AGRIPINO VILLEGAS, ATANACIO VILLEGAS (DECEASED), SUBSTITUTED BY HIS WIFE SOLEDAD OCAMPO VILLEGAS, ROSA N. SANCHEZ, AND CORAZON SANCHEZ, PETITIONERS, VS. THE COURT OF APPEALS, VI...

G.R. NO. 111495. August 18, 2006

Ponente: CARPIO, J.

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CARPIO, J.:

The Case

Before the Court are the consolidated cases docketed as G.R. No. 111495 and G.R. No. 122404. The consolidated cases involve a parcel of land ("property") located at Evangelista Street, Quiapo, Manila.

The first case, G.R. No. 111495, is a petition for review of the Decision[1] dated 6 January 1993 and Resolution dated 17 August 1993 of the Court of Appeals in CA-G.R. CV No. 25974. The Court of Appeals affirmed the Decision of the Regional Trial Court of Manila, Branch 2 ("RTC Branch 2"), declaring valid the sale of 75% undivided interest in the property to Spouses Lita Sy and Sy Bon Su ("Spouses Sy").[2]

The second case, G.R. No. 122404, is a petition for review of the Decision[3] dated 25 April 1995 and Resolution dated 27 October 1995 of the Court of Appeals in CA-G.R. CV No. 41931. The Court of Appeals affirmed the Decision of the Regional Trial Court of Manila, Branch 45 ("RTC Branch 45"), ordering the heirs of Atanacio Villegas to accept from Spouses Sy the redemption price for the 25% portion of the property.

The Facts

Vicente M. Reyes, Julita R. Maylad, Lorenzo M. Reyes, Lydia R. Feliciano, Ruperta A. Reyes, Estrellita Crisostomo, Yolanda R. Chiu, Virgilio A. Reyes, Carlito A. Reyes and Pacita R. Bautista ("respondent-heirs"), together with Lorenza R. Martinez, Ambrosio M. Reyes, Concepcion Reyes-Ancheta and the heirs of Mario M. Reyes ("other heirs"), were the owners of the property located at Evangelista Street, Quiapo, Manila. They inherited the property from their father, Dr. Lorenzo C. Reyes, who died on 29 December 1985. The property, which has an area of 406.5 square meters, was covered by Transfer Certificate of Title No. 182782.

Agripino Villegas, Atanacio Villegas, Rosa N. Sanchez and Corazon Sanchez ("petitioner-lessees") were the lessees of the property since 1959. Petitioner-lessees owned the building and improvements constructed on the property.

In a letter[4] dated 19 May 1988, the Administrative Committee of the heirs of Dr. Lorenzo C. Reyes ("Administrative Committee"), composed of Dr. Vicente Reyes, Julita R. Maylad and Carlito A. Reyes, informed petitioner-lessees that the heirs have decided to sell the property. The content of the letter reads:

> This is to inform you that by virtue of the Partial Compromise Agreement of the Estate belonging to the late Lorenzo C. Reyes, as approved by Judge Perlita Tria-Tirona, Regional Trial Judge, National Capital Judicial

> Regions, Quezon City Branch No. 102, April 18, 1988, respectively, hereunder are the exclusive owners of the lot which you are presently occupying under lease:
>
> Heirs of the First Marriange
>
> Heirs of the Second Marriage
>
> 1. Vicente M. Reyes
> 1. Ruperta A.Reyes
>
> 2. Lorenza R. Martinez
> 2. Carlito A. Reyes
>
> 3. Ambrosio M. Reyes
> 3. Estrellita A. Reyes
>
> 4. Conception Reyes-Ancheta
> 4. Yolanda [R.] Chiu
>
> 5. Julita R. Maylad
> 5. Virigilio A. Reyes
>
> 6. Lorenzo M. Reyes, Jr.
> 6. Pacita R. Bautista
>
> 7. Lydia R. Feliciano
>
> 8. Heirs of Mario M. Reyes
>
> x x x x
>
> In this connection, we wish to inform you that we are selling the lot under lease with you. Accordingly, we are giving you the opportunity to exercise your rights of pre-emption, made in writing within thirty (30) days upon receipt of this letter. If however, we do not hear from you after the lapse of the said period, we shall take it to mean that you are not interested to purchase the subject lot, which thereby give us the liberty to offer it to other interested parties.[5] (Emphasis supplied)

Petitioner-lessees replied to the Administrative Committee on 14 June 1988, requesting for an extension of 30 days to submit their bid for the property.[6]

On 13 July 1988, petitioner-lessees submitted their bid for the property to the Administrative Committee under the following terms and conditions:

- Bid Price

- - - - - - - -

₱4,000,000.00;

- Upon the signing of the Absolute Deed of Sale, we will pay you 80% of the Bid Price amounting to

- - -- - - - -

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P3,200,000.00;

- Upon delivery of the Transfer Certificate of Title to each of us, we will pay you the 20% balance amounting to

- - - - - - -

800,000.00[7]

In a letter[8] dated July 1988, the Administrative Committee informed petitioner-lessees of their receipt of notice of the P4,000,000 bid price. The Administrative Committee wrote that they requested petitioner-lessees to increase their bid for the property but the latter failed to make another offer so the heirs have decided to sell to another buyer who offered a higher price. Nevertheless, the Administrative Committee indicated in the letter that they would wait for a reply within 15 days and that should the period lapse without any reply from petitioner-lessees, it would mean that petitioner-lessees were no longer interested in buying the property.

