

SPOUSES FELIX ZEPEDA AND VIRGINIA ZEPEDA, PETITIONERS, VS. THE COURT OF APPEALS, LEONILA AMANSEC AND ARTURO AMANSEC, RESPONDENTS.

G.R. No. 100486. December 09, 1992

Ponente: NOCON, J.

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NOCON, J.:

This is a petition for review under Rule 45 of the Rules of Court of the decision[1] of the Court of Appeals dismissing the appeal interposed by herein petitioners.

The case at bar sprung from a complaint for reconveyance with damages against herein petitioners Felix and Virginia Zepeda by private respondents Leonila and Arturo Amansec. The piece of land subject of this case is a residential lot with an area of 1,434 square meters situated at San Francisco, Nueva Ecija registered in the name of Antonio Santos.

On July 17, 1973, Antonio Santos mortgaged his share in the lot in question with the Sta. Rosa Rural Bank for the amount of P3,000.00. The property however was foreclosed due to the non-payment of the obligation of Antonio Santos and the property was sold by public auction in favor of the Bank. While the sale was annotated at the Memorandum of Encumbrance of T.C.T. No. NT-57013 on October 8, 1974, said property was not consolidated in the name of the Bank and no writ of possession was issued by the Court placing the Bank in possession before the property in question was disposed of by the Bank in favor of petitioner spouses Felix Zepeda and Virginia Rena Zepeda on March 12, 1981.

Respondent Leonila Amansec, sister of Antonio Santos, then went to the bank and talked with the Branch Manager by the name of Rodrigo Corella, Jr. and expressed her desire to redeem back the property of her brother, Antonio Santos. She anchored her right on the following: First, she being a co-heir of Antonio Santos and Second, her property adjoins the property in question thereby invoking her right of redemption under Articles 1621 and 1622 of the Civil Code of the Philippines.

As borne out from the records, on January 13, 1981, Leonila Amansec and the Bank Manager came into an agreement that the property in question may be redeemed for the price of Twelve Thousand (P12,000.00) Pesos, the Six Thousand (P6,000.00) Pesos to be deposited that same date or within one (1) week and the other Six Thousand (P6,000.00) Pesos to be paid within one (1) year from January 13, 1981.

That same date or on January 13, 1981, Leonila Amansec gave Five Thousand (P5,000.00) Pesos as deposit to the Bank which amount was evidenced by Official Receipt No. 36102. (Exhibit "C") This agreement[2] was confirmed and ratified on January 22, 1981 by the Board of Directors of the said Bank.

On February 1981 however, the Bank sold the property in question to herein petitioners for the amount of Fourteen Thousand (P14,000.00) Pesos. On March 20, 1981, a letter[3] was sent by the counsel of the bank to Leonila Amansec informing her that she can withdraw anytime her deposit of Five Thousand (P5,000.00) and

further, that the bank have decided to sell the property to the Zepedas instead.

Hence, the instant complaint filed before Branch 37, Regional Trial Court of Nueva Ecija, and docketed as Civil Case No. SD-831. After trial on the merits, Judgment[4] was rendered ordering the reconveyance of the property to private respondents, the dispositive portion of which reads:

"WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against the defendants:

1. Ordering the defendants spouses Felix Zepeda and Virginia Reña Zepeda to reconvey the property subject matter of this case, Lot No. 33-A-2 of the Subdivision Plan (LRC) Psd--4181, being a portion of Lot No. 33-A, with an area of 1,434 square meters, situated at San Francisco, Sto. Domingo, Nueva Ecija, in favor of the plaintiffs, for the sum of P12,000.00. The advanced deposit of P5,000.00 which the plaintiffs paid to the defendant Bank on January 13, 1981, should be applied in the payment of the consideration stated above.

2. Ordering the defendant, the Sta. Rosa (N.E.) Rural Bank, Inc., to reimburse the sum of P14,000.00 which the defendants spouses Felix Zepeda and Virginia Reña-Zepeda paid as consideration of the sale of the property in question, which is in effect declared unenforceable, with interest at 14% per annum from march 20, 1981, up to the time it is paid.

3. Ordering the defendant, the Sta. Rosa (N.E.) Rural Bank, Inc., to pay the plaintiffs the sum of P5,000.00 as exemplary damages and the sum of P2,000.00 as attorney's fees.

And to pay the costs of this suit.

SO ORDERED."[5]

Herein petitioners and the Bank appealed to the Court of Appeals, but their respective appeals were dismissed for lack of merit. Hence, this appeal by certiorari by the spouses Zepeda.

Petitioners advanced several reasons for their inability to conform to the position of private respondents, which are as follows:

First, the right to redeem being contended by private respondents has long lapsed and prescribed, the property in question having been publicly auctioned on July 17, 1973 and the certificate of sale inscribed at the back of the title.

