VICENTE L. GO, PETITIONER, VS. PURA V. KALAW, INC., RESPONDENT.

G.R. NO. 131408. July 31, 2006

Ponente: SANDOVAL-GUTIERREZ, J.

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SANDOVAL-GUTIERREZ, J.:

For our resolution is the instant Petition for Review on Certiorari seeking to reverse the Decision[1] and Resolution[2] of the Court of Appeals dated July 8, 1997 and November 14, 1997, respectively, in CA-G.R. CV No. 43785, entitled "Vicente L. Go, plaintiff-appellee, v. Pura V. Kalaw, Inc. and Metropolitan Trial Court, Branch 13, Manila and Hon. Escolastico Cruz, Jr., Presiding Judge, defendants-appellants."

Pura V. Kalaw, Inc., a domestic corporation, herein respondent, is the registered owner of a parcel of land located at Quezon Boulevard, Quiapo, Manila with an area of 143.60 square meters. Constructed thereon is a building intended to be a commercial/residential condominium (PVK Condominium).

On July 13, 1980, while respondent was constructing the PVK Condominium, Vicente Go, petitioner, agreed to purchase Unit 1-A for P665,200.00. Unit 1-A comprises one-half (1/2) of the ground floor and mezzanine of the building. The parties then executed a Contract to Sell providing, among others, that the down payment is 1/2 of the purchase price. The balance is payable upon completion of Unit 1-A and upon written notice to the buyer that the unit has been completed and ready for occupancy.

Petitioner then paid the down payment of P327,600.00. He moved in to the unit and has occupied it since February 1982.

On February 25, 1982, respondent sent a letter to petitioner demanding payment of the balance of P327,600.00. Petitioner replied that he was applying for a bank loan in order to settle his obligation.

On June 5, 1982, respondent informed petitioner that its request with the Human Settlement Regulatory Board for approval of its building as a condominium was denied for lack of parking spaces. Respondent then asked petitioner to sign a "waiver of parking space" in order that the building can be approved as a condominium.

However, petitioner refused to sign the waiver, citing defects in the building. Respondent then sent petitioner a letter dated December 8, 1982 suggesting to reimburse his down payment with interest, as provided for in their Contract to Sell.

Since petitioner refused to sign a waiver and to pay the balance of the purchase price, respondent sent him a letter dated March 14, 1983 rescinding the Contract to Sell and considering all his payments as rentals.

Subsequently, respondent sent petitioner two letters dated December 6, 1988 and February 15, 1989 offering to sell the building and lot for P3,023,000.00. But the latter did not respond. This prompted respondent's counsel to send petitioner another letter (dated April 24, 1989) asking him to pay rentals and vacate the premises. Thereafter, respondent offered the building for sale to third persons.

Petitioner replied that since respondent violated the terms of their agreement, it could not unilaterally rescind the Contract to Sell. Respondent responded by sending petitioner a computation of his overdue rentals. However, he refused to pay, prompting respondent to file a Complaint for Illegal Detainer against petitioner with the Metropolitan Trial Court (MeTC), Branch 13, Manila, docketed as Civil Case No. 132536-CV.

In turn, petitioner filed with the Regional Trial Court (RTC), Branch 23, Manila, a complaint for Specific Performance or Rescission of Contract, docketed as Civil Case No. 90-53744. Forthwith, upon petitioner's application, the RTC issued an Order enjoining the MeTC from hearing the illegal detainer case.

Later, petitioner amended his complaint by alleging that respondent failed to complete the construction of the condominium unit and deliver it to him in accordance with their Contract to Sell; and that the filing of the complaint for illegal detainer and respondent's intention to sell the unit to third persons caused him injury and prejudice. He thus prayed that respondent be ordered to sell the unit, or, in the alternative, that the contract be rescinded. In either case, he asked for an award of P100,000.00 as exemplary damages, and P50,000.00 as attorney's fees.

In its Answer, respondent alleged that due to petitioner's refusal to sign the "waiver of parking space," the building could not be declared as a condominium. Moreover, petitioner has resided in the unit for eight (8) years without paying either the balance of the purchase price or the realty taxes thereon. Respondent prayed that petitioner's down payment be applied as rentals; and that petitioner be ordered to vacate the unit and pay exemplary and moral damages, as well as attorney's fees.

