

LORETO ADALIN, CARLOS CALINGASAN, DEMETRIO ADAYA AND MAGNO ADALIN, PETITIONERS, VS. THE HON. COURT OF APPEALS, FAUSTINO L. YU, ANTONIO T. LIM, ELENA K. PALANCA, JOSE PALANCA, ED...*G.R. No. 120191. October 10, 1997*

Ponente: HERMOSISIMA, JR., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-120191/>**HERMOSISIMA, JR., J.:**

Before us is a petition for review seeking the reversal of the Decision[1] of the Court of Appeals[2] and in lieu thereof, the reinstatement of the Decision[3] of the Regional Trial Court[4] in an action for specific performance filed by private respondents Faustino L. Yu and Antonio T. Lim against the Kado siblings, namely, private respondents Elena K. Palanca, Eduarda K. Vargas, Mercedes K. Caballero, Isabel K. Villamor, Jose Kado, Maria K. Calonzo, Teofila Kado and Nestor Kado, and their respective spouses.

In essence, the petition poses a challenge against the respondent appellate court's legal conclusion that the transaction entered into by private respondents Yu and Lim with private respondents Kado siblings, is one of an absolute sale and not merely a conditional sale as denominated in the document signed by said parties. As such, there is no dispute as to the following facts:

“xxx [F]rom the welter of evidence and the record, it has been established that Elena Kado Palanca, and her brothers and sisters, namely, Eduarda K. Vargas, Mercedes K. Caballero, Isabel K. Villamor, Jose Kado, Maria K. Calonzo, Teofila Kado and Nestor Kado, hereinafter referred to, for brevity's sake, as the Appellees-Vendors, were the owners of a parcel of land, with an area of 1,343 square meters, with a five-door, one storey commercial building constructed thereon, fronting the Imperial Hotel, located along Magallanes Street, Cotabato City, described in and covered by Transfer Certificate of Title No. T-12963 of the Registry of Deeds of Cotabato City x x x. One of the five (5) doors was leased to Loreto Adalin, hereinafter referred to as the Appellee Adalin, two (2) doors were leased to Carlos Calingasan and Demetrio Adaya respectively, and two (2) doors were leased to Magno Adalin, all of whom are hereinafter referred to, for brevity's sake, as the Appellees-Vendees. The Appellees-Vendees and Appellee Adalin paid a monthly rental of P1,500.00 for each door. The Appellees-Vendors commissioned Ester Bautista to look for and negotiate with prospective buyers for the sale of their property for the price of P3,000,000.00. Sometime in August, 1987, Ester Bautista offered the property, for sale, to the Appellants and the latter agreed to buy the property. A conference was held in the office of the Appellant Faustino Yu, at the Imperial Hotel, where he was the President-Manager, with both Appellants, the Appellee Adalin, the Appellees-Vendors Elena Palanca and Teofilo Kado, in their behalf and in behalf of the Appellees-Vendors, in attendance, to discuss the terms and conditions of the sale. The Appellants and Appellee Adalin, the Appellees-Vendors agreed that the Appellants will each buy two (2) doors while Appellee Adalin will buy the fifth door which he was leasing from the Appellees-Vendors, all for the price of P2,600,000.00. During the conference, the Appellants inquired from the Appellee-Vendor Elena Palanca whether the Appellees-Vendees were interested to buy the property but the Appellee-Vendor Elena Palanca replied that the property had been offered to the Appellees-Vendees for sale but that the latter were not interested to buy the same. The conferees then agreed to meet, on September 2, 1987, in the house of the