On 2 August 1988, petitioner-lessees sent a reply,[9] advising the Administrative Committee that they were willing to make a nominal increase to their bid price of P4,000,000. Petitioner-lessees requested the Administrative Committee to state in writing their asking price for the property.

> On 3 August 1988, the Administrative Committee sent a letter to petitioner-lessees which reads:
>
> Dear Sirs:
>
> We are sorry for the oversight of the date of our last letter. Inasmuch as you received it on the 26[th] of July, let us then consider it as the official date of the letter.
>
> It is the customary agreement with the late Dr. Lorenzo C. Reyes that 15 years after the improvement was put up in the property, the said improvement reverts to the owner of the lot. Since you have put up the existing improvement in 1971, we feel that the said improvement was already owned by the late Lorenzo C. Reyes before his death.
>
> As early as 1985 the said Dr. Reyes has been paying real property taxes on the improvement; which shows that he was already the rightful owner of said improvement.
>
> Since the structure is not of strong materials, with the length of time of 17 yrs., we feel that same is now fully depreciated.
>
> We are also desirous of your buying the property. We have an offer of P5 Million which was submitted to us last month. If you could offer the same amount we will be very happy to accomodate you.
>
> We are sending you a xerox copy of TCT No. 49857, Tax Declaration of Real Property and the latest tax receipts.
>
> May we receive you[r] offer on or before Aug. 11, 1988. Please be guided accordingly.[10] (Emphasis supplied)

In their letter-reply[11] dated 11 August 1988, petitioner-lessees insisted that they own the improvements on the property. Petitioner-lessees wrote that they were willing to reimburse the realty tax paid on the improvements by the late Dr. Lorenzo C. Reyes. Petitioner-lessees requested for a meeting with all the heirs to negotatiate the sale of the property, and informed the Administrative Committee that their final bid price will be submitted during the meeting.

Petitioner-lessees sent their accountant, Benjamin C. Miranda ("Miranda"), to represent them in the conference to negotiate the sale of the property. On the other hand, not all the heirs of Dr. Lorenzo C. Reyes attended the

conference. During the conference, the parties failed to agree on the price and terms for the sale of the property.

On 18 October 1988, petitioner-lessees, excluding Rosa N. Sanchez, wrote another letter to the Administrative Committee which reads:

> The Administrative Committee
>
> Heirs of Dr. Lorenzo C. Reyes
> #22 18[th] Street, New Manila
> Quezon City
>
> Dear Sirs:
>
> We waited for 68 days for your answer to our letter dated August 11, 1988 which did not come.
>
> Considering various economic reasons, you will be happy to hear from us (Lessees) that we have finally accepted your asking price of P5,000,000.00 for your property located at Evangelista Street, district of Sta. Cruz, Manila covered by T.C.T. No. 49857 issued to Dr. Lorenzo C. Reyes on September 3, 1936.
>
> Please prepare all the necessary papers and documents to make the sale legal for all intent and purposes.
>
> Any unpaid taxes such as income, estate, realty and science education fund and documentary stamps shall be for the account of the Heirs including documentation expenses.
>
> Terms of Payment: 95% upon signing of the documents; and 5% upon delivery of the Transfer Certificate of Title in the name of its individual Lessees.Expecting to hear your final confirmation soonest.[12] (Emphasis supplied)
>
> On 3 November 1988, the Administrative Committee replied:
>
> Mr. Atanacio M. Villegas
> Mr. Agripino M. Villegas
> Mrs. Corazon Sanchez
> 654 Evangelista, Quiapo, Manila
>
> Dear Sirs:
>
> This is with reference to your letter dated October 18, 1988.
>
> Several times in the past two months, Mr. Carlito A. Reyes and our other brothers and sisters have informed you that some of the co-owners of our property at the above-given address are no longer agreeable to selling the said property; however, other co-owners, representing a 75% share thereof, were still interested in selling their shares. It is, therefore, very clear from the foregoing that our offer to sell the entire property to you was no longer effective.
>
> Moreover, our offer was for the price of P5,000,000.00 net to the co-owners. Your letter of October 18, 1988 imposes the condition that unpaid taxes shall still be borne by us, which is unacceptable.
>
> We therefore, leave it up to some of the co-owners to negotiate for the sale of their shares with you.[13] (Emphasis supplied)
>
> Respondent-heirs, collectively owning 75% of the property, also sent a letter dated 3 November 1988 to petitioner-lessees:
>
> Mr. Atanacio M. Villegas
> Mr. Agripino M. Villegas
> Mrs. Corazon Sanchez

654 Evangelista, Quiapo, Manila

Dear Sirs:

This is with reference to your letter dated October 18, 1988 to the Administrative Committee of the properties owned by the heirs of Dr. Lorenzo C. Reyes.

