

GUILLERMA R. MIRANDA AND ANTERO MIRANDA, PLAINTIFFS AND APPELLEES, VS. CARIDAD ESTATES OF CAVITE, INC. AND GREGORIO ALVAREZ, DEFENDANTS, CARIDAD ESTATES OF CAVITE INC., DEFENDAN...

G.R. No. L-2077. October 03, 1950

Ponente: TUASON, J.

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TUASON, J.:

The above-entitled two cases were consolidated for argument and only one brief for the appellant was filed, none in either case having been submitted by the appellee.

In G.R. No. L-2077, the facts as found by the trial court are as follows:

On September 13, 1941, the plaintiffs entered into a contract with Caridad Estates of Cavite, Inc whereby the latter undertook to sell to the former a parcel of land containing an area of approximately 337 square meters and situated in the City of Cavite for P1,685.00. It was agreed that the sale price was to be paid in installments for one year subject to these conditions:

"7. Should the Purchaser fail to make any of the payments as herein provided, within 30 days of the date due, this Contract will be deemed and considered as forfeited and annulled, and said Company shall be at liberty to dispose of said parcel of land to any other person in the same manner as this Contract had never been made. In the event of such forfeiture, all sums of money paid under this contract will be considered and treated as rental for the use of said parcel of land, and the purchaser hereby waives all right to ask or demand the return thereof and agrees to peaceably vacate the said, premises."

"10. It is hereby understood and agreed by and between the parties to this contract that the unpaid balance payable within one year without interest, less 10% discount. But in the event of the non-fulfillment of any of the terms of this contract, interest will sum on the unpaid balance from the date of this contract at the rate of 12% per annum, and the 10% dis. specified above . will be given only on all amounts paid within the terms of one year contract, or, the company may at its option enforce the conditions set forth in paragraph 7 of the agreement."

The purchasers paid to the seller on the date of the execution of the contract, September 30, 1941 the sum of P200.00, and on October 29, 1941, paid P100.00 as first installment. Allegedly because of the outbreak of war, the rest of the installments were not satisfied within the stipulated period or after.

On July 8, 1943 the defendant, of its own accord, rescinded and cancelled the contract and sold the land to its now co-defendant, Gregorio Alvarez. Having learned of this resale, the first purchasers, after liberation filed this action to annul the title issued in favor of Gregorio Alvarez, to order the Caridad Estates to accept the payment of the balance of the purchase price agreed upon, and to pay damages in the sum of P800.00.

In G.R. No. L-2121, the facts are the same except as to details which are not essential to this decision. In that case,

the execution of the contract of sale took place on April 14, 1940; the total area of the land sold was 388 square meters; the purchase price was P1,358.00; and the purchaser had paid up to December 6, 1941 the sum of P638.00 leaving a balance of P720.00. On March 27, 1944 the Caridad Estates cancelled the last-mentioned contract and sold the parcel on October 4, 1944 to Perpetuo de Jesus who in turn sold it to Rodolfo Bonanza on the 21st of the same month. Following these transactions, on November 8, 1944, the Caridad Estates executed a deed of sale in favor of the last-named purchaser, and the corresponding Transfer Certificate of Title was issued in his favor.

In both cases, the Court of First Instance of Cavite gave judgment for the plaintiffs. The court held that under Article 15(k) of the Civil Code, stipulations of the parties to the contrary notwithstanding, no resolution of the contract can be made absolute by the vendor as long as no demand, notarial or judicial, has been made. And as no such demand, notarial or judicial, was made in these cases, the action taken by the defendant, in the opinion of the court, was ineffective.

The court also was of the opinion that the rescissions were unwarranted under the terms of the deeds of sale. It noted that in clause 10 there were adequate safeguards to protect the defendant company in the form of 12% interest per annum for all unpaid sums. In view of this stipulation, the court believed that the parties did not contemplate giving the seller full power of rescission and forfeiture in case of default "without the intervention of the court for reason of equity and social justice."

In *Caridad Estates Subdivision Inc. v. Pablo Santero* (1940) O.G. Supplement 10, p. 61, a case analogous to this, the Court said:

"From this judgment, the defendant appealed assigning the following alleged errors as committed by the trial court a. quo in its decision, to wit:

"1. The lower court erred in holding that the contract of purchase and sale of the real property in question may be rescinded by the vendor-plaintiff on the mere failure of the vendee-defendant to complete the payment of the installment due during the month of March, 1936.