Appellee-Vendor Palanca, with Atty. Bayani Calonzo, her brother-in-law, in attendance, to finalize the sale. However, unknown to the Appellants, the Appellee-Vendor Elena Palanca, in her behalf and in behalf of the other Appellees-Vendors, sent, on September 2, 1987, separate letters to each of the Appellees-Vendees informing them that someone was interested to buy the property and requested them to vacate the property within thirty (30) days 'unless all of you could buy the property at the same price' x x x. During the conference in the house of the Appellee-Vendor Elena Palanca, on September 2, 1987, the Appellants, the Appellee Adalin and the Appellees-Vendors Elena Palanca and Teofilo Kado in their behalf and in behalf of the other Appellees-Vendors, Atty. Bayani Calonzo, the husband of the Appellee Maria Kado, Atty. Eugenio Soyao, the counsel of the appellants and the Appellee-Vendee Magno Adalin who attended in his behalf and in behalf of the Appellees-Vendees, were present. When asked by the Appellants if the Appellees-Vendees were interested to buy the property, the Appellee-vendee Magno Adalin forthrightly replied that the Appellees-Vendees were not interested to buy the property because they cannot afford the purchase price thereof. However, he claimed that the Appellees' Vendees were entitled to P50,000.00 each as disturbance money, in consideration for their vacating the property, to be borne by the Appellees-Vendors. The Appellants, the Appellee Adalin and the Appellees-Vendors forthwith agreed that each Appellant will buy two (2) doors while the fifth door leased by Appellee Adalin will be purchased by him, all for the purchased price of P2,600,000.00 and that the appellants and Appellee Adalin will pay, P300,000.00 as downpayment for the property, the balance to be payable upon the eviction of the Appellees-Vendees from the property and the execution of a 'Deed of Absolute Sale'. Atty. Bayani Calonzo forthwith assured the Appellants that he could secure the eviction of the Appellees-Vendees from the property within a month because the latter were his close friends and compadres. Atty. Bayani Calonzo then gave Atty. Eugenio Soyao, the counsel of the Appellants, the go-signal to prepare the deed for the signatures of the parties. On September 8, 1987, the Appellants and Appellee Adalin, as buyers of the property, and the Appellees-Vendors, met in the office of the Appellant Faustino Yu at the Imperial Hotel and executed the 'Deed of Conditional Sale' prepared by Atty. Eugenio Soyao x x x. The Appellants and Appellee Adalin each contributed P100,000.00 and gave the total amount of P300,000.00 to the Appellee-Vendor Elena Palanca as the downpayment for the property. The Appellees-Vendors Elena Palanca and Eduarda Vargas signed an 'Acknowledgment Receipt' for the downpayment x x x in their behalf and in behalf of the other Appellees-vendors. In the meantime, the Appellants deferred registration of the deed until after the eviction of the Appellees-Vendees from the property and the payment of the balance of the purchase price of the property to the Appellees-Vendors as agreed upon under the 'Deed of Conditional Sale'.

In the interim, on October 14, 1987, the Appellees-Vendors, through the Appellee-Vendor Elena Palanca, wrote, conformably with the terms of the 'Deed of Conditional Sale' x x x a letter complaint against the Appellees-Vendees with the Barangay Captain for unlawful detainer x x x. The case was docketed as Barangay Case No. 7,052-87 x x x. On October 16, 1987, the Appellee-Vendee Magno Adalin wrote a letter to the Appellees-Vendors, through the Appellee-Vendor Elena Palanca, informing them that he had decided to purchase the two doors he was leasing for the purchase price of P600,000.00 per door and was ready to tender the amount by the end of the month x x x. The Appellee-Vendee Demetrio Adaya and the Appellee-Vendee Carlos Calingasan likewise wrote separate letters to the Appellees-vendors informing the latter of their decision to purchase the premises occupied by them respectively for the amount of P600,000.00 each x x x. In spite of the prior sale of the property to the Appellants and Appellee Adalin, the Appellees-Vendors decided to back out from said sale to the Appellants and to sell the property to the Appellees-vendees and to return the downpayments of the Appellants for the property in the total amount of P200,000.00 with interest thereon. The Appellees-Vendees procured TCBT Check No. 195031 in the amount of P101,416.66 payable to the Appellant Faustino Yu and TCBT Check No. 195032 in the amount of P101,416.66 payable to the Appellant Antonio Lim and transmitted the same to the Appellants with a covering letter x x x. The Appellants were flabbergasted. Both the Appellants refused to receive the said letter and checks and insisted, instead, that the Appellees-Vendors comply with the 'Deed of Conditional Sale' x x x. On November 16, 1987, the Appellants, through their counsel, wrote a letter to the Appellees-Vendors, copies of which were furnished the

Appellees-vendees, inquiring if the appropriate action has been undertaken towards the eviction of the Appellees-Vendees x x x. The Appellees-Vendors ignored the said letter. Instead, the Appellees-Vendors signed, in December, 1987, a 'Deed of Sale of Registered Land' under which they sold the said property to the Appellees-Vendees, including the Appellee Adalin for the price of only P1,000,000.00 x x x much lower than the price of the Appellant under the 'Deed of Conditional Sale' x x x. Although it appears that the deed was notarized by Atty. Bayani Calonzo, however, the deed does not bear any number in the notarial register of the lawyer. In the same month, the Appellees-Vendors signed another 'Deed of Sale of Registered Land' under which they sold to the Appellees-Vendees including Appellee Adalin the aforesaid property for the considerably increased price of P3,000,000.00 x x x. The deed was notarized by Atty. Bayani Calonzo. Interestingly, both deeds were not filed with the Register of Deeds of Cotabato City. Not content with the two (2) Deeds of Sale of registered Land x x x the Appellees-Vendors, signed a third 'Deed of Sale of Registered land' which appears dated February 5, 1988 under which they purportedly sold to the Appellees-Vendees, including Appellee Adalin, the aforesaid property for the much reduced price of only P860,000.00 x x x. However, the aforesaid deed was not immediately filed with the Register of Deeds of Cotabato City. On February 26, 1988, the Appellees-Vendors, through Atty. Bayani Calonzo, filed a Petition against the Appellants for the consignation of their downpayment of P200,000.00, with the Regional Trial Court of General Santos City entitled 'Maria K. Calonzo, et al. versus Faustino Yu, Special Civil Case No. 259'. x x x

