SPOUSES ELVIRA AND CESAR DUMLAO, PETITIONERS, VS. MARLON REALTY CORPORATION, RESPONDENT.

G.R. No. 131491. August 17, 2007

Ponente: SANDOVAL-GUTIERREZ, J.

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SANDOVAL-GUTIERREZ, J.:

For our resolution is the instant Petition for Review on Certiorari under Rule 45 of the 1997 Rules of Civil Procedure, as amended, assailing the Decision[1] dated August 25, 1997 and Resolution[2] dated November 13, 1997 rendered by the Court of Appeals in CA-G.R. SP No. 43366, entitled "MARLON REALTY CORPORATION, petitioner, v. HON. JUDGE REGIONAL TRIAL COURT OF PARAÑAQUE, BRANCH 258 and ELVIRA D. DUMLAO, ET AL., respondents."

The following facts are undisputed:

On November 26, 1991, spouses Elvira and Cesar Dumlao, petitioners, and Marlon Realty Corporation, respondent, entered into a Contract to Sell[3] involving a 109 square meter lot in Welcome Village, Parañaque City. The terms of payment are:

- Petitioners shall pay respondent P218,000.00 as cost of the lot;
- The sum of P61,000.00 shall be paid upon the signing of the contract; and
- The balance of P157,000.00 shall be paid with interest at 24% per annum within six (6) months.

Petitioners paid P61,000.00 as downpayment upon the signing of the contract. In the meantime, interest began to accrue on the P157,000.00 balance of the purchase price.

On November 4, 1992, the Urban Bank informed respondent corporation that petitioners' loan of P148,000.00, intended as payment for their obligation, was approved. However, the bank imposed the following conditions: the amount shall be released only after its mortgage lien shall have been registered in the Registry of Deeds and annotated on petitioners' land title; and that respondent must first execute a deed of absolute sale in favor of petitioners.

On November 26, 1992, the parties entered into a Compromise Agreement[4] whereby petitioners agreed to pay respondent, on or before March 26, 1993, the amount of P38,203.33 representing the accrued interest as of that date on the P157,000.00 balance of the purchase price; and that respondent shall execute a Deed of Sale to facilitate the transfer of title to petitioners. On the same day, petitioners paid the buyer's equity of P9,000.00.

On December 1, 1992, respondent, pursuant to the Compromise Agreement, executed a Deed of Sale[5] in favor of petitioners. But they refused to pay the interest agreed upon despite respondent's repeated demand.

On January 26, 1995, respondent filed with the Metropolitan Trial Court (MTC), Branch 78, Parañaque City a complaint for a sum of money against petitioners. The MTC, in its Decision[6] dated June 17, 1996, dismissed the

complaint, holding that it is for specific performance cognizable by the Regional Trial Court (RTC).

On appeal by respondent, the RTC, Branch 258, Parañaque City rendered its Decision dated November 19, 1996 affirming the MTC judgment dismissing the complaint "not on the ground of lack of jurisdiction, but for lack of cause of action." [7]

Petitioners filed a motion for reconsideration but it was denied by the RTC in its Order of February 04, 1997.

On February 28, 1997, respondent filed with the Court of Appeals a petition for review. In its Decision dated August 25, 1997, the appellate court held that respondent's complaint is for a sum of money, the Contract to Sell being a "unilateral acknowledgment of an existing debt" on petitioners' part. The dispositive portion of the Decision reads:

> WHEREFORE, premises considered, the petition is hereby given DUE COURSE and the assailed Decision dated November 19, 1996 of the RTC of Parañaque, Branch 258, and its Order dated February 4, 1997 denying therein plaintiff's Motion for Reconsideration, as well as the Decision dated June 17, 1996 of the Metropolitan Trial Court of Parañaque, Branch 78, are REVERSED and SET ASIDE.
>
> A new judgment is hereby entered ordering defendant spouses Cesar and Elvira Dumlao to pay the sum of P109,929.79 representing the accumulated interests as of January 6, 1995 with interest at 2% per month computed from January 6, 1995.
>
> SO ORDERED.[8]

Petitioners filed a motion for reconsideration but it was denied by the Court of Appeals in its Resolution dated November 13, 1997.