On May 17, 1993, the RTC rendered its Decision, the dispositive portion of which is quoted below:

> WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant as follows:
>
> - Declaring and holding the contract to sell, Exh. A and Exh. 1, as rescinded and consequently, plaintiff is hereby directed to turn over and surrender the premises covered by said contract to defendant, and simultaneously with such turnover, defendant is ordered as follows:
>
> - To refund and pay plaintiff the sum of P327,600.00 representing the initial payment of 50% of the purchase price of the condominium unit purchased by plaintiff with interest at the rate of 1% per month from July 30, 1980, the date of execution of the contract to sell until said amount is fully paid as provided for in the Contract to Sell;
>
> - To pay plaintiff the sum of P1,000,000.00 as actual or compensatory damages suffered by plaintiff for the loss of the condominium unit he purchased;
>
> - To pay plaintiff the sum of P1,000,000.00 as moral damages for his sufferings, embarrassment, and the mental anguish he suffered brought about or as a result of the Contract to Sell he executed with the defendant, resulting to the filing of an ejectment suit against him, for the threats and harassment contained in the letters of the defendant's lawyer and his fear of losing his shoes and bags business;
>
> - To pay the sum of P50,000.00 as exemplary damages;
>
> - To pay the sum of P30,000.00 for and as attorney's fees;
>
> - To pay the cost of litigation.
>
> The injunction previously issued by this Court is ordered made permanent.
>
> The counterclaim is ordered dismissed.
>
> SO ORDERED.

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On appeal, the Court of Appeals, on July 8, 1997, promulgated its Decision affirming the RTC judgment with modification, thus:

> WHEREFORE, judgment is hereby rendered:
>
> - Affirming the decision appealed from only insofar as it declared the "Contract to Sell" rescinded and directed appellee "to turn over and surrender the premises" to appellant, the other dispositions being deleted (underscoring in the original);
>
> - Declaring the downpayment of P327,600.00 as rentals for the use of the premises in accordance with the Contract to Sell;
>
> - Ordering appellee to pay appellant attorney's fees of P200,000.00 and the costs of suit.
>
> SO ORDERED.

Petitioner filed a motion for reconsideration, but it was denied by the Court of Appeals in its Resolution of November 14, 1997.

Hence, the present petition.

The issue before us is whether the Court of Appeals erred in rescinding the parties' Contract to Sell.

> Article 1370 of the Civil Code governs the interpretation of the terms of agreement in a written contract, thus:
>
> ART. 1370. If the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of the stipulation shall control.
>
> If the words appear to be contrary to the evident intention of the parties, the latter shall prevail over the former.

Simply put, the literal meaning of the stipulations shall control the intention of the parties, to be deciphered not from the unilateral post facto assertions of one of the parties, but from the language used in the contract.[3] The language is to be understood literally, just as it so appears in the contract.

Here, the pertinent provisions of the Contract to Sell between the parties are:

> a) The PURCHASER agrees to buy from the DEVELOPER and the DEVELOPER agrees to sell to said PURCHASER the following described unit, together with such parking space assigned for the exclusive use of such Unit if such parking space is allotted to it in the plans of the Project, together with such share in the common areas which may be described in the Master Deed.
>
> x x x
>
> c) x x x
> (2) The balance of the purchase price shall be paid by the PURCHASER to the DEVELOPER upon final completion of the Condominium Unit covered by this Contract to Sell and upon written notice to the PURCHASER that said Unit has been completed and ready for delivery to him, irrespective of whether said PURCHASER may accept delivery of said Unit or not.

d) The Unit herein purchased shall be completed and delivered to the PURCHASER within two hundred forty (240) working days from and after the signing of this Contract subject however to such delays which may be caused by fire, earthquake, acts of God, the elements of war or civil disturbances, economic controls making it impossible or difficult to obtain the necessary materials, acts of third persons or other matters, cause of circumstances beyond the control of the DEVELOPER.