Undaunted, the Appellants filed a complaint with the Barangay captain for Breach of Contract against the Appellees-vendors entitled 'Faustino Yu, et al. Versus Elena K. Palanca, et al., Barangay Case No. 9,014-88'. The Barangay Captain issued, on April 7, 1988, summons to the Appellees-Vendors for them to appear for a conference on April 22, 1988 at 9:00 o'clock in the morning x x x. Invitations were also sent to the Appellees-Vendees x x x. During the conference attended by Appellee-Vendees, the Appellants, if only to accommodate the Appellee-Vendee Magno Adalin and settle the case amicably, agreed to buy only one door each so that the Appellee-Vendee Magno Adalin could purchase the two doors he was occupying. However, the Appellee-Vendee Magno Adalin adamantly refused, claiming that he was already the owner of the two (2) doors. When the Appellant Antonio Lim asked the Appellee-Vendee Magno Adalin to show the 'Deed of Sale' for the two doors, the latter insouciantly walked out. Atty. Bayani Calonzo likewise stated that there was no need to show the deed of sale. No settlement was forged and, on May 16, 1988, the Barangay Captain issued the Certification to File Action x x x.

On May 5, 1988, the Appellants filed their complaint for 'Specific Performance' against the Appellees-Vendors and appellee Adalin in the Court a quo.

On June 14, 1988, the Appellants caused the annotation of a 'Notice of Lis Pendens' at the dorsal portion of Transfer Certificate of Title No. 12963 under the names of the Appellees-Vendors x x x. On October 25, 1988, the Appellees-Vendees filed a 'Motion for Intervention as Plaintiffs-Intervenors' appending thereto a copy of the 'Deed of Sale of Registered land' signed by the Appellees-Vendors x x x. On October 27, 1988, the Appellees-Vendees filed the 'Deed of Sale of Registered Land' x x x with the Register of Deeds on the basis of which Transfer certificate of Title No. 24791 over the property was issued under their names x x x. On the same day, the Appellees-Vendees filed in the Court a quo a 'Motion To Admit Complaint-In-Intervention x x x. Attached to the Complaint-In-Intervention was the 'Deed of Sale of Registered land' signed by the Appellees-Vendees x x x. The Appellants were shocked to learn that the Appellees-Vendors had signed the said deed. As a counter-move, the Appellants filed a motion for leave to amend Complaint and, on November 11, 1988, filed their Amended Complaint impleading the Appellees-Vendees as additional defendants x x x.

x x x

The Appellees-Vendors suffered a rebuff when, on January 10, 1989, the Regional Trial Court of General Santos City issued an Order dismissing the Petition of the Appellees-Vendors for consignation x x x. In the meantime, on November 30, 1989, Appellee Adalin died and was substituted, per order of the Court a quo, on January 5, 1990, by his heirs, namely, Anita, Anelita, Loreto, Jr., Teresita, Wilfredo, Lilibeth, Nelson, Helen

and Jocel, all surnamed Adalin, as Appellees-Vendees x x x.

After trial, the Court a quo rendered judgment in favor of the Appellees-Vendees x x x.”[5]

In the opinion of the court a quo, petitioners became the owners of the parcel of land in question with the five-door, one storey commercial building standing thereon, when they purchased the same following the offer and the 30-day option extended to them by private respondent Elena Palanca, in behalf of the other Kado siblings, in her letter to them dated September 2, 1987. The trial court disregarded the fact that the Kado siblings had already finished transacting with private respondents Faustino Yu and Antonio Lim and had in fact entered into a conditional sale with them respecting the same property. The trial court brushed aside this fact as it reasoned that:

“x x x In conditional deed of sale, ownership is only transferred after the purchase price is fully paid or the fulfillment of the condition and the execution of a definite or absolute deed of sale are made. x x x

In this case, it is clear from the provision of the Deed of Conditional Sale x x x that the balance of the price of P2,300,000.00 shall be paid only after all the defendants-vendees shall have vacated and surrendered the premises to the defendants-vendors. However, the tenants did not leave the premises. In fact they opted to buy the property. Moreover, at that time, the property was legally leased to the defendants-vendees. x x x

x x x

Clearly therefore, the condition set forth in the said Deed of Conditional Sale between the plaintiffs and the defendants-vendors was not fulfilled. Since the condition was not fulfilled, there was no transfer of ownership of the property from the defendants-vendors to the plaintiffs. x x x

x x x [In] the letters of Elena Palanca to the defendants-vendees dated September 2, 1987 x x x [t]hey were given the option or preferential right to purchase the property.

