez, as vendee, which no third person, like Pio Arcilla, could impugn. Pio Arcilla was even ordered ejected from the lot in question, at the instance of PHHC, by the City Court of Quezon City (Annex A, pp. 92-93, Record), and his appeal from the judgment of eviction was dismissed by the Court of First Instance of Quezon City (Annex B, pp. 94-95, Record) and by this Court on September 16, 1968 (Annexes C & D, pp. 96 & 97, Record).

In this (Kempis) case, there is no perfected contract of sale but only a revocable "contract to sell" between the PHHC and Guillerma Gonzales who was not an occupant of the lot in question. She was also a minor and a mere student without means of self-support when she was awarded the lot under litigation on February 4, 1957 (Annex "E", pp. 39-44, Record). She was, therefore, disqualified to acquire the lot as, having been born on February 10, 1937, she was only 39 years 11 months and 24 days when the award was made in her favor.

The spouses Kempis, on the other hand, meet all the qualifications prescribed by the PHHC, beside being the actual occupants of the lot in question since 1950, or long before the shift in policy of the PHHC in 1963 when squatters were placed on the same footing as other qualified applicants, and before the actual award to Gonzales was made on February 4, 1957.

The PHHC policy from 1957 to 1962 was to award PHHC lots to qualified and deserving squatters in consonance with a Presidential directive of April 15, 1957, whereby lots in the Pinahan area or the East Avenue Subdivision were earmarked for allocation to prior and deserving squatters. Although this policy was changed in 1963, it was later restored and "reaffirmed in the directive of President Macapagal, through then Acting Executive Secretary Calixto O. Zaldivar, on February 20, 1964, (Exh. "G", pp. 46-47, Record) that the lots in the East Avenue Subdivision should be sold to the members of the Pinahan Homeowners Association who were still occupants thereof, and whose names are listed in the East Avenue Subdivision Plan as occupants." (GUARDIANO vs. ENCARNACION, 29 SCRA 326, 335). Petitioner Zorahayda Kempis is listed as a member of the Pinahan Homeowners Association and the spouses Kempis are still the occupants of Lot 19, Block E-1 48, East Avenue Subdivision, their occupancy having lasted from 1950 up to the present, (CFI Decision, pp. 99-100, Record on Appeal).

Although the Kempis spouses were originally squatters on the lot in question, they were later recognized by no less than the Office of the President and the PHHC as prior and deserving occupants entitled to be given preference under the Presidential directive issued through then Acting Executive Secretary, Hon. Calixto O.

Zaidivar, on February 20, 1964, which re-affirmed the policy adopted in 1957 by the late President Magsaysay of giving preference to prior and deserving squatters in the acquisition of PHHC lots.

The position of petitioners Kempis fits squarely into the pattern of the case of *Guardiano vs. Encarnacion*, *supra*, where this Court gave preference to the actual occupant as against the applicant-awardee who was not occupying the lot.

WHEREFORE, the decision of the Court of Appeals under review is hereby reversed and set aside and the complaint for specific performance filed by herein respondent Guillerma Gonzales (as plaintiff in the lower court) is hereby dismissed.

The PHHC is ordered to execute a deed of sale for the lot in question in favor of intervenors Sergio Kempis and Zorahayda G. Kempis, provided they are qualified to purchase the same and can comply with all requirements of the PHHC on the matter.

With costs in all instances against plaintiff-respondent Guillerma Gonzales.

SO ORDERED.

Castro, Fernando, Teehankee, Barredo, Makasiar, Antonio, Fernandez, Munoz
Palma, and Aquino, JJ., concur.
Makalintal, C.J., took no part.

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