

C-J YULO & SONS, INC., PETITIONER, VS. ROMAN CATHOLIC BISHOP OF SAN PABLO, INC., RESPONDENT.

G.R. NO. 133705. March 31, 2005

Ponente: GARCIA, J.

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GARCIA, J.:

Appealed to this Court by way of a petition for review on certiorari are the Decision[1] dated December 19, 1997 and Resolution[2] dated April 30, 1998 of the Court of Appeals in CA-G.R. CV No. 45392, reversing an earlier decision of the Regional Trial Court at Calamba, Laguna, Branch 34, which ruled in favor of the herein petitioner C-J Yulo & Sons, Inc., in a suit for revocation of donation with reconveyance of title, thereat commenced by the petitioner against the herein respondent, Roman Catholic Bishop of San Pablo, Inc.

The facts are not at all disputed:

On September 24, 1977, petitioner donated unto respondent a parcel of land at Canlubang, Calamba, Laguna with an area of 41,117 square meters and registered in its name under Transfer Certificate of Title (TCT) No. T-82803. The deed of donation which also bears the acceptance of the donee recites the considerations therefor and the conditions thereto attached, to wit:

WHEREAS, Donee is a religious corporation engaged in much (sic) humanitarian Christian work in Laguna and elsewhere, educating and forming the young, caring for the infirm and the aged in the fulfillment of its mission;

WHEREAS, Donor recognizes the need for a privately endowed institution that will care for the homeless and destitute old people in the community, as well as the other senior citizens who for some reason or other find themselves without family with whom to live the last years of their life:

WHEREFORE, Donor is willing, in order to help establish and support such an institution to donate the land necessary for its housing, as well as an area of land whereon it may raise crops for its support and for the sustenance of its residents;

WHEREAS, Donee is willing and able, with the wanted help of Donor and of other benefactors, to establish, operate and maintain such a home for the aged.

NOW, THEREFORE, in consideration of all the foregoing premises, Donor hereby transfers and conveys to Donee by way of donation all its rights, title and interest in that certain parcel of land covered by TCT No. T-82803 of the Land Records of Laguna, the technical descriptions of which are recited above, subject to the following conditions and covenants, each of which is a material consideration for this Deed:

- So much of the land as may be necessary shall be used for the construction of a home for the aged and infirm, regardless of religion or creed, but preferably those coming from Canlubang, Calamba, Laguna; provided that retired and/or aged priests may be admitted to the home; and provided further that any senior citizen from the area who has retired from business or work may likewise be admitted to the home, subject to the payment to the institution of such sum as he may afford for his support.

- A Green Belt that is 15 meters wide shall be established and maintained by the Donor along the length of the land to separate and insulate it from the projected highway.

- Such part of land as may not be needed for the residence and the Green Belt shall be devoted by Donee with the help of such residents of the home as are able, to the raising of agricultural crops for the consumption of the residents of the home, and of such other crops that may be sold to defray the cost of running the home and feeding its residents; provided, that should the area later become so fully urbanized as to make this limitation on use economically, impractical, any portion of the land may, with the written consent of the Donor, be put to commercial use by the Donee by leasing the same for wholesome and socially-acceptable activities; provided further that the rentals from such commercial leases shall be used, first, to meet the expenses of the home; second, to enlarge its population and expand its facilities; and finally for other charitable purposes in Laguna, in that order.

- Donee acknowledges that Donor's generous act will greatly aid Donee in accomplishing its mission on earth, and, recognizing the generosity of the Yulo family as the reason for such act, Donee undertakes to cause every year the celebration of masses for the intention of the various members of the family of Mr. Jose Yulo, Sr., on festive and solemn occasions in the said family.

- Except with prior written consent of the Donor or its successor, the Donee shall not use the land except for the purpose as provided above in paragraph 1 hereof, nor sell or dispose the land for any reason whatsoever, nor convey any portion of the same except in lease for commercial use as provided above in paragraph 3 hereof, otherwise the said land with all real improvements thereon shall revert in trust to the Donor for prompt disposition in favor of some other charitable organization that Donor may deem best suited to the care of the aged. (Underscoring supplied).