x x x

When the defendants-vendors accepted defendants-vendees’ option to buy, the former returned the initial payment of P200,000.00 to the plaintiffs x x x but they refused to accept the same. This refusal however did not diminish the effect of the acceptance of the option to buy, which in fact led to the execution of the said Deed of Sale of Registered Land x x x and the subsequent issuance of the Transfer Certificate of Title No. T-24791 of the Registry of Deeds for the City of Cotabato in the names of the defendants-vendees x x x. x x x

x x x [T]he defendants-vendors acted in bad faith when, while during the effectivity of the period of the option to buy [that] they gave to the defendants-vendees, they executed a Deed of Conditional Sale x x x in favor of the plaintiffs. This was only six (6) days from date of the option. x x x”[6]

The trial court also ruled that the conditional sale of the subject property to private respondents Faustino Yu and Antonio Lim and the sale of the same property to petitioners, did not involve a double sale as to warrant the application of Article 1544 of the Civil Code. The court a quo ratiocinated in this manner:

“x x x [T]he plaintiffs assert that this case is one of double sale and should be governed by Article 1544 of the Civil Code. The first sale, plaintiffs claim, is that under the Deed of Conditional Sale x x x in their favor and the second sale is that ultimately covered by the Deed of sale of registered Land for P860,000.00 x x x in favor of the defendants-vendees. As already pointed out by the court, the execution of the Deed of Conditional Sale did not transfer ownership of the property to the plaintiffs, hence, there can be no double sale. As held in the case of Mendoza vs. Kalaw, 42 Phil. 236, Article 1544 does not apply to situations where one sale was subject to a condition which was not complied with. This is because a conditional sale, before the performance of the condition, can hardly be said to be a sale of property, specially where the condition has not been performed or complied with.”[7]

Pursuant to the above ruminations of the court a quo, it ordered the following in the dispositive portion of its decision:

“WHEREFORE, the court hereby orders the dismissal of plaintiffs’ complaint against the defendants-vendees for lack of merit, and hereby further sustains the validity of Transfer Certificate of Title No. T-24791 issued in their names (defendants-vendees) by the Registry of Deeds for the City of Cotabato.

The defendants-vendors are hereby jointly and severally ordered to pay moral damages of P500,000.00 to each of the plaintiffs, P100,000.00 exemplary damages to each of the plaintiffs and P50,000.00 as and for attorney’s fees.

Defendants-vendors are hereby further ordered to return the P200,000.00 initial payment received by them with legal interest from date of receipt thereof up to November 3, 1987.

Defendants-vendees’ counterclaim is hereby ordered dismissed.

With cost against the defendants-vendors.

SO ORDERED.”[8]

Private respondents Faustino Yu and Antonio Lim wasted no time in appealing from the above decision of the court a quo. They were vindicated when the respondent Court of Appeals rendered its decision in their favor. The respondent appellate court reversed the trial court as it ruled, thus:

“x x x We find, and so declare, that the ‘Deed of Conditional Sale’ x x x executed by the Appellees-Vendors in favor of the Appellants was an absolute deed of sale and not a conditional sale.

x x x

In ascertaining the nature of a contract and the intention of the parties thereto, it behooves the trier of facts to look into the context of the contract in its entirety and not merely specific words or phrases therein, standing alone, as well as the contemporaneous and subsequent acts of the parties. It bears stressing that the title of the contract is not conclusive of its nature. x x x

Although a contract may be denominated a ‘Deed of Conditional Sale’, or ‘Agreement to Sell’, the same may be, in reality a deed of absolute sale or a contract of sale x x x.

Under Article 1458 of the New Civil Code, a sale may be absolute or conditional. A contract may be conditional when the ownership of the thing sold is retained until the fulfillment of a positive suspensive condition, generally the payment of the purchase price, the breach of which condition will prevent the onset of the obligation to deliver title x x x. A sale of immovables is absolute where the contract does not contain any provision that title to the property sold is reversed to the Vendors or that the Vendor is entitled to unilaterally rescind the same.