"2. The lower court erred in sustaining that the vendor-plaintiff could forfeit to his own benefit the whole sum of P7,590 paid "by the defendant on account of the purchase price and apply it all to the rental of the land involved for the period from December, 1935, to August 31, 1936, or nine months.

"The pertinent portion of paragraph 4 provides as follows:

"x x x But if the said party of the second part should fail to make the payments above specified within sixty days of the date or dates stipulated in this agreement or neglect to repair any damage caused to the above described property within sixty days of formal notification of such damages by the party of the first part, then the total remaining purchase price shall become due and payable and recoverable by action at law, or the party of the first part, may, at its option, recover possession of the above described property in which case any and all sums paid by the party of the second part under the provisions of this contract shall be considered as rental for the use and occupancy of the property."

"As may be seen, paragraph h gives the vendor, if the vendee fails to make the specified payments, the option of (1) considering the total remaining purchase price due and payable and recoverable by an action at law or (2) recovering the possession of the "property in which case any and all sums paid by the Vendee shall be regarded as rental for the use and occupancy of the property. On the other hand, paragraph 3 obligates the vendee to deliver the possession of the property and the improvements thereon in good condition and repair in the event that the vendor should demand the return of the same on account of non-compliance with the terms and conditions of payment. It is, quite plain, therefore, that the course followed by the vendor in cancelling the contract and demanding the repossession of the property was well supported by, and employed in consonance with, the covenants embodied in their agreement. As the stipulations in question, do not violate the prohibitive

provisions of the law or defeat morals and, public order, they constitute the law between the, parties, binding and effectual upon them. (Arts. 1255 and 1278, Civil Code; Jimeno v. Gacilago, 12 Phil. 16.) (Italics supplied.)

"Appellant, however, gives full reliance, on article 1504 of the Civil Code and vigorously argues that whatever be the provision of the contract, resolution may not be declared in the absence of a demand upon the vendee 'either judicially or by a notarial act'. A cursory reading of the provision would be the best refutation of the appellant's argument as it leaves, no doubt as to its inapplicability in the present-instance. The contract (Exhibit A) is a sale in installment, in which the parties have laid down the procedure to be followed in the event the vendee failed to fulfil his obligation. There is consequently, no occasion for the application of the requirements of Article 1504. (Italics supplied)

"At most, the provisions in point, as the parties themselves have indicated in the contract, is a penal clause which carries the express waiver of the vendee to any and all sums he had paid when the vendor, upon his inability to comply with his duty, seeks to recover possession of the property, a conclusive recognition of the right of the vendor to-said sums, and avoids unnecessary litigation designed to enforce fulfillment of the terms and conditions agreed upon. Said provisions are not unjust or inequitable and does not, as appellant contends, make the vendor unduly rich at his cost and expense. The charge that the amount forfeited greatly exceeded that which should be paid had the contract been one of lease loses its weight when we consider that during the years 1935 and 1936, when the agreement was in full force and effect, the price of salt rose high to bring big profits and returns..

"The factual background of this case is not lacking in point of authority. In the Manila Racing Club, Inc. V. The Manila Jockey Club, et al., G.R. No. 46533, promulgated October 28, 1939, the condition of the contract was that 'si el comprador no paga en su debido tiempo la cantidad correspondiente o cualquiera de los plazos, la vendedora podria declarar resuelto el contrato y confiscadas en su favor las cantidades pagodas.' In deciding the main question raised on appeal, similar in all respect to the one which now confronts us, the court said 'Esta clausula de confiscacion de lo pagado parcialmente es valida. Tiene el caracter de clausula penal, que puede ser establecida legalmente por las partes (Arts. 1152 y 1255 delCodigo Civil). En su doble objeto de asegurar el cumplimiento, no es contraria a la ley, ni a la moral, ni al orden publico, habiendo sido pactada voluntaria y conscientemente por las partes."

The appealed judgments are reversed with costs against the appellees.

Moran, C.J., Ozaeta, Paras, Pablo, Bengzon, Montemayor, and Reyes, JJ., concur.

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