You will recall that in the past two months, some of us saw you and/or your representative, Mr. Ben Miranda and explained to you that some of the co-owners of the property at Evangelista Street, Sta. Cruz, Manila, covered by TCT No. 49857, were no longer interested in selling the said property. On the other hand, we the undersigned co-owners holding a 75% share of the said property, were offering to sell our shares to you at the price of 75% of P5,000,000.00, or P3,750,000,000.00. Moreover, the said price was to be net to us, that is, all applicable taxes - capital gains tax, documentary stamp tax, municipal transfer tax and registration expenses - should be borne by you.

It was obvious that our said offer superseded that of our Administrative Committee, which cannot convey the property to you without the unanimous consent of all the co-owners.

We are reiterating our offer to sell our 75% share to you. However, since there is a new offer to purchase the entire property at P5,100,000.00, we are now offering our said 75% share for the price of P3,825,000.00, net to us.

If we do not hear from you within one week from your receipt hereof, we shall feel free to offer our said share to other buyers.[14] (Emphasis supplied)

On 28 November 1988, respondent-heirs sold their 75% undivided interest in the property for P3,825,000 to Lita Sy.[15] Lita Sy also issued a check for P412,500 to Vicente M. Reyes as payment for taxes, agent's commission and miscellaneous expenses.[16] The corresponding title, Transfer Certificate of Title No. 183718[17] was issued on 28 December 1988. The Administrative Committee informed petitioner-lessees of the sale in a letter dated 7 December 1988.[18]

On 1 February 1989, the other heirs sold the remaining 25% portion of the property to Atanacio M. Villegas and Agripino M. Villegas ("Villegas brothers") for P1,250,000.[19]

G.R. No. 111495

On 10 February 1989, petitioner-lessees filed an action against respondent-heirs and Spouses Sy for Annulment of Deed of Sale/Title, Specific Performance, and Consignation of Rentals with Damages.

On 26 February 1990, the RTC Branch 2 rendered a decision, the dispositive portion of which reads:

WHEREFORE, for all of the foregoing, judgment is hereby rendered in favor of the defendants and against the plaintiffs:

- Dismissing the complaint;

- Declaring the deed of sale executed by defendants in favor of spouses Lita Sy and Sy Bon Su and Transfer Certificate of Title No. 183718 issued as a consequence of the deed of sale, valid;

- Ordering the plaintiffs to vacate the premises and surrender the possession thereof to the defendants;

- Ordering the plaintiffs, jointly and severally, to pay the defendants the sum of P1,000.00 as expenses of litigation; P2,000.00 as attorney's fees, and to pay the costs.

SO ORDERED.[20]

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On appeal, the Court of Appeals affirmed the decision of the RTC Branch 2.

Upon motion for reconsideration, the Court of Appeals affirmed its decision with modification. The dispositive portion reads:

> In view of the foregoing, this Court's decision dated January 6, 1993, is AFFIRMED with the modification that the record of this case is ordered remanded to the court a quo for the parties to come into an agreement before the said court as to what portion and physical part of the building shall be occupied by the appellants and the appellees, in proportion to their respective shares in the property involved and for other arrangements regarding the matter.
> SO ORDERED.[21]

G.R. No. 122404

On 18 May 1990, Spouses Sy filed a complaint for Specific Performance against the heirs of Atanacio Villegas, as represented by Soledad de Ocampo,[22] Agripino Villegas, and Ofelia R. Tungol.[23]

On 10 May 1993, the RTC Branch 45 rendered a decision, the dispositive portion of which reads:

> WHEREFORE, judgment is hereby rendered ordering defendants heirs of Atanacio Villegas to:
>
> a) accept the redemption price of P1,250,000.00, including interest thereon from February 1, 1989 until the plaintiffs exercised their right of redemption;
>
> b) to pay the sum of P10,000.00 as attorney's fees to the plaintiffs;
>
> c) and to pay the costs of suit.
>
> SO ORDERED.[24]

On appeal, the Court of Appeals affirmed the decision of the RTC Branch 45.

In a resolution dated 9 June 1999, this Court consolidated the two cases docketed as G.R. Nos. 111495 and 122404.[25]

The Issues

The issues in these consolidated cases can be summarized as follows:

- Whether the contract of sale between respondent-heirs and Lita Sy violated the right of first refusal of petitioner-lessees; and

- Whether Lita Sy, as co-owner of the property, validly and seasonably exercised her right to redeem the 25% undivided interest in the property, which undivided interest the other co-owners had sold to Atanacio M. Villegas and Agripino M. Villegas.