x x x

The Court a quo x x x resolutely subscribed to the view that the x x x deed is conditional, its efficacy dependent upon a suspensive condition—that of the payment by the Appellants of the balance of the purchase price of the property, after the Appellees-Vendees shall have been evicted from the property or shall have voluntarily vacated the same and the Deed of Absolute Sale shall have been executed in favor of the Appellants; and, since the condition was not fulfilled, the sale never became effective x x x. x x x Even a cursory reading of the deed will readily show absence of any stipulation in said deed that the title to the property was reserved to the Appellees-Vendors until the balance of the purchase price was paid nor giving them the right to unilaterally rescind the contract if the Appellants failed to pay the said amount upon the eviction of the Appellees-Vendees. Inscrutably then, the deed is a perfected deed of absolute sale, not a

conditional one. x x x

x x x

There may not have been delivery of the property to the Appellants either symbolically or physically and more, the Appellees-Vendors may have deferred their obligation of delivering physical possession of the property to the Appellees only after the Appellees-Vendees shall have vacated the property, however, the right of retention of the Appellees-Vendors of title to or ownership over the property cannot thereby be inferred therefrom. x x x

In fine, the non-payment of the balance of the purchase price of the property and the consequent eviction of the Appellees-Vendees therefrom were not conditions which suspended the efficacy of the 'Deed of Conditional Sale'. Rather, the same, if due to the fault of the Appellants, merely accorded the Appellees-Vendors the option to rescind the already existing and effective sale.

The Appellants and the Appellees-Vendors, having entered into, under the 'Deed of Conditional Sale' x x x an absolute sale, the Appellants thus had every right to demand that the Appellees-Vendors performed their prestation under the deed, to wit--the eviction of the Appellees-Vendees from the property--so that the Appellants may then pay the balance of the purchase price of the property.

x x x

The Court a quo and the Appellees, however, posit that the 'Deed of Conditional sale' x x x had not been consummated and title to and ownership over the property had not been transferred to the Appellants because there had been neither constructive nor actual delivery of the property to the Appellants x x x.

We do not agree. The evidence in the record shows that the Appellants and the Appellees-Vendors met in the house of Appellee Elena Palanca on September 2, 1987. The Appellees-Vendees were represented by the Appellee-Vendee, Retired Col. Magno Adalin. The latter did not object to the sale of the property to the Appellants but merely insisted that each of the Appellees-Vendees be given P50,000.00 as disturbance fee by the Appellees-Vendors to which the latter acquiesced because Atty. Bayani Calonzo forthwith gave Atty. Eugenio Soyao, the go-signal to prepare the 'Deed of Conditional Sale' for the signatures thereof by the parties on September 8, 1987. The Appellees-Vendors, on September 2, 1987, wrote letters to the Appellees-Vendees giving them the option to match the price offered by the Appellants. The Appellees-Vendees maintained a resounding silence to the letter-offer of the Appellees-Vendors. It was only, on October 16, 1987, that the Appellees-Vendees, after the execution by the Appellants and the Appellees-Vendors of the 'Deed of Conditional Sale', that the Appellees-Vendees finally decided to, themselves, purchase the property. The Appellees are estopped from claiming that the property had not been delivered to the appellants. The Appellants cannot use their gross bad faith as a shield to frustrate the enforcement, by the Appellants, of the 'Deed of Conditional Sale'. x x x

x x x

The Appellees-Vendors cannot invoke the refusal of the Appellees-Vendees to vacate the property and the latter's decision to themselves purchase the property as a valid justification to renege on and turn their backs against their obligation to deliver or cause the eviction of the Appellees-vendees from and deliver physical possession of the property to the Appellants. For, if We gave our approbation to the stance of the Appellees, then We would thereby be sanctioning the performance by the Appellees-Vendors of their obligations under the deed subject to the will and caprices of the Appellees-Vendees, which we cannot do x x x.

It would be the zenith of inequity for the Appellees-Vendors to invoke the occupation by the Appellees-Vendees, as of the property, as a justification to ignore their obligation to have the Appellees-Vendees evicted from the property and for them to give P50,000.00 disturbance fee for each of the Appellees-Vendees and a justification for the latter to hold on to the possession of the property.

x x x

Assuming, gratia arguendi, for the nonce, that there had been no consummation of the 'Deed of Conditional sale' x x x by reason of the non-delivery to the appellants of the property, it does not thereby mean that the 'Deed of Sale of Registered Land' x x x executed by the Appellees should be given preference. Apropos to this, We give our approbation to the plaint of the Appellants that the Court a quo erred in not applying the second and third paragraphs of Article 1544 x x x.

