

JOSE BENARES, ET AL., PLAINTIFFS AND APPELLANT VS. CAPITOL SUBDIVISION, INC., DEFENDANT AND APPELLEE.

G.R. No. L-7330. November 29, 1960

Ponente: PARAS, C.J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/c60a8f1ce318/>

PARAS, C.J.:

The subject of this litigation is a portion of Hacienda Mandalagan, Bacolod Cadastre. Jose Benares Montelibano, father of the plaintiffs, mortgaged the whole hacienda in 1926 to the Philippine National Bank to secure an obligation of P331,000.00. In 1950, upon default of the mortgagor, the bank filed a foreclosure suit and thereafter acquired the property in a public auction sale.

On November 8, 1935, the bank granted Carlos P. Benares an option to purchase the hacienda. Thereupon Carlos P. Benares sold and transferred his rights to the defendant, and this transfer was approved by the bank on January 29, 1936.

In the latter part of 1936, in the face of difficulties in meeting the amortization payments due to the bank, Alfredo Montelibano, in representation of the defendant company of which he was and is the president, requested the bank to sell large portions of the hacienda which were most remote from the provincial highway and least suitable for subdivision. To this end the defendant caused Adelantar Surveying Company to segregate an area (identified in the plan as lots Nos. 1205-L-1, 1641 and 1205-K-2) containing 150 hectares.

In the meantime Jose Benares Fernandez and Ernesto Benares, brothers, sent a letter to the defendant on May 15, 1937, offering to purchase 150 hectares of the hacienda for P100,000.00. The defendant, which had already authorized and requested the bank to sell, referred the offer to that entity. On July 18, 1938, the Benares brothers reiterated their offer but at a reduced price of P70,000.00. As the defendant had informed them that any offer had to be approved by the bank, the plaintiffs, Jose Benares "Fernandez and Carmen Benares (the latter in lieu of Ernesto Benares), on November 28, 1938, directly addressed their offer to the bank. On December 3, 1938, the defendant Indorsed said offer.

On July 24, 1940, the defendant called the attention of the bank to its failure to approve the offer of the plaintiffs and accordingly asked (among other things) for authority to sell the same 150 hectares for even as low as P50,000.00. The bank, in an office memorandum dated July 30, 1940, was forced to inquire from the Manager of its Bacolod Branch about the standing and status of plaintiffs' offer. Said memorandum was referred to the defendant which on August 28, 1940, through its president, Alfredo Montelibano, answered that the plaintiffs had already backed out.

It was only after the war, or to be exact, on August 11, 1948, when the plaintiffs wrote the bank renewing their offer of November 28, 1938. The communication was referred to the defendant which informed the bank that it had ceased to be interested in the offer. The plaintiffs therefore instituted the present action on September 29, 1949, based on an alleged option to purchase a parcel of land from the defendant. After trial, the Court of First Instance of Negros Occidental dismissed the complaint and ordered the plaintiffs to pay to the defendant

P10,000.00 as attorney's fees, P10,000.00 as actual expenses of litigation, and P10,000.00 as moral, nominal, temperate and exemplary damages, plus the costs of suit.

The evidence shows that plaintiff's offer of November 28, 1938, is contained in their letter to the bank (Exhibit "A" which was only endorsed favorably by the defendant in its letter of December 3, 1938 (Exhibit "F"). Upon the other hand, Exhibit "8", which evidenced the agreement between the bank and the defendant over Hacienda Mandalagan, establishes the fact that it was the bank which should accept the offer and execute the sale. To quote:

"13. At the request of Capitol Subdivision Inc., and for its account and at its expense, the Bank will execute the corresponding deed of sale to the purchasers of lots who have paid the stipulated purchase price and interest and with respect to which the Bank shall have received the 70% thereof. Capitol Subdivision, Inc., will pay the Bank a special fee of P1.50 for each such deed of sale executed by the bank pursuant hereto." (Exhibit "8" par. 13.)

All that the defendant could thus do, as it in fact did, was to negotiate for the sale and recommend the offer favorably; but the final determination of the matter rested upon the bank.

We verily agree with the defendant's argument that considering the circumstances attending the indorsement by the defendant, the urgent and demanding problem it faced at that time, the expedient solution it conceived to solve the problem, and then the transformation of all these to the concrete condition that the price of whatever sale is made by the bank -should be directly and immediately deducted from the amounts due from the defendant, the only possible conclusion is that it was intended that the sale be approved by the Philippine National Bank immediately, or if not immediately, within a reasonable time for the sale to serve the purposes for which it was conceived.

We find it natural to also conclude that the option had been abandoned, not only from the oral evidence in support thereof, but also from Exhibit "10", a memorandum of the defendant to the bank written on August 28, 1940, which partly states as follows:

"Request No. 3. As regards the sale of 150 hectares with the corresponding sugar quota of 7200 piculs, no action was taken on same because the party who wished to purchase this lots backed out. These lots are Nos. 1205-K-2, 1205-L-1 and 1641 as per blue print plan."

To clarify the relevancy of the above statement, Alfredo Montelibano testified that the same referred to plaintiffs' offer of November 28, 1938. Said evidence is not self-serving, because at the time it was prepared, the defendant was still in a financial decadence. The fact that on March 31, 1940, Jose Benares only leased a portion of land particularly lot 1205-L-1, for a term of five years, renewable for another five years, confirms the memorandum of August 28, 1940. (This lease had already expired and Jose Benares had been ordered ejected by the Court of Appeals in CA-G. R. No. 12529-R, Nov. 11, 1955).

In view of the foregoing, the decision appealed from is hereby affirmed with costs against the plaintiffs-appellants. So ordered.

Bengzon, Padilla, Bautista Angelo, Labrador, Concepcion, Reyes, J.B.L., Barrera, Gutierrez David, Paredes and Dizon, JJ., concur.

Judgment affirmed.

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.