Second, the agreement between the Branch Manager of the bank and private respondents, was merely an offer by the latter to buy the subject property on a direct sale and not in redemption because the same has been an acquired asset of the Bank and which offer was still subject to the approval of the Board of Directors of the Bank.

Third, private respondents did not make good their promise to go back to the Bank and deposit the balance of P1,000 to complete their initial deposit, hence there is no valid cause of action against them.

Fourth, the action of the private respondents is barred by laches.

Lastly, there is good faith on the part of herein petitioners and being the first to register the sale, they have a preferential right over the property in question than private respondents.

We disagree.

Clearly, as the records will show, the one year period of redemption as provided under Section 30, Rule 39 of the Rules of Court had long lapsed and whatever agreement that took place between the Branch Manager of the bank and private respondents partook of the nature of a direct sale. As stated by the appellate court, to which We agree:

" x x x. The one year period of redemption foreclosed (sic) and sold at public auction start from the date of the

registration of the sheriff's certificate of sale in the office of the Register of Deeds. (Verseles vs. Court of First Instance, G.R. No. 62219, 28 February 1989). There is therefore, nothing which can be extended by agreement of the parties therein. Secondly, the appellees are not among those mentioned under Section 29, Rule 39 of the Rules of Court who may redeem property sold on execution."[6]

A contract of sale is perfected from the moment there is a meeting of minds upon the thing which is the object of the contract and upon the price.[7]

We concur with the trial court in its finding that the fact that private respondents were not able to tender the remaining balance of P1,000.00 within one (1) week from the time the sum of P5,000.00 was paid on January 13, 1981 to the Bank to complete the P6,000.00 advanced deposit or partial payment of the consideration of the redemption of the property in question in the amount of P12,000.00, is not a substantial and serious breach that would defeat the very object of the agreement and cause heavy damage to the Bank, and a ground to rescind the contract. At the trial, Leonila Amansec revealed that she went to the Bank to pay the P1,000.00 but unfortunately, the Bank Manager was on leave.[8]

The general rule is that rescission of a contract will not be permitted for a slight or casual breach, but only for such substantial and fundamental breach as would defeat the very object of the parties in making the agreement.[9]

As aptly found by the trial court:

"Even assuming but without admitting that the plaintiffs were not able to tender the P1,000.00 within one (1) week from the time the sum of P5,000.00 was paid on January 13, 1981 to the defendant Bank to complete the P6,000.00 advanced deposit or partial payment of the consideration of the redemption of the property in question for P12,000.00, this is not to the mind of the Court a substantial and serious breach that would defeat the very object of the agreement and would cause heavy damage on the part of the Bank, and would be justifiable factor to ignore or rescind the contract. But the evidence introduced by the plaintiffs which was not controverted by the Bank, reveals that the plaintiffs went to the Bank to deposit or pay the P1,000.00 within the stipulated period but the Manager of the Bank was on leave of absence and no one attended to the plaintiff. Furthermore, the period which the property in question is to be redeemed is fixed to be within the year of 1981. (Exhibit "D")."[10]

Article 1315 provides:

"Contracts are perfected by mere consent, and from the moment the parties are bound not only to the fulfillment of what has been expressly stipulated but also to all the consequences which, according to their nature, may be in keeping with good faith, usage and law."

Article 1475 further provides:

"The contract of sale is perfected at the moment there is a meeting of minds upon the thing which is the object of the contract and upon the price.

"From that moment, the parties may reciprocally demand performance, subject to the provisions of the law governing the form of contracts."

The defense of good faith on the part of the Zepedas is likewise questionable. We firmly agree once more with the trial court and the court a quo in its conclusion that there was indeed bad faith on the part of the Zepedas. The trial court observed:

"The defense of the defendants spouses Felix Zepeda and Virginia Reña, that they are buyers in good faith, and have no knowledge on the transactions between the plaintiffs and the defendant Bank before they purchased

the property in question is not supported by convincing evidence, it cannot likewise be sustained.

"The inherent weakness of the defendant's (Mrs. Zepeda) defense that she was not aware or informed by the Manager and lawyer of the Bank about the actual condition of the property being sold to her when she went to the Bank in the month of January, 1981, to check and verify what the actual status of the property is become evident, (sic) if one bears in mind that from the record or title of the land she can readily find out for herself that the lot was still registered in the name of Antonio Santos under T.C.T. No. NT-57013; that there has been no yet (sic) consolidation of the property in favor of the Bank; and that no writ of possession authorizing the bank to legally take over the possession of the parcel of land mortgaged was issued (*Barrameda vs. Gontong* 19 SCRA 387).

"While it may be conceded that in case of an extra-judicial foreclosure of a real estate mortgage, the possession of the property sold may be given to the purchaser by the Sheriff after the period of redemption had expired, unless a third person is actually holding the property adversely to the mortgagor (Sec. 6, Act No. 3135), here there is no evidence presented during the trial by the defendants that the sheriff delivered the possession to the Bank after the sale in its favor is made, but there is clear testimonial evidence that the plaintiffs came to know about the sale of the property in favor of the defendants Zepedas only when the relatives of the Zepedas started cutting the trees in the premises of the property in question and informed them (plaintiffs) that the Zepedas are now the new owners.