On the basis of the same deed, TCT No. T-82803 of the donor was cancelled and replaced by TCT No. T-91348 in the name of donee Roman Catholic Bishop of San Pablo, Inc.

Thereafter, or sometime in 1980, the donee, for purposes of generating funds to build the perimeter fence on the donated property and the construction of a nucleus building for the aged and the infirm, leased a portion of the donated property to one Martin Gomez who planted said portion with sugar cane. There is no dispute that the lease agreement was entered into by the donee without the prior written consent of the donor, as required in the deed of donation. The lease to Gomez ended in 1985.

The following year, 1986, a portion of the donated property was again leased by the donee, this time to one Jose Bostre who used the leased area as a ranch. As explained by the donee, it entered into a lease agreement with Bostre to protect the premises from vandals and for the electrification of the nucleus building of the home for the aged and in the infirm, which was named as "Casa dela Merced." As before, however, the donee executed the lease contract without the prior written consent of the donor.

After the termination of the Bostre lease agreement, the donee, for the third time, leased a portion of the donated property to one Rudy Caballes who used the leased area for fattening cattles. The donee explained that the lease agreement with Bostre was also for the purposes of generating funds for the completion of "Casa dela Merced." Again, however, the donee did not secure the prior written consent of the donor.

Hence, on September 20, 1990, pursuant to a board resolution, the donor, through its president Miguel A. Yulo, addressed a letter to the donee informing the latter that it was revoking the donation in accordance with Section 5 of the deed due to the donee's non-compliance with and material breach of the conditions thereunder stipulated. In the same letter, the donor requested for the turn-over of the donee's TCT No. T-91348 over the donated property.

In a reply-letter dated November 5, 1990, the donee, through Bishop Pedro N. Bantigue, D.D., denied any

material breach of the conditions of the deed of donation and manifested its continued and faithful compliance with the provisions thereof. In the same letter, the donee refused the turn-over of its title to the donor.

It was against the foregoing backdrop of events when, on November 19, 1990, in the Regional Trial Court at Calamba, Laguna the donor, alleging non-compliance with and violation by the donee of the conditions of the deed of donation, filed its complaint in this case against donee Roman Catholic Archbishop of San Pablo, Inc., therein reciting the imputed non-compliance and violations by the donee of the terms and conditions of the deed of donation, as follows:

- a) non-construction of the home for the aged and infirmed in the lot despite the lapse of a reasonable and considerable length of time;
- b) present land use of the area is a cattle farm, the owner of which has a lease contract with the donee; and
- c) no prior written consent of the donor has been obtained for the present and actual use of the property donated,

and accordingly prayed that the subject deed of donation be adjudged revoked and void and the donee ordered to return and/or reconvey the property donated.

In its answer, defendant donee alleged that it was doing its best to comply with the provisions of the deed of donation relative to the establishment of the home for the aged and the infirm, adding that the leases of portions of the land were with the express, albeit unwritten consent, of Jesus Miguel Yulo himself. In the same answer, defendant donee interposed the defense that the donor's cause of action for revocation, if any, had already prescribed because the leases were known to the latter since 1980.

In a decision dated December 22, 1995, the trial court rendered judgment for donor-plaintiff C-J Yulo & Sons, Inc., thus:

WHEREFORE, judgment is hereby rendered for plaintiff and against the defendant, declaring the Deed of Donation dated September 24, 1977 (Exh. "C") REVOKED, affirming plaintiff's revocation of the same in the letter dated September 20, 1990 (Exh. "D").

Defendant and all persons claiming rights under them are hereby ordered to immediately vacate the premises of the donated property and to hand over to plaintiff the peaceful possession of the aforesaid premises.

