

CENTRAL PHILIPPINE UNIVERSITY, PETITIONER, VS. COURT OF APPEALS, REMEDIOS FRANCO, FRANCISCO N. LOPEZ, CECILIA P. VDA. DE LOPEZ, REDAN LOPEZ AND REMARENE LOPEZ, RESPONDENTS.

G.R. No. 112127. July 17, 1995

Ponente: BELLOSILLO, J.

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BELLOSILLO, J.:

CENTRAL PHILIPPINE UNIVERSITY filed this petition for review on certiorari of the decision of the Court of Appeals which reversed that of the Regional Trial Court of Iloilo City directing petitioner to reconvey to private respondents the property donated to it by their predecessor-in-interest.

Sometime in 1939, the late Don Ramon Lopez, Sr., who was then a member of the Board of Trustees of the Central Philippine College (now Central Philippine University [CPU]), executed a deed of donation in favor of the latter of a parcel of land identified as Lot No. 3174-B-1 of the subdivision plan Psd-1144, then a portion of Lot No. 3174-B, for which Transfer Certificate of Title No. T-3910-A was issued in the name of the donee CPU with the following annotations copied from the deed of donation -

1. The land described shall be utilized by the CPU exclusively for the establishment and use of a medical college with all its buildings as part of the curriculum;
2. The said college shall not sell, transfer or convey to any third party nor in any way encumber said land;
3. The said land shall be called "RAMON LOPEZ CAMPUS", and the said college shall be under obligation to erect a cornerstone bearing that name. Any net income from the land or any of its parks shall be put in a fund to be known as the "RAMON LOPEZ CAMPUS FUND" to be used for improvements of said campus and erection of a building thereon."^[1]

On 31 May 1989, private respondents, who are the heirs of Don Ramon Lopez, Sr., filed an action for annulment of donation, reconveyance and damages against CPU alleging that since 1939 up to the time the action was filed the latter had not complied with the conditions of the donation. Private respondents also argued that petitioner had in fact negotiated with the National Housing Authority (NHA) to exchange the donated property with another land owned by the latter.

In its answer petitioner alleged that the right of private respondents to file the action had prescribed; that it did not violate any of the conditions in the deed of donation because it never used the donated property for any other purpose than that for which it was intended; and, that it did not sell, transfer or convey it to any third party.

On 31 May 1991, the trial court held that petitioner failed to comply with the conditions of the donation and declared it null and void. The court a quo further directed petitioner to execute a deed of reconveyance of the property in favor of the heirs of the donor, namely, private respondents herein.

Petitioner appealed to the Court of Appeals which on 18 June 1993 ruled that the annotations at the back of petitioner's certificate of title were resolutive conditions breach of which should terminate the rights of the donee thus making the donation revocable.

The appellate court also found that while the first condition mandated petitioner to utilize the donated property for the establishment of a medical school, the donor did not fix a period within which the condition must be fulfilled, hence, until a period was fixed for the fulfillment of the condition, petitioner could not be considered as having failed to comply with its part of the bargain. Thus, the appellate court rendered its decision reversing the appealed decision and remanding the case to the court of origin for the determination of the time within which petitioner should comply with the first condition annotated in the certificate of title.

Petitioner now alleges that the Court of Appeals erred: (a) in holding that the quoted annotations in the certificate of title of petitioner are onerous obligations and resolutive conditions of the donation which must be fulfilled non-compliance of which would render the donation revocable; (b) in holding that the issue of prescription does not deserve "disquisition;" and, (c) in remanding the case to the trial court for the fixing of the period within which petitioner would establish a medical college.[2]

We find it difficult to sustain the petition. A clear perusal of the conditions set forth in the deed of donation executed by Don Ramon Lopez, Sr., gives us no alternative but to conclude that his donation was onerous, one executed for a valuable consideration which is considered the equivalent of the donation itself, e.g., when a donation imposes a burden equivalent to the value of the donation. A gift of land to the City of Manila requiring the latter to erect schools, construct a children's playground and open streets on the land was considered an onerous donation.[3] Similarly, where Don Ramon Lopez donated the subject parcel of land to petitioner but imposed an obligation upon the latter to establish a medical college thereon, the donation must be for an onerous consideration.