"The defense of good faith based upon the claim of Mrs. Zepeda that she has knowledge of the plaintiffs' existing contract because the Manager of the Bank and its attorney, Mr. Hector F. Dysangco, with whom she had negotiated to buy the property, concealed or did not divulge to them the existence of such contract between the Bank and the plaintiffs, wherein the former agreed to the latter for them to redeem the property for P12,000.00, is not only uncorroborated by other evidence but highly improbable for said officers of the bank to hide such kind of transaction. It may be noted on this point that Mrs. Zepeda's version does not coincide with the stand of the Bank that the Manager sold this property to her because they considered it as an acquired asset of the Bank and can lawfully do it.

"Being an intelligent and business oriented person who owns and manages two big stores and a factory in Metro Manila, who came to St. Domingo, Nueva Ecija, for three times, talked to many persons, her cousins, and to the bank's officers, it would be unbelievable for Mrs. Zepeda to fail to discover that the plaintiffs are interested to redeem the property of their brother Antonio Santos.

"It may be noted too that when she came to the Bank for the first time she was greeted by the Manger of the Bank so it was you whom she was able to find", an expression indicating that she was a prospective buyer willing to buy the lot in question with better terms and condition already revealed to her. It is also significant to note that the agreed price in the contract between the Bank and the plaintiffs is P12,000.00, and the term of payment is by installment for one year from January 13, 1981; while the defendant Zepedas offered P14,000.00 or P2,000.00 more than the price agreed upon by the plaintiffs, and in cash.

"The Bank's reason for disposing the property to the Zepedas is because Mrs. Zepeda's offer was for cash basis and for more (P14,000.00), while that of Amansec (plaintiff) is for installment and for P12,000.00 (Exh. "E"), a clear indication that Mrs. Zepeda is aware of this, because she was apprised of the transaction between the Bank and the Plaintiffs, but tried to over bid them in order to be able to buy the property. The Zepedas never assailed this reason.

"Furthermore, why the defendants Zepedas did not file a cross claim, if it was true that the Manager and the lawyer of the Bank concealed to them the actual situation or status of the property in question? And if it is true that said officers of the bank assured them that the property has no legal infirmity and the bank would answer for any legal defects or flaw before it was conveyed to her?"[11]

To strengthen the observance of the Zepedas bad faith, the appellate court said:

"The lower court's accurate observation from the records that confronted with the foregoing, the Zepedas did not inquire into the condition of the property and/or failed to discover the bank's previous transaction with appellees despite their entrepreneurial status and acumen; that their protestations of good faith are, at best, insufficient and uncorroborated; that appellant Bank's Manager intimated to them about its earlier agreement with the plaintiffs (TSN, 24 August 1982, pp. 34-35); and, over and above the foregoing considerations, that the spouses did not file a cross-claim against the appellant Bank despite the latter's alleged non-disclosure of its previous agreement are, sufficient badges of bad faith as would defeat their claim. Finally, the Zepedas' harping over the lower court's apparent misapprehension of their relation to Tarcilla Santos, Plaintiff-Appellee Leonila Amansec's sister-in-law is inconsequential. (Defendants-Appellants Zepe-da's Appeal Brief, p. 8)."[12]

Petitioners miserably failed to prove good faith on their part. There is therefore no reason for Us to disturb the findings and conclusions made by the Court of Appeals.

WHEREFORE, there being no reversible error in the appealed decision, the same is hereby AFFIRMED.

SO ORDERED.

Narvasa, C.J., (Chairman), Feliciano, Regalado, and Campos Jr., JJ., concur.

[1] CA-G.R. CV No. 12849, promulgated on March 13, 1991, with Justice Nathanael P. de Pano, Jr. as ponente, and concurred in by Justice Bonifacio Cacdac, Jr. and Fortunato A. Vailoces.

[2]Exhibit "1".

[3] Exhibit "E".

[4] Rollo, pp. 50-76.

[5] Ibid., at p. 76.

[6] Decision of the Court of Appeals, p. 11, Rollo, p. 29.

[7] Villamor vs. Court of Appeals; G.R. No. 97332, 202 SCRA 607; Article 1475, Civil Code of the Philippines.

[8] T.S.N., December 15, 1981, pp. 25-29.

[9] Universal Food Corporation vs. CA, L-29155, 33 SCRA 1 (1970).

[10] Decision of the Regional Trial Court pp. 22-23, Rollo, pp. 71-72.

[11] Decision of the Regional trial Court, pp. 23-25, Rollo, pp. 72-74.

[12] Decision of the Court of Appeals, pp. 15-16, Rollo, at pp. 33-34.

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