To avoid multiplicity of suits, the Register of Deeds of Calamba, Laguna, is hereby ordered to require the defendant to surrender Transfer Certificate of Title No. T-91348 (Exh. "B") and thereafter cancel the same and issue, upon payment of the required fees, a new Transfer Certificate of Title in favor of plaintiffs, with cost against the defendant.

SO ORDERED.

Therefrom, donee-defendant Roman Catholic Bishop of San Pablo, Inc., went to the Court of Appeals in CA-G.R. CV No. 45392.

In the herein assailed Decision dated December 19, 1997,[3] the Court of Appeals reversed that of the trial court and upheld the donation in question, to wit:

WHEREFORE, the decision of the trial court dated December 22, 1993 is hereby REVERSED and the donation dated September 24, 1977 (Exhibit C) which conveyed title to the donated property in the appellee's name is hereby UPHELD.

SO ORDERED.

Its motion for reconsideration having been denied by the same court in its Resolution of April 30, 1998,[4] donor C-J Yulo & Sons, Inc., has come to this Court via the present recourse on its sole submission that –

THE RULING OF THE COURT OF APPEALS (THAT THE REVOCATION OF THE DONATION BY PETITIONER WAS IMPROPER) IS CONTRARY TO LAW AND APPLICABLE JURISPRUDENCE.

We DENY.

The Court of Appeals sustained the trial court's finding that the donation is an onerous one since the donee was burdened with the establishment on the donated property of a home for the aged and the infirm. It likewise agreed with the trial court that there were violations of the terms and conditions of the deed of donation when the donee thrice leased a portion of the property without the prior written consent of the donor. Likewise upheld by the appellate court is the ruling of the trial court that the prescriptive period of the donor's right to revoke the donation is ten (10) years based on Article 1144 of the Civil Code, instead of four (4) years per Article 764 of the same Code, and therefore the action for revocation filed by the petitioner is not barred by prescription.

Even then, the Court of Appeals reversed the trial court's decision, the reversal being premised on the appellate court's finding that the breaches thrice committed by the respondent were merely casual breaches which nevertheless did not detract from the purpose of which the donation was made: the establishment of a home for the aged and the infirm.

We agree.

Petitioner contends that the case at bar is similar to the 1995 case of *Central Philippine University vs. Court of Appeals*,[5] where the donee failed for more than 50 years to establish, as required, a medical school on the land donated, and where this Court declared the donation to have been validly revoked.

To the mind of the Court, what is applicable to this case is the more recent [2001] case of *Republic vs. Silim*,[6] where respondent Silim donated a 5,600-square meter parcel of land in favor of the Bureau of Public Schools, Municipality of Malangas, Zamboanga del Sur with the condition that the said property should be used exclusively and forever for school purposes only. Although a school building was constructed on the property through the efforts of the Parent-Teachers Association of Barangay Kauswagan, the funds for a Bagong Lipunan school building could not be released because the government required that it be built on a one-hectare parcel of land. This led the donee therein to exchange the donated property for a bigger one.

In *Silim*, the Court distinguished the four (4) types of donations:

Donations, according to its purpose or cause, may be categorized as: (1) pure or simple; (2) remuneratory or compensatory; (3) conditional or modal; and (4) onerous. A pure or simple donation is one where the underlying cause is plain gratuity. This is donation in its truest form. On the other hand, a remuneratory or compensatory donation is one made for the purpose of rewarding the donee for past services, which services do not amount to a demandable debt. A conditional or modal donation is one where the donation is made in consideration of future services or where the donor imposes certain conditions, limitations or charges upon the donee, the value of which is inferior than that of the donation given. Finally, an onerous donation is that which imposes upon the donee a reciprocal obligation or, to be more precise, this is the kind of donation made for a valuable consideration, the cost of which is equal to or more than the thing donated.