For, the evidence in the record shows that, although the Appellees-Vendees managed to cause the registration of the Deed of Sale of Registered Land x x x on October 27, 1988 and procure Transfer Certificate of Title No. 24791 under their names, on said date, and that they were, as of said date, in physical possession of the property, however, the evidence in the record shows that the Appellees-Vendees were in gross evident bad faith. At the time the Appellees executed the 'Deed of Sale of Registered Land' in December 1987 x x x they were aware that the Appellees-Vendors and the Appellants had executed their 'Deed of Conditional Sale' as early as September 8, 1987. x x x In the light of the foregoing, We arrive at the ineluctable conclusion that preference must be accorded the 'Deed of Conditional Sale' executed by the appellants and the Appellees-Vendors.”[9]

Accordingly, the respondent Court of Appeals rendered another judgment in the case and ordered the following:

- “1.The 'Deed of Conditional Sale', Exhibit 'A' is hereby declared valid;
- 2.The 'Deeds of Sale of Registered Land', Exhibits 'E', 'F' and 'G' and Transfer Certificate of Title No. 24791 are hereby declared null and void;
- 3.The Appellees-Vendees except the heirs of Loreto Adalin are hereby ordered to vacate the property within thirty (30) days from the finality of this Decision;
- 4.The Appellees-Vendors are hereby ordered to execute, in favor of the Appellants, a 'Deed of Absolute Sale' covering four (4) doors of the property (which includes the area of the property on which said four doors are constructed) except the door purchased by the Appellee-Vendee Loreto Adalin, free of any liens or encumbrances;
- 5.The Appellants are hereby ordered to remit to the Appellees-Vendors the balance of the purchase price of the four (4) doors in the amount of P1,880,000.00;
- 6.The Appellees-Vendors are hereby ordered to refund to the Appellees-Vendees the amount of P840,000.00 which they paid for the property under the 'Deed of Conditional Sale of Registered Land', Exhibit 'G', without interest considering that they also acted in bad faith;
- 7.The Appellee-Vendee Magno Adalin is hereby ordered to pay the amount of P3,000.00 a month, and each of the Appellees-Vendees, except the Appellee Adalin, the amount of P1,500.00 to the Appellants, from November, 1987, up to the time the property is vacated and delivered to the Appellants, as reasonable compensation for the occupancy of the property, with interest thereon at the rate of 6% per annum;
- 8.The Appellees-Vendors are hereby ordered to pay, jointly and severally, to each of the Appellants the amount of P100,000.00 by way of moral damages, P20,000.00 by way of exemplary damages and P20,000.00 by way of attorney's fees;
- 9.The counterclaims of the Appellees are dismissed.

With costs against the Appellees.

SO ORDERED.”[10]

Unable to agree with the above decision of the respondent appellate court, petitioners seek reversal thereof on the

basis on the following grounds:

“1.The Unconsummated conditional Contract of Sale in favor of the herein respondent VENDEES is Inferior to and Cannot Prevail Over the Consummated Absolute Contracts of Sale in favor of the herein petitioners.

2.The Deeds of sale in favor of the herein Petitioners as well as Transfer Certificate of Title No. 24791 in their names are Perfectly Valid Documents.

3.The herein Petitioners may not be legally and rightfully Ordered to Vacate the Litigated Property or Pay Reasonable Compensation for the Occupancy Thereof.

4.The herein Petitioners may not be Held Liable to Pay the Costs.”[11]

“5.The Court of Appeals erred in holding that the Deed of Conditional Sale is in reality an absolute deed of sale.

6.The Court of Appeals erred in relying totally and exclusively on the evidence presented by respondents and in disregarding the evidence for petitioners.

7.The Court of Appeals erred in holding that herein petitioners are guilty of bad faith and that Article 1544 of the Civil Code is applicable.”[12]

The petition lacks merit.

The grounds relied upon by petitioners are essentially a splitting of the various aspects of the one pivotal issue that holds the key to the resolution of this controversy: the true nature of the sale transaction entered into by the Kado siblings with private respondents Faustino Yu and Antonio Lim. Our task put simply, amounts to a declaration of what kind of contract had been entered into by said parties and of what their respective rights and obligations are thereunder.

It is not disputed that in August, 1987, Elena K. Palanca, in behalf of the Kado siblings, commissioned Ester Bautista to look for buyers for their property fronting the Imperial Hotel in Cotabato City. Bautista logically offered said property to the owners of the Imperial Hotel which may be expected to grab the offer and take advantage of the proximity of the property to the hotel site. True enough, private respondent Faustino Yu, the President-General manager of the Imperial Hotel, agreed to buy said property.

Thus during that same month of August, 1987, a conference was held in the office of private respondent Yu at the Imperial Hotel. Present there were private respondent Yu, Loreto Adalin who was one of the tenants of the five-door, one-storey building standing on the subject property, and Elena Palanca and Teofilo Kado in their own behalf as sellers and in behalf of the other tenants of said building. During the conference, private respondents Yu and Lim categorically asked Palanca whether the other tenants were interested to buy the property, but Palanca also categorically answered that the other tenants were not interested to buy the same. Consequently, they agreed to meet at the house of Palanca on September 2, 1987 to finalize the sale.