The Ruling of the Court

Right of First Refusal

A right of first refusal is a contractual grant, not of the sale of a property, but of the first priority to buy the property in the event the owner sells the same.[26] The exercise of the right of first refusal is dependent not only on the owner's eventual intention to sell the property but also on the final decision of the owner as regards the terms of the sale including the price.[27]

When a lease contains a right of first refusal, the lessor has the legal duty to the lessee not to sell the leased

property to anyone at any price until after the lessor has made an offer to sell the property to the lessee and the lessee has failed to accept it. Only after the lessee has failed to exercise his right of first priority could the lessor sell the property to other buyers under the same terms and conditions offered to the lessee,[28] or under terms and conditions more favorable to the lessor.

The records show that the heirs of Dr. Lorenzo C. Reyes did recognize the right of first refusal of petitioner-lessees over the property.[29] This is clear from the letter dated 19 May 1988 informing petitioner-lessees that the property they were leasing is for sale. There was an exchange of letters between the Administrative Committee and petitioner-lessees evidencing the offer and counter-offer of both parties.

Petitioner-lessees insist that there was already a perfected contract of sale when they accepted the P5,000,000 offer for the property in their letter dated 18 October 1988. Petitioner-lessees allege that the contract of sale between respondent-heirs and Lita Sy should be annuled since it violated the right of first refusal of petitioner-lessees.

On the other hand, respondent-heirs maintain that the P5,000,000 offer in their letter dated 3 August 1988 already lapsed because petitioner-lessees did not accept the offer within the period granted. Instead, petitioner-lessees opted for a conference during which the parties failed to agree on the price. There was therefore no perfected contract of sale because there was no meeting of minds between the parties.

We agree with respondent-heirs that there was no meeting of the minds between the parties.

Where a time is stated in an offer for its acceptance, the offer is terminated at the expiration of the time given for its acceptance. The offer may also be terminated when the person to whom the offer is made either rejects the offer outright or makes a counter-offer of his own.[30]

The offer of P5,000,000 in the letter dated 3 August 1988 already lapsed when petitioner-lessees failed to accept it within the period granted. The offer was superseded by the new offer of respondent-heirs during the conference. However, it appears from the records that no settlement was reached between the parties during their conference. Engr. Ariel Reyes, son of Vicente M. Reyes, who was present in the conference testified:

> Q:
>
> I am showing to you here a letter dated August 11, 1988 marked as Exhibit 6, will you look at this document Mr. Witness and tell us what relation has this letter to that which you mentioned?
>
> A:
>
> Yes, sir, this is the letter that they were asking for a conference, sir.
>
> Q:
>
> Now, in connection with that conference being requested by the plaintiff, did you have a conference with the plaintiffs, Mr. Witness?
>
> A:
>
> Yes, sir, and I was in that conference.
>
> Q:
>
> All right, who were present in that conference, Mr. Witness?
>
> A:

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Two of the administrative committee Mrs. Maylad, Mr. Carlito Reyes, myself, the brothers and sisters of Mr. Carlito Reyes, sir. We had a meeting with a representative of theirs.

Q:

All right, were the plaintiffs present during that conference?

A:

No, they were not. The plaintiffs were not present at that time.

Q:

And who was present during that meeting?

A:

He introduced himself as Mr. Miranda, sir.

Q:

And did you ask Mr. Miranda why the plaintiffs were not around in that conference?

A:

I believe his answer was Mr. Villegas, the old Villegas was in the hospital at that time.

COURT:

Q:

All right, what was the capacity of Mr. Miranda in that conference?

A:

He said he represents the Villegases and including the Sanchezes. The other tenants of the property because there are two tenants, Villegas and Sanchez, your honor.

COURT:

All right continue.

ATTY. DELA CRUZ:

Q:

All right Mr. Witness, will you please tell this Honorable Court what transpired during your meeting with Mr. Benjamin Miranda?

A:

We discussed the price that we wanted because there was an offer much better than what they were offering and it seems that we did not get nowhere with their discussions, sir.

Q:

Why?

A:

They cannot come up with the price that the others are offering, sir.

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Q:

Would you mention specifically the price Mr. Witness?

A:

We wanted P5.1 Million for the property, all net of everything. Meaning, to all other expenses shall be borne by the buyer like capital gains tax, documentary stamps, etcetera.

COURT:

Q:

All right, what was the last offer before that conference?

A:

I think it was P4 Million, your Honor.

ATTY. DELA CRUZ:

Q: Mr. Witness. . .

COURT:

Q:

Is it not a fact that you made an earlier offer. . . Is it not a fact that you made an offer after the P4-Million in the amount of P5-Million?

A:

Yes, your Honor.

Q:

So, before you made the offer of P5-Million 1 hundred thousand pesos, your offer was P5-Million?

A:

I believe what was in the letter was better than P5-Million, your Honor.

Q:

I am asking you if you agreed with the plaintiff that you made an offer to the plaintiffs in the amount of P5-Million before you made an offer of P5.1 Million in that conference?

A:

I think so. I cannot remember because it was a long time already.

x x x x

ATTY. DELA CRUZ:

Q:

Will you just tell this Honorable Court Mr. Witness what happened to that conference which you said you had with Mr. Miranda?