Of all the foregoing classifications, donations of the onerous type are the most distinct. This is because, unlike the other forms of donation, the validity of and the rights and obligations of the parties involved in an onerous donation is completely governed not by the law on donations but by the law on contracts. In this regard, Article 733 of the New Civil Code provides:

ARTICLE 733 Donations with onerous cause shall be governed by the rules on contracts, and remuneratory donations by the provisions of the present Title as regards that portion which exceeds the value of the burden imposed.

The donation involved in the present controversy is one which is onerous since there is a burden imposed upon the donee to build a school on the donated property.

Here, the Court of Appeals correctly applied the law on contracts instead of the law on donations because the donation involved in this case is onerous, saddled as it is by a burden imposed upon the donee to put up and operate a home for the aged and the infirm. We thus quote with approval the terse ruling of the appellate court in the challenged decision:

First, the violations of the conditions of the donation committed by the donee were merely casual breaches of the conditions of the donation and did not detract from the purpose by which the donation was made, i.e., for the establishment of a home for the aged and the infirm. In order for a contract which imposes a reciprocal obligation, which is the onerous donation in this case wherein the donor is obligated to donate a 41,117 square meter property in Canlubang, Calamba, Laguna on which property the donee is obligated to establish a home for the aged and the infirm (Exhibit C), may be rescinded per Article 1191 of the New Civil Code, the breach of the conditions thereof must be substantial as to defeat the purpose for which the contract was perfected (Tolentino, "Civil Code of the Philippines," Vol. IV, pp. 179-180; *Universal Food Corp. v. Court of Appeals*, 33 SCRA 1, 18; *Ocampo v. Court of Appeals*, 233 SCRA 551, 562). Thus, in the case of "*Ocampo v. C.A.*" (ibid), citing the case of "*Angeles v. Calasanz*" (135 SCRA 323, 330), the Supreme Court ruled:

The right to rescind the contract for non-performance of one of its stipulations x x x is not absolute. In *Universal Food Corp. v. Court of Appeals* (33 SCRA 1) the Court stated that:

The general rule is that rescission of a contract will not be permitted for a slight or casual breach, but only for such substantial and fundamental breach as would defeat the very object of the parties in making the agreement (*Song Fo & Co. v. Hawaiian-Philippine Co.*, 47 Phil. 821,827). The question of whether a breach of a contract is substantial depends upon the attendant circumstances (*Corpus v. Hon. Alikpala, et al.*, L-23707 & L-23720, Jan. 17, 1968).

The above ruling of the Court of Appeals is completely in tune with this Court's disposition in *Republic vs. Silim*, supra. The donor therein sought to revoke the donation on the ground that the donee breached the condition to exclusively and forever use the land for school purpose only, but this Court ruled in favor of the donee:

Without the slightest doubt, the condition for the donation was not in any way violated when the lot donated was exchanged with another one. The purpose for the donation remains the same, which is for the establishment of a school. The exclusivity of the purpose was not altered or affected. In fact, the exchange of the lot for a much bigger one was in furtherance and enhancement of the purpose of the donation. The acquisition of the bigger lot paved way for the release of funds for the construction of Bagong Lipunan school building which could not be accommodated by the limited area of the donated lot.

As in *Silim*, the three (3) lease contracts herein entered into by the donee were for the sole purpose of pursuing the objective for which the donation was intended. In fact, such lease was authorized by the donor by express provision in the deed of donation, albeit the prior written consent therefor of the donor is needed. Hence, considering that the donee's acts did not detract from the very purpose for which the donation was made but precisely to achieve such purpose, a lack of prior written consent of the donor would only constitute casual breach of the deed, which will not warrant the revocation of the donation.

Besides, this Court cannot consider the requirement of a prior written consent by the donor for all contracts of lease to be entered into by the donee as an absolute ground for revocation of the donation because such a

condition, if not correlated with the purpose of the donation, would constitute undue restriction of the donee's right of ownership over the donated property.