On September 2, 1987, Loreto Adalin; Yu and Lim and their legal counsel; Palanca and Kado and their legal counsel; and one other tenant, Magno Adalin, met at Palanca’s house. Magno Adalin was there in his own behalf as tenant of two of the five doors of the one-storey building standing on the subject property and in behalf of the tenants of the two other doors, namely Carlos Calingasan and Demetrio Adaya. Again, private respondents Yu and Lim asked Palanca and Magno Adalin whether the other tenants were interested to buy the subject property, and Magno Adalin unequivocally answered that he and the other tenants were not so interested mainly because they could not afford it. However, Magno Adalin asserted that he and the other tenants were each entitled to a disturbance fee of P50,000.00 as consideration for their vacating the subject property.

During said meeting, Palanca and Kado, as sellers, and Loreto Adalin and private respondents Yu and Lim, as buyers, agreed that the latter will pay P300,000.00 as downpayment for the property and that as soon as the former secures the eviction of the tenants, they will be paid the balance of P2,300,000.00.

Pursuant to the above terms and conditions, a Deed of Conditional Sale was drafted by the counsel of private respondents Yu and Lim. On September 8, 1987, at the Imperial Hotel office of private respondent Yu, Palanca and Eduarda Vargas, representing the sellers, and Loreto Adalin and private respondents Yu and Lim signed the Deed of Conditional Sale. They also agreed to defer the registration of the deed until after the sellers have secured the eviction of the tenants from the subject property.

The tenants, however, refused to vacate the subject property. Being under obligation to secure the eviction of the tenants, in accordance with the terms and conditions of the Deed of Conditional Sale, Elena Palanca filed with the Barangay Captain a letter complaint for unlawful detainer against the said tenants.

Undisputedly, Palanca, in behalf of the Kado siblings who had already committed to sell the property to private respondents Yu and Lim and Loreto Adalin, understood her obligation to eject the tenants on the subject property. Having gone to the extent of filing an ejectment case before the Barangay Captain, Palanca clearly showed an intelligent appreciation of the nature of the transaction that she had entered into: that she, in behalf of the Kado siblings, had already sold the subject property to private respondents Yu and Lim and Loreto Adalin, and that only the payment of the balance of the purchase price was subject to the condition that she would successfully secure the eviction of their tenants. In the sense that the payment of the balance of the purchase price was subject to a condition, the sale transaction was not yet completed, and both sellers and buyers have their respective obligations yet to be fulfilled: the former, the ejectment of their tenants; and the latter, the payment of the balance of the purchase price. In this sense, the Deed of Conditional Sale may be an accurate denomination of the transaction. But the sale was conditional only inasmuch as there remained yet to be fulfilled, the obligation of the sellers to eject their tenants and the obligation of the buyers to pay the balance of the purchase price. The choice of who to sell the property to, however, had already been made by the sellers and is thus no longer subject to any condition nor open to any change. In that sense, therefore, the sale made by Palanca to private respondents was definitive and absolute.

Nothing in the acts of the sellers and buyers before, during or after the said transaction justifies the radical change of posture of Palanca who, in order to provide a legal basis for her later acceptance of the tenants' offer to buy the same property, in effect claimed that the sale, being conditional, was dependent on the sellers not changing their minds about selling the property to private respondents Yu and Lim. The tenants, for their part, defended Palanca's subsequent dealing with them by asserting their option rights under Palanca's letter of September 2, 1987 and harking on the non-fulfillment of the condition that their ejectment be secured first.

Two days after Palanca filed an ejectment case before the Barangay Captain against the tenants of the subject property, Magno Adalin, Demetrio Adaya and Carlos Calingasan wrote letters to Palanca informing the Kado siblings that they have decided to purchase the doors that they were leasing for the purchase price of P600,000.00 per door. Almost instantly, Palanca, in behalf of the Kado siblings, accepted the offer of the said tenants and returned the downpayments of private respondents Yu and Lim. Of course, the latter refused to accept the reimbursements.

Certainly, we cannot countenance the double dealing perpetrated by Palanca in behalf of the Kado siblings. No amount of legal rationalizing can sanction the arbitrary breach of contract that Palanca committed in accepting the offer of Magno Adalin, Adaya and Calingasan to purchase a property already earlier sold to private respondents Yu and Lim.

