

BENEDICTO BALUYOT, ET AL., PLAINTIFFS-APPELLEES, VS. EULOGIO E. VENEGAS, DEFENDANT-APPELLANT.

G.R. No. L-22968. January 31, 1968

Ponente: MAKALINTAL, J.

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MAKALINTAL, J.:

Plaintiffs are the heirs of Crisanto Baluyot, who in life sold a parcel of land to defendant Eulogio E. Venegas. The sale, executed on July 24, 1951, contains the following provision for repurchase:

“3. That the parties hereto stipulated that at anytime after the expiration of the period of ten (10) years to be computed from October 1, 1951, the Vendor, his heirs or successors-in-interest has the option and priority to purchase the aforescribed parcel of land for the same consideration of P4,000.00.

“4. That the Vendee hereby accept and agrees with the conditions and terms of this sale.”

On July 18, 1963 plaintiffs commenced this action in the Court of First Instance of Bataan to compel defendant to reconvey the land to them pursuant to the contractual provision aforequoted, alleging that previous offers on their part to exercise the right therein granted had proven unavailing.

The court a quo rendered judgment for plaintiffs and ordered defendant to execute the corresponding deed of conveyance upon payment of P4,000. Defendant was further ordered to pay attorney’s fees in the sum of P500.

In this appeal defendant stands squarely on the proposition that the stipulation in the contract giving the vendor the "option" to purchase back the land is void and contrary to law, particularly Article 1606 of the Civil Code. This article reads:

"ART. 1606. The right referred to in article 1601, in the absence of an express agreement, shall last four years from the date of the contract.

Should there be an agreement, the period cannot exceed ten years.

However, the vendor may still exercise the right to repurchase within thirty days from the time final judgment was rendered in a civil action on the basis that the contract was a true sale with right to repurchase."

The contract here was executed in July 1951. The option or right to repurchase was sought to be exercised twelve (12) years thereafter, or in 1963. Indeed, by express agreement it could not have been exercised except "after the expiration of the period of ten (10) years... from October 1, 1951." Such stipulation is not legally feasible because it is prohibited by Article 1606, which limits the period for repurchase, in case there be an agreement, to the maximum of ten years from the date of the contract. In other words, the right to repurchase in the present case did not even arise, since by the time it was supposed to begin it was already interdicted by the law.

A similar situation was presented in the case of Santos vs. Heirs of Crisostomo and Tiongson, 41 Phil. 342, where this Court said, at pages 347-348:

"When the stipulation in question is examined, it will be discovered that the intention of the parties was to suppress the exercise of the right of repurchase for the full period of ten years from the date of the contract and, inferentially, to allow the exercise of that right after the expiration of ten years. In the second paragraph of article 1508 (now 1606) of the Civil Code it is in effect provided that if there should be an agreement with respect to the time of repurchase, the period shall not exceed ten years. The stipulation under consideration offends against this provision in two particulars, namely, (1) in providing that the right to repurchase may be exercised after ten years shall elapsed, and (2) in prohibiting the exercise of the same right during the whole period when, according to the statutes, it might be lawfully exercised.

"The stipulation is, therefore, illicit; and the result is that the right of repurchase could in fact, under the second paragraph of article 1508 of the Civil Code, have been exercised in this case at any time after the making of the contract and prior to the expiration of ten years. The law must here control over the revealed intention of the parties.

"In what has been said we do not mean to declare that the parties to a contract of sale with pacto de retro can not under any conditions lawfully suspend the exercise of the right of repurchase. Doubtless they may do so, provided there remains an appreciable space of time for the exercise of the right within the limitation allowed by law. For instance, if it were provided that repurchase should not be effected before five nor after ten years from the date of the contract, we see no reason for supposing the stipulation to be lawful. It is different where the parties attempt totally to suppress the right during the whole period when it might lawfully be exercised."

Plaintiffs stress the obligatory force of obligation arising from contract (Art. 1159 Civil Code). But the same code provides in Article 1306 that while the contracting parties are free to establish any claims or conditions they may deem advisable, the same must not be contrary to law, morals, good customs, public order or public policy.

It is suggested that the defense in this case is in the nature of prescription of action and consequently may not be pleaded for the first time on appeal, as defendant does in this case. However, Article 1606 of the Civil Code concerning the period of repurchase is not statute of limitation. It is a rule of substantive law which goes into the validity of the period agreed upon, and requires no affirmative plea in the answer to be applicable.

The judgment appealed from is reversed and the complaint is dismissed, without pronouncement as to costs.

Concepcion, C.J., Reyes, J.B.L., Bengzon, J.P., Zaldivar, Sanchez, Ruiz Castro, Angeles, and Fernando, JJ., concur.

Dizon, J., did not take part.

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