Instructive on this point is the ruling of this Court in *The Roman Catholic Archbishop of Manila vs. Court of Appeals*,^[7] viz:

Donation, as a mode of acquiring ownership, results in an effective transfer of title over the property from the donor to the donee. Once a donation is accepted, the donee becomes the absolute owner of the property donated. Although the donor may impose certain conditions in the deed of donation, the same must not be contrary to law, morals, good customs, public order and public policy.

x x x

In the case at bar, we hold that the prohibition in the deed of donation against the alienation of the property for an entire century, being an unreasonable emasculation and denial of an integral attribute of ownership, should be declared as an illegal or impossible condition within the contemplation of Article 727 of the Civil Code. Consequently, as specifically stated in said statutory provision, such condition shall be considered as not imposed. No reliance may accordingly be placed on said prohibitory paragraph in the deed of donation. The net result is that, absent said proscription, the deed of sale supposedly constitutive of the cause of action for the nullification of the deed of donation is not in truth violative of the latter, hence, for lack of cause of action, the case for private respondents must fail.

If petitioner would insist that the lack of prior written consent is a resolutive condition that is absolute in character, the insistence would not stand the validity test under the foregoing doctrine. What would have been casual breaches of the terms and conditions of the donation, may, in that event, even be considered as no breach at all when the Court strikes down such absolute condition of prior written consent by the donor in all instances without any exception whatsoever. The Court, however, understands that such a condition was written with a specific purpose in mind, which is, to ensure that the primary objective for which the donation was intended is achieved. A reasonable construction of such condition rather than totally striking it would, therefore, be more in accord with the spirit of the donation. Thus, for as long as the contracts of lease do not detract from the purpose for which the donation was made, the complained acts of the donee will not be deemed as substantial breaches of the terms and conditions of the deed of donation to merit a valid revocation thereof by the donor.

Finally, anent petitioner's contention that the Court of Appeals failed to consider that respondent had abandoned the idea of constructing a home for the aged and infirm, the explanation in respondent's comment is enlightening. Petitioner relies on Bishop Bantigue's letter^[8] dated June 21, 1990 as its basis for claiming that the donee had altogether abandoned the idea of constructing a home for the aged and the infirm on the property donated. Respondent, however, explains that the Bishop, in his letter, written in the vernacular, expressed his concern that the surrounding area was being considered to be re-classified into an industrial zone where factories are expected to be put up. There is no question that this will definitely be disadvantageous to the health of the aged and the infirm. Thus, the Bishop asked permission from the donor for a possible exchange or sale of the donated property to ultimately pursue the purpose for which the donation was intended in another location that is more appropriate.

The Court sees the wisdom, prudence and good judgment of the Bishop on this point, to which it conforms completely. We cannot accede to petitioner's view, which attributed the exact opposite meaning to the Bishop's letter seeking permission to sell or exchange the donated property.

In *Silim*, *supra*, this Court ruled that such exchange does not constitute breach of the terms and conditions of the donation. We see no reason for the Court to think otherwise in this case. To insist that the home for the aged and infirm be constructed on the donated property, if the industrialization indeed pushes through, defies rhyme and

reason. Any act by the donor to prevent the donee from ultimately achieving the purpose for which the donation was intended would constitute bad faith, which the Court will not tolerate.

WHEREFORE, the instant petition is DENIED and the assailed decision of the Court of Appeals AFFIRMED in toto.

No pronouncement as to costs.

SO ORDERED.

Panganiban, (Chairman), Sandoval-Gutierrez, Corona, and Carpio-Morales, JJ., concur.

[1] Penned by then Associate Justice Ramon A. Barcelona with then Associate Justice, later a member of this Court, Minerva P. Gonzaga-Reyes, and former Associate Justice Demetrio G. Demetria, concurring.

[2] Rollo, pp. 37-39.

[3] Rollo, p. 21-35.

[4] Rollo, pp. 37-39.

[5] 246 SCRA 511 [1995].

[6] 356 SCRA 1 [2001].

[7] 198 SCRA 300 [1991].

[8] Exhibit 6

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