Hence, this petition.

The issue for our resolution is whether petitioners are liable to pay interest on the balance of the purchase price.

Petitioners insist that they are not liable to pay interest since the loan proceeds were released, not to petitioners, but directly to respondent; and that pending the release, no interest should accrue.

Petitioners' arguments are misplaced.

Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.[9] We must look into the terms of the contract to determine the respective obligations of the parties thereto. If the terms of a contract are clear and leave no doubt upon the contracting parties' intention, then such terms should be applied in their literal meaning.[10]

In this case, there is no question that the parties voluntarily entered into a Contract to Sell a parcel of land. The terms of payment of the purchase price are clear and unambiguous, thus:

> SECOND - That in consideration of the agreement to sell the above described property, the VENDEE obligates himself/herself to pay the VENDOR the sum of TWO HUNDRED EIGHTEEN THOUSAND (P218,000.00) PESOS, Philippine Currency from the date of execution of this contract until paid as follows:
>
> a) The amount of SIXTY ONE THOUSAND xxx (P61,000.00) PESOS when this contract is signed, and
>
> b) The balance of ONE HUNDRED FIFTY SEVEN THOUSAND (P157,000.00) PESOS shall be paid with interest at 24% per annum to be computed based on the outstanding and payable balance, as of the date of downpayment, within a period of SIX (6) MONTHS x x x. Any installment not paid on or before the due date, or within the grace period of five (5) days thereafter, shall bear a penalty of 2% per month based on the remaining unpaid monthly installments. Note: As per agreement, the amount of P148,000.00 is receivable thru

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an URBAN BANK Letter of Guaranty (Pag-ibig Loan)

THIRD - That demand for payment by the VENDOR is not necessary to make the VENDEE incur delay (default). Note: Buyer's equity is P9,000.00

Pursuant to the above agreement, it is clear that a 24% interest per annum on the balance of P157,000.00 shall be paid to respondent by petitioners. Having signed the contract, petitioners are bound to comply with its terms and conditions in good faith. We reiterate that the contract is the law between them.

We observe that respondent, faithful to its part of the bargain, executed a deed of sale in favor of petitioners. In fact, a Transfer Certificate of Title was already issued in their names. Fairness demands that petitioners also fulfill their obligation to pay interest on the balance of the purchase price.

WHEREFORE, we DENY the petition. The assailed Decision and Resolution of the Court of Appeals in CA-G.R. SP No. 43366 are AFFIRMED.

Costs against petitioners.

SO ORDERED.

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

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[1] Penned by Associate Justice Fermin A. Martin, Jr. (retired) and concurred in by Presiding Justice Ruben T. Reyes (now a member of this Court) and Associate Justice Artemio G. Tuquero (retired), Annex "A" of the petition, rollo, pp. 12-19.

[2] Annex "B" of the petition, id., pp. 20-21.

[3] Annex "C" of the petition, id., pp. 22-24.

[4] Annex "D" of the petition, id., p. 25.

[5] Annex "F" of the petition, id., pp. 110-112.

[6] Annex "K" of the petition, id., p. 126.

[7] Annex "L" of the petition, id., p. 128.

[8] Annex "A" of the petition, id., p. 18.

[9] Article 1159 of the New Civil Code of the Philippines; Almeda v. Court of Appeals, G.R. No. 113412, April 17, 1996, 256 SCRA 292.

[10] Article 1370 of the New Civil Code of the Philippines; Pryce Corporation v. Philippine Amusement and Gaming Corporation, G.R. No. 157480, May 6, 2005, 458 SCRA 164; Insular Life Assurance Company, Ltd. v. Asset Builders Corporation, G.R. No. 147410, February 5, 2004, 422 SCRA 148.

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