Under Art. 1181 of the Civil Code, on conditional obligations, the acquisition of rights, as well as the extinguishment or loss of those already acquired, shall depend upon the happening of the event which constitutes the condition. Thus, when a person donates land to another on the condition that the latter would build upon the land a school, the condition imposed was not a condition precedent or a suspensive condition but a resolutive one.[4] It is not correct to say that the schoolhouse had to be constructed before the donation became effective, that is, before the donee could become the owner of the land, otherwise, it would be invading the property rights of the donor. The donation had to be valid before the fulfillment of the condition.[5] If there was no fulfillment or compliance with the condition, such as what obtains in the instant case, the donation may now be revoked and all rights which the donee may have acquired under it shall be deemed lost and extinguished.

The claim of petitioner that prescription bars the instant action of private respondents is unavailing. The condition imposed by the donor, i.e., the building of a medical school upon the land donated, depended upon the exclusive will of the donee as to when this condition shall be fulfilled. When petitioner accepted the donation, it bound itself to comply with the condition thereof. Since the time within which the condition should be fulfilled depended upon the exclusive will of the petitioner, it has been held that its absolute acceptance and the acknowledgment of its obligation provided in the deed of donation were sufficient to prevent the statute of limitations from barring the action of private respondents upon the original contract which was the deed of donation.[6]

Moreover, the time from which the cause of action accrued for the revocation of the donation and recovery of the property donated cannot be specifically determined in the instant case. A cause of action arises when that which should have been done is not done, or that which should not have been done is done.[7] In cases where there is no special provision for such computation, recourse must be had to the rule that the period must be counted from the

day on which the corresponding action could have been instituted. It is the legal possibility of bringing the action which determines the starting point for the computation of the period. In this case, the starting point begins with the expiration of a reasonable period and opportunity for petitioner to fulfill what has been charged upon it by the donor.

The period of time for the establishment of a medical college and the necessary buildings and improvements on the property cannot be quantified in a specific number of years because of the presence of several factors and circumstances involved in the erection of an educational institution, such as government laws and regulations pertaining to education, building requirements and property restrictions which are beyond the control of the donee.

Thus, when the obligation does not fix a period but from its nature and circumstances it can be inferred that a period was intended, the general rule provided in Art. 1197 of the Civil Code applies, which provides that the courts may fix the duration thereof because the fulfillment of the obligation itself cannot be demanded until after the court has fixed the period for compliance therewith and such period has arrived.[8]

This general rule however cannot be applied considering the different set of circumstances existing in the instant case. More than a reasonable period of fifty (50) years has already been allowed petitioner to avail of the opportunity to comply with the condition even if it be burdensome, to make the donation in its favor forever valid. But, unfortunately, it failed to do so. Hence, there is no more need to fix the duration of a term of the obligation when such procedure would be a mere technicality and formality and would serve no purpose than to delay or lead to an unnecessary and expensive multiplication of suits.[9] Moreover, under Art. 1191 of the Civil Code, when one of the obligors cannot comply with what is incumbent upon him, the obligee may seek rescission and the court shall decree the same unless there is just cause authorizing the fixing of a period. In the absence of any just cause for the court to determine the period of the compliance, there is no more obstacle for the court to decree the rescission claimed.

Finally, since the questioned deed of donation herein is basically a gratuitous one, doubts referring to incidental circumstances of a gratuitous contract should be resolved in favor of the least transmission of rights and interests.[10] Records are clear and facts are undisputed that since the execution of the deed of donation up to the time of filing of the instant action, petitioner has failed to comply with its obligation as donee. Petitioner has slept on its obligation for an unreasonable length of time. Hence, it is only just and equitable now to declare the subject donation already ineffective and, for all purposes, revoked so that petitioner as donee should now return the donated property to the heirs of the donor, private respondents herein, by means of reconveyance.

WHEREFORE, the decision of the Regional Trial Court of Iloilo, Br. 34, of 31 May 1991 is REINSTATED and AFFIRMED, and the decision of the Court of Appeals of 18 June 1993 is accordingly MODIFIED. Consequently, petitioner is directed to reconvey to private respondents Lot No. 3174-B-1 of the subdivision plan Psd-1144 covered by Transfer Certificate of Title No. T-3910-A within thirty (30) days from the finality of this judgment.

Costs against petitioner.

SO ORDERED.

Quiason and Kapunan, JJ., concur.

Padilla, J., (Chairman), join J. Davide, Jr. in his dissenting opinion.

[1] Rollo, p. 23.