A:

We did not agree on the price and terms of the property that they offered.

Q:

Well, how much was the price which you talked about in that conference?

A:

We informed the tenants that there was another offer given to us and we raised our price to P5.1-Million net. It was offered by another buyer.

Q:

Would you explain to this Honorable Court what you mean by P5.1-Million net?

A:

It is net of the capital gains and other taxes, government taxes.

COURT:

Q:

Why did you make another offer of P5.1-Million when your former offer of P5-Million was already accepted?

A:

Can I explain to you, with due respect, your Honor. There was a letter given to them; that there should be an acceptance on or before August 11, 1988. What they replied is not acceptance but a conference. So, since that was not met, or since that was not accepted, meaning, we did not accept their offer, what we said on August 11 is that, they should come up with the money or the payment of the property and we will prepare for the Deed of Sale and documents pertaining to the sale.

x x x x

Q:

All right Mr. Witness. After that conference, you had with Mr. Miranda, did you receive any communication from the plaintiffs?

A:

Yes, sir, that was the time we received that Exhibit H.

Q:

All right, I am showing to you here a letter dated October 18, 1988 which was marked as Exhibit A, will you look at this document and tell us what relation has this document to that which you said you received after the conference?

A:

Yes, sir, this is the letter, sir, that they sent.

Q:

Now, what did you do after receiving this letter coming from the plaintiffs?

A:

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There was a reply letter, sir.

Q:

You replied to this letter?

A:

Yes, sir, we replied to that letter.

Q:

If that reply letter to this October 18, 1988 letter will be shown to you, would you be able to identify the same?

A:

Yes, sir.

Q:

I am showing to you here a l etter dated November 3, 1988 previously marked as Exhibit 9, and Exhibit 10, will you look at this letter Mr. Witness and tell us what relation has this letter to that which you mentioned?

A:

Yes, sir, this is the letter informing them that some of the heirs have sold their 75% shares to another interested party, 75% share of the property only, sir.

COURT:

Q:

And one of the heirs composing the 75% share of the vendors included your father?

A:

Yes, your Honor.

COURT:

Q:

All right, let me see Exhibit 9. (Exhibits 9 and 10 was shown to the Court).

COURT:

Q:

All right, before the sale of the 75% share, did you inform the plaintiffs that you are selling the 75% of the whole property?

A:

During the conference, your Honor, because during the conference. . . That's why we did not agree.

Q:

Just answer the question.

A:

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Yes, your Honor, we did.

Q:

Is it not a fact that you only informed the plaintiffs, thru your letter of November 3, 1988, Exhibit 9, that the vendors sold 75%?

A:

Are selling? Yes, sir.

Q:

Meaning, that when you sent Exhibit 9, the property was not yet sold?

A:

Yes, your Honor . [31] (Emphasis supplied)

Even petitioner-lessees' witness Miranda, who was their accountant since 1959, testified that petitioner-lessees did not indicate their offer for the property in their letter dated 11 August 1988 but instead requested for a conference with all the heirs of Dr. Lorenzo C. Reyes. Miranda admitted that the main reason for their request for a conference was because they knew that not all the heirs of Dr. Lorenzo C. Reyes were interested in selling the property. Miranda testified:

ATTY. DELA CRUZ:

Q:

All right, in this letter Mr. Witness, there is in the dispositive portion of this letter the following statement and which I quote for the records: "May we received [sic] your offer on or before August 11, 1988. Please be guided accordingly." You read this portion?

A:

Yes sir. (referring to August 3, 1988 letter)

x x x x

Q:

And as reply to this communication Mr. Witness, you prepared another letter dated August 11, 1988 addressed to the Administrative Committee and which was already marked as Exhibit G for the plaintiffs and Exhibit 6 for the defendants? Could you look at this letter if you are familiar with this?

A:

Yes, sir.

Q:

And you will agree with me Mr. Witness that in your August 11, 1988 letter, you did not make any offer or a counter offer or what not to the letter of the defendants-heirs on August 3, 1988?

A:

You are referring to the amount?

Q:

Yes, you did not mention any?

A:

I did not mention the offer but I requested them to have a 100% attendance because I know that the property being sold had a problem even among the family heirs, there is a problem that is why I wanted them to be present so that if ever who will buy the property we will know where the lessees should be placed out of the four doors because they are all selling three doors. Another thing, that is an inherited property. I requested them to show me a copy of their estate tax because under the internal revenue code, you cannot have a clean title unless the corresponding estate tax on the property is paid. That is why I made also that request, sir.

x x x x

Q:

Now, in this August 11, 1988 letter, which is Exhibit G plaintiffs, you stated that you required complete attendance of the heirs and you did not mention yet a price?

A:

The bid price.

Q:

What was your reason for doing that complete attendance? .

A:

Because I want to find out whether the four are not interested in selling, sir

Q:

When you said four, are they the one representing the ownership of the 25%?