Petitioners claim that they were given a 30-day option to purchase the subject property as contained in the September 2, 1987 letter of Palanca. In the first place, such option is not valid for utter lack of consideration.[13] Secondly, private respondents twice asked Palanca and the tenants concerned as to whether or not the latter were interested to buy the subject property, and twice, too, the answer given to private respondents was that the said tenants were not interested to buy the subject property because they could not afford it. Clearly, said tenants and Palanca, who represented the former in the initial negotiations with private respondents, are estopped from denying their earlier statement to the effect that the said tenants Magno Adalin, Adaya and Calingasan had no intention of buying the four doors that they were leasing from the Kado siblings. More significantly, the subsequent sale of the subject property by Palanca to the said tenants, smacks of gross bad faith, considering that Palanca and the said tenants were in full awareness of the August and September negotiations between Bautista and Palanca, on the one hand, and Loreto Adalin, Faustino Yu and Antonio Lim, on the other, for the sale of the one-storey building. It cannot be denied, thus, that Palanca and the said tenants entered into the subsequent or second sale notwithstanding their full knowledge of the subsistence of the earlier sale over the same property to private respondents Yu and Lim. It goes without saying, thus, that though the second sale to the said tenants was registered, such prior registration cannot erase the gross bad faith that characterized such second sale, and consequently, there is no legal basis to rule that such second sale prevails over the first sale of the said property to private respondents Yu and Lim.

We agree, thus, with the ruminations of the respondent Court of Appeals that:

“The Appellees-Vendors cannot invoke the refusal of the Appellees-Vendees to vacate the property and the latter’s decision to themselves purchase the property as a valid justification to renege on and turn their backs against their obligation to deliver or cause the eviction of the Appellees-Vendees from and deliver physical possession of the property to the Appellants. For, if We gave our approbation to the stance of the Appellees, then We would thereby be sanctioning the performance by the Appellees-Vendors of their obligations under the deed subject to the will and caprices of the Appellees-Vendees, which we cannot do x x x.

It would be the zenith of inequity for the Appellees-Vendors to invoke the occupation by the Appellees-Vendees, as of the property, as a justification to ignore their obligation to have the Appellees-Vendees evicted from the property and for them to give P50,000.00 disturbance fee for each of the Appellees-Vendees and a justification for the latter to hold on to the possession of the property.

x x x

Assuming, *gratia arguendi* for the nonce, that there had been no consummation of the ‘Deed of Conditional Sale’ x x x by reason of the non-delivery to the Appellants of the property, it does not thereby mean that the ‘Deed of Sale of Registered Land’ x x x executed by the Appellees should be given preference. Apropos to this, We give our approbation to the plaint of the Appellants that the Court a quo erred in not applying the second and third paragraphs of Article 1544 x x x.

For, the evidence in the record shows that, although the Appellees-Vendees managed to cause the registration of the Deed of Sale of Registered Land x x x on October 27, 1988 and procure Transfer Certificate of Title No. 24791 under their names, on said date, and that they were, as of said date, in physical possession of the property, however, the evidence in the record shows that the Appellees-Vendees were in gross evident bad faith. At the time the Appellees executed the ‘Deed of Sale of Registered Land’ in December 1987 x x x they were aware that the Appellees-Vendors and the Appellants had executed their ‘Deed of Conditional Sale’ as early as September 8, 1987. x x x In the light of the foregoing, We arrive at the ineluctable conclusion that preference must be accorded the ‘deed of Conditional Sale’ executed by the Appellants and the Appellees-Vendors.”[14]

WHEREFORE, the instant petition is **HEREBY DISMISSED**.

Costs against petitioners.

SO ORDERED.

Davide, Jr., (Chairman), Vitug, and Kapunan, JJ., concur.

Bellosillo, J., No part. Was not present during deliberation.

[1] In CA-G.R. CV No. 39000, dated March 31, 1995, and penned by Associate Justice Romeo J. Callejo, Sr., with Associate Justices Jorge S. Imperial and Pacita Canizares-Nye, concurring; Rollo, pp. 36-60.

[2] Ninth Division.

[3] In Civil Case No. 2793, dated June 10, 1992, and penned by Judge Emmanuel D. Badoy.

[4] Branch 13, Cotabato City.

[5] Decision of the Court of Appeals, pp. 2-8; Rollo, pp. 37-44.

[6] Decision of the Regional Trial Court, pp. 9-11; Rollo, pp. 133-135.

[7] Id., p. 10; Rollo, p. 134.

[8] Decision of the Regional Trial Court, pp. 11-12; Rollo, pp. 135-136.

[9] Decision of the Court of Appeals, pp. 10-21; Rollo, pp. 46-57.

[10] Id., pp. 22-23; Rollo, pp. 58-59.

[11] Petition dated June 21, 1995, pp. 12, 22, & 23.

[12] Supplemental Petition for Review dated August 8, 1995.

[13] Art. 1479, Civil Code.

[14] Decision of the Court of Appeals, pp. 17-21; Rollo, pp. 53-57.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.