- [2] Rollo, p. 8.
- [3] *City of Manila v. Rizal Park Co.*, 53 Phil. 515 (1929).
- [4] *Parks v. Province of Tarlac*, 49 Phil. 142 (1926).
- [5] *Ibid.*
- [6] *Osmeña v. Rama*, 14 Phil. 99 (1909).
- [7] Arturo M. Tolentino, *The Civil Code of the Philippines*, 1986 Ed., Vol. IV, p. 42.
- [8] *Concepcion v. People*, 74 Phil. 63 (1942).
- [9] *Tiglao v. Manila Railroad Co.*, 52 O.G., p. 179.
- [10] Art. 1378, Civil Code.

DISSENTING OPINION

DAVIDE, JR., J.:

I agree with the view in the majority opinion that the donation in question is onerous considering the conditions imposed by the donor on the donee which created reciprocal obligations upon both parties. Beyond that, I beg to disagree.

First of all, may I point out an inconsistency in the majority opinion's description of the donation in question. In one part, it says that the donation in question is onerous. Thus, on page 4 it states:

We find it difficult to sustain the petition. A clear perusal of the conditions set forth in the deed of donation executed by Don Ramon Lopez, Sr., give us no alternative but to conclude that his donation was onerous, one executed for a valuable consideration which is considered the equivalent of the donation itself, e.g., when a donation imposes a burden equivalent to the value of the donation.... (emphasis supplied)

Yet, in the last paragraph of page 8 it states that the donation is basically a gratuitous one. The pertinent portion thereof reads:

Finally, since the questioned deed of donation herein is basically a gratuitous one, doubts referring to incidental circumstances of a gratuitous contract should be resolved in favor of the least transmission of rights and interest... (emphasis supplied)

Second, the discussion on conditional obligations is unnecessary. There is no conditional obligation to speak of in this case. It seems that the "conditions" imposed by the donor and as the word is used in the law of donations is confused with "conditions" as used in the law of obligations. In his annotation of Article 764 of the Civil Code on Donations, Arturo M. Tolentino, citing the well-known civilists such as Castan, Perez Gonzalez and Alguer, and Colin & Capitant, states clearly the context within which the term "conditions" is used in the law of donations, to wit:

The word "conditions" in this article does not refer to uncertain events on which the birth or extinguishment of a juridical relation depends, but is used in the vulgar sense of obligations or charges imposed by the donor on the donee. It is used, not in its technical or strict legal sense, but in its broadest sense.[1] (*Italics supplied*)

Clearly then, when the law and the deed of donation speaks of "conditions" of a donation, what are referred to are

actually the obligations, charges or burdens imposed by the donor upon the donee and which would characterize the donation as onerous. In the present case, the donation is, quite obviously, onerous, but it is more properly called a "modal donation." A modal donation is one in which the donor imposes a prestation upon the donee. The establishment of the medical college as the condition of the donation in the present case is one such prestation.

The conditions imposed by the donor Don Ramon Lopez determines neither the existence nor the extinguishment of the obligations of the donor and the donee with respect to the donation. In fact, the conditions imposed by Don Ramon Lopez upon the donee are the very obligations of the donation -- to build the medical college and use the property for the purposes specified in the deed of donation. It is very clear that those obligations are unconditional, the fulfillment, performance, existence or extinguishment of which is not dependent on any future or uncertain event or past and unknown event, as the Civil Code would define a conditional obligation.[2]

Reliance on the case of *Parks vs. Province of Tarlac*[3] as cited on page 5 of the majority opinion is erroneous in so far as the latter stated that the condition in *Parks* is a resolutive one and applied this to the present case. A more careful reading of this Court's decision would reveal that nowhere did we say, whether explicitly or impliedly, that the donation in that case, which also has a condition imposed to build a school and a public park upon the property donated, is a resolutive condition.[4] It is incorrect to say that the "conditions" of the donation there or in the present case are resolutive conditions because, applying Article 1181 of the Civil Code, that would mean that upon fulfillment of the conditions, the rights already acquired will be extinguished. Obviously, that could not have been the intention of the parties.

What the majority opinion probably had in mind was that the conditions are resolutive because if they are not complied with, the rights of the donee as such will be extinguished and the donation will be revoked. To my mind, though, it is more accurate to state that the conditions here are not resolutive conditions but, for the reasons stated above, are the obligations imposed by the donor.