A:

Yes, sir . [32] (Emphasis supplied)

Petitioner-lessees admit that there was an ongoing negotiation for the sale of the property.[33] Precisely, the P5,000,000 price for the property indicated by the Administrative Committee in the letter dated 3 August 1988 was superseded by the subsequent offer of respondent-heirs during the conference. Thus, the letter dated 18 October 1988 of petitioner-lessees is merely another counter-offer for the property in their continuing negotiation for the property. The latest offer of respondent-heirs was contained in their letter dated 3 November 1988 wherein only the 75% undivided interest of the property was for sale at P3,825,000. When petitioner-lessees opted not to respond to this offer, respondent-heirs had the right to sell the property to other buyers.

Petitioner-lessees already exercised their right of first refusal when they refused to respond to the latest offer of respondent-heirs, which amounted to a rejection of the offer. Upon petitioner-lessees' failure to respond to this latest offer of respondent-heirs, the latter could validly sell the property to other buyers under the same terms and conditions offered to petitioner-lessees.[34] Thus, when respondent-heirs sold the property to Lita Sy, respondent-heirs did not violate the right of first refusal of petitioner-lessees. Indeed, petitioner-lessees were given more than ample opportunity to purchase the property.

Petitioner-lessees allege that the price offered to Lita Sy was lower than the price offered to them. The records of the case reveal otherwise.

The last price which respondent-heirs offered to petitioner-lessees was

P3,825,000 for the 75% undivided interest in the property. The price of P3,825,000 was computed based on the price of P5,100,000 for the entire property. Moreover, capital gains tax, documentary stamp tax, municipal transfer tax and registration expenses should be paid by petitioner-lessees. However, petitioner-lessees were only willing to pay P5,000,000 for the entire property. Petitioner-lessees also indicated in their letter dated 8 October 1988 that unpaid taxes such as income, estate, realty & science education fund and documentary stamps should be borne by the heirs of Dr. Lorenzo C. Reyes.

On the other hand, Lita Sy paid P3,825,000 for the 75% undivided interest in the property. This is exclusive of the P412,500 which Lita Sy paid to Vicente M. Reyes for taxes, agent's commission and miscellaneous expenses. Thus, Lita Sy paid a total of P4,237,500. Clearly, this amount is not lower than the price offered to petitioner-lessees.

Legal Redemption

The Villegas brothers maintain that Lita Sy failed to exercise her right of redemption within the 30-day period prescribed under Article 1623 of the Civil Code. According to the Villegas brothers, Lita Sy received on 17 February 1989 a copy of the Deed of Sale evidencing the sale of the 25% portion of the property to the Villegas brothers. However, it was only in a demand letter dated 29 March 1990 that Lita Sy invoked her right of redemption.

Articles 1620 and 1623 of the Civil Code provide:

> Art. 1620. A co-owner of a thing may exercise the right of redemption in case the shares of all the other co-owners or of any of them, are sold to a third person. If the price of the alienation is grossly excessive, the redemptioner shall pay only a reasonable one.
>
> Should two or more co-owners desire to exercise the right of redemption, they may only do so in proportion to the share they may respectively have in the thing owned in common.
>
> Art. 1623. The right of legal pre-emption or redemption shall not be exercised except within thirty days from the notice in writing by the prospective vendor, or by the vendor, as the case may be. The deed of sale shall not be recorded in the Registry of Property, unless accompanied by an affidavit of the vendor that he has given written notice thereof to all possible redemptioners.
>
> The right of redemption of co-owners excludes that of adjoining owners.

The records reveal that on 17 February 1989, Lita Sy received the complaint for Annulment of Deed of Sale/Title, Specific Performance, and Consignation of Rentals with Damages filed by petitioner-lessees. On the same date, Lita Sy also received together with the complaint the Deed of Sale of the 25% portion of the property.

Lita Sy and the other defendants in that case filed their answer on 16 March 1989.[35] In their answer, Lita Sy invoked her right to redeem the property:

> x x x x
>
> - That the Deed of Sale (Annex "N") in favor of the plaintiffs was based on a Transfer Certificate of Title No. 183718 (Annex "M") where defendant Lita Sy is already a co-owner to the extent of 36/48 portion on the subject property, which circumstance impliedly admits that defendants heirs have validly and legally disposed the 75% portion to defendant Lita Sy and plaintiffs are therefore estopped to deny it;
>
> - That as a co-owner with the sellers of the 25% portion of the subject lot, defendant Lita Sy has the right to redeem the shares disposed by the other co-owners in accordance with Art. 1620 of the New Civil Code and

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> hereby exercise the same;
>
> - That the Deed of Sale (Annex "N" Complaint) allegedly executed by the other heirs constituting twenty five (25%) percent of the subject property cannot as yet vest full ownership over the same until the co-owner defendant Lita Sy shall have failed or waived her rights to redeem the aforesaid 25% of the subject property in question;
>
> x x x x
>
> P R A Y E R
>
> WHEREFORE, premises considered, it is respectfully prayed that after hearing a judgment be rendered dismissing the instant complaint for lack of merit and order the plaintiffs jointly and severally:
>
> x x x x
>
> e) To sell or execute a Deed of Sale in favor of defendant Lita Sy covering the remaining 25% portion of the subject property in full exercise of the right of redemption under the law.
>
> x x x x

Lita Sy claims that the answer filed with the RTC Branch 2 is equivalent to a formal offer to redeem the 25% undivided interest in the property sold to the Villegas brothers. Lita Sy also claims that since she offered to redeem the property on 16 March 1989, which is within 30 days from her receipt of the notice of the sale on 17 February 1989, she has complied with the condition fixed by law and may bring an action to enforce the redemption.