x x x

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f) Upon full payment by the PURCHASER of the full amount of the purchase price stipulated in paragraph (c) hereof and otherwise upon full compliance by the PURCHASER of all its obligations herein, the DEVELOPER will convey to the PURCHASER all the rights and interests of the former in and to the Unit subject hereof, together with the interest in the Common Areas and in the Condominium Corporation appurtenant to such Unit. The rights and interests so conveyed shall be subject to the provisions of the Condominium Act, the Master Deed, the Declaration of Restrictions, the Articles and By-Laws of the Condominium Corporation.

g) In the event the PURCHASER should fail to pay for a period of thirty (30) days from the date of completion of the Unit and written notice to said PURCHASER that said Unit is ready for delivery to him/it, this Contract shall, by the mere fact of nonpayment, expire by itself and become null and void, and any and all sums of money paid under this Contract, together with all the improvements made on the premises, shall be considered and become rentals on the property.

x x x Immediately after the expiration of the 30-day period provided for under this clause, the DEVELOPER shall be at liberty to dispose of and sell said Unit and its appurtenances to any interested third person or persons.

We draw the following conclusions from the foregoing stipulations.

First, the agreement between the parties is a contract to sell, not a contract of sale. In a contract to sell, ownership is reserved by the vendor, not to pass to the vendee until full payment of the purchase price. On the other hand, in a contract of sale, the vendor loses ownership over of the property and cannot recover it unless and until the contract is rescinded.[4]

We note that paragraph (c) (2) of the contract states: "The balance of the purchase price shall be paid by the PURCHASER upon final completion of the Condominium Unit covered by this Contract to Sell." This must be read in relation to the first sentence of paragraph (f), thus: "Upon full payment by the PURCHASER of the full amount of the purchase price stipulated in paragraph (c) hereof and otherwise upon full compliance by the PURCHASER of all its obligations herein, the DEVELOPER will convey to the PURCHASER all the rights and interests of the former in and to the Unit subject hereof..." From these stipulations, it is clear that respondent intended to reserve ownership of the property until petitioner shall have paid in full the purchase price. In turn, petitioner cannot demand delivery of the Certificate of Title as he has not yet fully paid the purchase price.

Second, paragraph (g) gives respondent two (2) remedies should petitioner fail to pay the balance of the purchase price when due. These remedies are unilateral rescission of the contract and application of the down payment to the unpaid rentals.

There is no dispute that petitioner did not pay the balance of the purchase price. He occupied the unit for eight (8) years without paying any rent. Thus, respondent has the right to avail of the said remedies. Moreover, it can also offer the unit for sale to third persons pursuant to the contract.

Third, respondent alleged that petitioner violated the contract when it asked him to sign a "waiver of parking space." There is no provision in the Contract to Sell that a parking space will be provided for the unit occupied by petitioner. The contract clearly states that the inclusion of a parking space is subject to availability. The record likewise shows that petitioner never complained about the lack of parking space. In his letter of December 2, 1992 to respondent, the only reason he cited for refusing to sign the waiver is an alleged defect in the construction of the building.

A contract is the law between the parties. Both are bound to comply with its provisions. Its validity cannot be left to the will of one of them.[5]

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As to the denial of petitioner's claim for damages and attorney's fees, suffice it to say that he did not come to court with clean hands. Because of his violations of the contract, respondent was compelled to go to court and hire the services of a lawyer to protect its rights and interests. Thus, the award of attorney's fees in its favor is in order.

WHEREFORE, we DENY the petition. The assailed Decision and Resolution of the Court of Appeals in CA-G.R. CV No. 43785 are AFFIRMED IN TOTO.

Costs against the petitioner.
SO ORDERED.

Puno, (Chairperson), Corona, Azcuna, and Garcia, JJ., concur

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[1]Per Associate Justice Oswaldo D. Agcaoili and concurred in by Associate Justice Jaime M. Lantin and Associate Justice Buenaventura J. Guerrero (all retired). Rollo, pp. 30-41.

[2] Id., p. 43.

[3]Berman Memorial Park, Inc. v. Cheng, G.R. No. 154630, May 6, 2005, 458 SCRA 112, 126-27.

[4] Flancia v. Court of Appeals, G.R. No. 146997, April 26, 2005, 457 SCRA 224, 230, citing Salazar v. Court of Appeals, 327 Phil. 944 (1996).

[5] Asian Construction & Development Corp. v. Tulabut, G.R. No. 161904, April 26, 2005, 457 SCRA 317, 328.

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