Third, I cannot subscribe to the view that the provisions of Article 1197 cannot be applied here. The conditions/obligations imposed by the donor herein are subject to a period. I draw this conclusion based on our previous ruling which, although made almost 90 years ago, still finds application in the present case. In *Barretto vs. City of Manila*,[5] we said that when the contract of donation, as the one involved therein, has no fixed period in which the condition should be fulfilled, the provisions of what is now Article 1197 (then Article 1128) are applicable and it is the duty of the court to fix a suitable time for its fulfillment. Indeed, from the nature and circumstances of the conditions/obligations of the present donation, it can be inferred that a period was contemplated by the donor. Don Ramon Lopez could not have intended his property to remain idle for a long period of time when in fact, he specifically burdened the donee with the obligation to set up a medical college therein and thus put his property to good use. There is a need to fix the duration of the time within which the conditions imposed are to be fulfilled.

It is also important to fix the duration or period for the performance of the conditions/obligations in the donation in resolving the petitioner's claim that prescription has already barred the present action. I disagree once more with the ruling of the majority that the action of the petitioners is not barred by the statute of limitations. There is misplaced reliance again on a previous decision of this Court in *Osmeña vs. Rama*. [6] That case does not speak of a deed of donation as erroneously quoted and cited by the majority opinion. It speaks of a contract for a sum of money where the debtor herself imposed a condition which will determine when she will fulfill her obligation to pay the creditor, thus, making the fulfillment of her obligation dependent upon her will. What we have here, however, is not a contract for a sum of money but a donation where the donee has not imposed any conditions on the fulfillment of its obligations. Although it is admitted that the fulfillment of the conditions/obligations of the present donation may be dependent on the will of the donee as to when it will comply therewith, this did not arise

out of a condition which the donee itself imposed. It is believed that the donee was not meant to and does not have absolute control over the time within which it will perform its obligations. It must still do so within a reasonable time. What that reasonable time is, under the circumstances, for the courts to determine. Thus, the mere fact that there is no time fixed as to when the conditions of the donation are to be fulfilled does not ipso facto mean that the statute of limitations will not apply anymore and the action to revoke the donation becomes imprescriptible.

Admittedly, the donation now in question is an onerous donation and is governed by the law on contracts (Article 733) and the case of *Osmeña*, being one involving a contract, may apply. But we must not lose sight of the fact that it is still a donation for which this Court itself applied the pertinent law to resolve situations such as this. That the action to revoke the donation can still prescribe has been the pronouncement of this Court as early as 1926 in the case of *Parks* which, on this point, finds relevance in this case. There, this Court said,

[that] this action [for the revocation of the donation] is prescriptible, there is no doubt. There is no legal provision which excludes this class of action from the statute of limitations. And not only this, the law itself recognizes the prescriptibility of the action for the revocation of a donation, providing a special period of [four] years for the revocation by the subsequent birth of children [Art. 646, now Art. 763], and ... by reason of ingratitude. If no special period is provided for the prescription of the action for revocation for noncompliance of the conditions of the donation [Art. 647, now Art. 764], it is because in this respect the donation is considered onerous and is governed by the law of contracts and the general rules of prescription.[7]

More recently, in *De Luna v. Abrigo*,[8] this Court reiterated the ruling in *Parks* and said that:

It is true that under Article 764 of the New Civil Code, actions for the revocation of a donation must be brought within four (4) years from the non-compliance of the conditions of the donation. However, it is Our opinion that said article does not apply to onerous donations in view of the specific provision of Article 733 providing that onerous donations are governed by the rules on contracts.

In the light of the above, the rules on contracts and the general rules on prescription and not the rules on donations are applicable in the case at bar.

The law applied in both cases is Article 1144(1). It refers to the prescription of an action upon a written contract, which is what the deed of an onerous donation is. The prescriptive period is ten years from the time the cause of action accrues, and that is, from the expiration of the time within which the donee must comply with the conditions/obligations of the donation. As to when this exactly is remains to be determined, and that is for the courts to do as reposed upon them by Article 1197.

For the reasons expressed above, I register my dissent. Accordingly, the decision of the Court of Appeals must be upheld, except its ruling that the conditions of the donation are resolutory.

[1] ARTURO M. TOLENTINO, *Commentaries and Jurisprudence on the Civil Code of the Philippines* 535, vol. 2 [1983].

[2] Article 1179.

[3] 49 Phil. 142 [1926].

[4] *Id.* at 145-146.

[5] 7 Phil. 416 [1907].

[6] 14 Phil. 99 [1909].

[7] Parks vs. Province of Tarlac, supra note 3, at 146.

[8] 181 SCRA 150 [1990].

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