We hold that there was no valid and effective offer to redeem the 25% undivided interest in the property. Although Lita Sy invoked her right to redeem the property in the answer filed with the RTC Branch 2, she failed to consign in court the redemption price. Well-settled is the rule that a formal offer to redeem must be accompanied by a valid tender of the redemption price and that the filing of a judicial action, plus the consignation of the redemption price within the period of redemption, is equivalent to a formal offer to redeem.[36]

> As held by this Court in Tolentino v. Court of Appeals:
>
> [A] formal offer to redeem, accompanied by a bona fide tender of the redemption price, although proper, is not essential where, as in the instant case, the right to redeem is exercised thru the filing of a judicial action, which as noted earlier was made simultaneously with the deposit of the redemption price with the Sheriff, within the period of redemption. The formal offer to redeem, accompanied by a bona fide tender of the redemption price within the period of redemption prescribed by law, is only essential to preserve the right of redemption for future enforcement even beyond such period of redemption. The filing of the action itself, within the period of redemption, is equivalent to a formal offer to redeem. Should the court allow redemption, the redemptioners should then pay the amount already adverted to.[37]

The importance of a valid tender or consignation of the redemption price was sufficiently explained by Justice J.B.L. Reyes in Conejero v. Court of Appeals:

> It is not difficult to discern why the redemption price should either be fully offered in legal tender or else validly consigned in court. Only by such means can the buyer become certain that the offer to redeem is one made seriously and in good faith. A buyer can not be expected to entertain an offer of redemption without attendant evidence that the redemptioner can, and is willing to, accomplish the repurchase immediately. A different rule would leave the buyer open to harrassment by speculators or crackpots, as well as to unnecessary prolongation of the redemption period, contrary to the policy of the law. While consignation of the tendered

> price is not always necessary because legal redemption is not made to discharge a pre-existing debt (Asturias Sugar Central versus Cane Molasses Co., 60 Phil 253), a valid tender is indispensable, for the reasons already stated. Of course, consignation of the price would remove all controversy as to the petitioner's ability to pay at the proper time.[38]

In Conejero, the Court held that to effectively exercise the right of redemption, the offer to redeem the property within the 30-day period must be accompanied by a reasonable and valid tender of the entire repurchase price. The Court held:

> [Conejero] failed to make a valid tender of the price of the sale paid by the Raffiñans within the period fixed by law. Conejero merely offered a check for P10,000, which was not even legal tender and which the Raffiñans rejected, in lieu of the price of P28,000 recited in the deed of sale. The factual finding of the Court of Appeals to this effect is final and conclusive. Nor were the vendees obligated to accept Conejero's promise to pay the balance by means of a loan to be obtained in futuro from a bank. Bona fide redemption necessarily imports a reasonable and valid tender of the entire repurchase price, and this was not done. There is no cogent reason for requiring the vendee to accept payment by installments from a redemptioner, as it would ultimately result in an indefinite extension of the 30-day redemption period, when the purpose of the law in fixing a short and definite term is clearly to avoid prolonged and anti-economic uncertainty as to ownership of the thing sold (cf Torrijos vs. Crisologo, et al., G.R. No. L-1773, Sept. 29, 1962).[39]

In this case, Lita Sy failed to consign in court the redemption price when she invoked her right to redeem the 25% portion of the property in the answer filed with the RTC Branch 2. The evidence does not show that Lita Sy ever tendered the redemption price to the Villegas brothers. Even when Lita Sy's lawyer sent a letter dated 29 March 1990 reiterating the demand for the Villegas brothers to resell the 25% interest in the property, still no tender of the redemption price was made. There is likewise no evidence that Lita Sy consigned the redemption price in court when she filed on 18 May 1990 a complaint for Specific Performance against the heirs of Atanacio Villegas, as represented by Soledad de Ocampo, Agripino Villegas, and Ofelia R. Tungol.

Considering that there was no tender of the redemption price, nor was there consignation of the redemption price, we hold that there was no valid exercise of the right of redemption.

WHEREFORE, we DENY the petition in G.R. No. 111495. We AFFIRM the Decision dated 6 January 1993 of the Court of Appeals in CA-G.R. CV No. 25974, as modified by its Resolution dated 17 August 1993.

We GRANT the petition in G.R. No. 122404. We SET ASIDE the Decision and Resolution of the Court of Appeals in CA-G.R. CV No. 41931, and RENDER a new one:

- Upholding the right of Atanacio M. Villegas and Agripino M. Villegas over the 25% undivided interest in the property; and

- Denying the demand for legal redemption by Spouses Lita Sy and Sy Bon Su.

No pronouncement on costs.

SO ORDERED.

Quisumbing, (Chairperson), Carpio Morales, Tinga, and Velasco, Jr., JJ., concur.

[1] Penned by Associate Justice Gloria C. Paras, with Associate Justices Luis L. Victor and Fermin A. Martin, Jr., concurring.

[2] The Deed of Absolute Sale dated 28 November 1988 states that the vendee of the 36/48 (or 75%) share of the property is Lita Sy, married to Sy Bon Su; Exh. "L," records (G.R. No. 111495), pp. 31-35.

[3] Penned by Associate Justice Justo P. Torres, Jr., with Associate Justices Ruben T. Reyes and Celia Lipana-Reyes, concurring.

[4] Exh. "A," records (G.R. No. 111495), pp. 14-15.

[5] Id. at 15.

[6] See Exh. "B," records (G.R. No. 111495), p. 16.

[7] See Exh. "C," id. at 17.

[8] Exh. "D," id. at 18.

[9] Exh. "E," id. at 19-20.

[10] Exh. "F," id. at 21.

[11] Exh. "G," id. at 22.

[12] Exh. "H," id. at 26.

[13] Exh. "I,' id. at 27.

[14] Exh. "J," id. at 28-29.

[15] See Deed of Absolute Sale, Exh. "L," G.R. No. 111495 records, pp. 31-35. The Deed of Sale, which was dated 28 November 1988, stated that the court-approved Partial Compromise Agreement of the heirs of Lorenzo C. Reyes apportioned the property in the following undivided shares:

Vicente M. Reyes

-

3/48

Julita R. Maylad

-

3/48

Lorenzo M. Reyes, Jr.

-

3/48

Lydia R. Feliciano

-

3/48

Ruperta A. Reyes

-

4/48

Carlito A. Reyes

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-

4/48

Estrellita R. Crisostomo

-

4/48

Yolanda R. Chiu

-

4/48

Virgilio A. Reyes

-

4/48

Pacita R. Bautista

-

4/48

Ambrosio Reyes

-

3/38

Lorenza Martinez

-

3/48

Concepcion Ancheto

-

3/48

Mario Reyes

-

3/48

Respondent-heirs collectively own 36/48 or 75% of the property, while the other heirs own the remaining 12/48 or 25% of the property.

[16] Thus, the total amount paid by Lita Sy was (P3,825,000 + P412,500 =) P4,237,500. See Exhs. "P" and "Q," records (G.R. No. 111495), pp. 155-156.

[17] Exh. "M," records (G.R. No. 111495), pp. 36-37.

[18] Exh. "K," id. at 30. The letter stated that respondent-heirs sold their 75% interest in the property to Lita Sy on 25 November 1988. However, the date on the Deed of Absolute Sale was 28 November 1988.

[19] See Deed of Absolute Sale, Exh. "N," id. at 38-40.

[20] Rollo (G.R. No. 111495), p. 72.

[21] Id. at 181.

[22] Soledad de Ocampo is the widow of Atanacio Villegas.

[23] Ofelia R. Tungol is the wife of Agripino Villegas.

[24] Rollo (G.R. No. 122404), pp. 66-67.

[25] Rollo (G.R. No 111495), p. 262.

[26] Rosencor Development Corporation v. Inquing, G.R. No. 140179, 8 March 2001, 354 SCRA 119.

[27] See Vazquez v. Ayala Corporation, G.R. No. 149734, 19 November 2004, 443 SCRA 231.

[28] See Riviera Filipina, Inc. v. Court of Appeals, 430 Phil. 8 (2002); Parañaque Kings Enterprises, Inc. v. Court of Appeals, G.R. No. 111538, 26 February 1997, 268 SCRA 727; Guzman, Bocaling & Co. v. Bonnevie, G.R. No. 86150, 2 March 1992, 206 SCRA 668.

[29] It does not appear in the records that the right of first refusal is provided in the lease contract. Neither petitioner-lessees nor respondent-heirs allege that the right of first refusal is expressly stipulated in the lease contract. The lease contract was not offered as evidence by either party.

[30] Minneapolis & S.L. Railway v. Columbus Rolling Mill, 119 US 149, 30 L Ed. 376 (1886).

[31] TSN, 6 December 1989, pp. 12-15, 26-30.

[32] TSN, 14 August 1989, pp. 31-32, 35.

[33] Rollo (G.R. No. 111495), p. 27.

[34] See Litonjua v. L&R Corp., 378 Phil. 145 (1999).

[35] Records (G.R. No. 111495), pp. 47-54.

[36] Lee Chuy Realty Corporation v. Court of Appeals, G.R. No. 104114, 4 December 1995, 250 SCRA 596.

[37] Nos. L-50405-06, 5 August 1981, 106 SCRA 513, 526.

[38] 123 Phil. 605, 612-613 (1966).

[39] Id. at 611.

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