

SAN MIGUEL PROPERTIES PHILIPPINES, INC., PETITIONER, VS. SPOUSES ALFREDO HUANG AND GRACE HUANG, RESPONDENTS.

G.R. No. 137290. July 31, 2000

Ponente: MENDOZA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-137290/>

MENDOZA, J.:

This is a petition for review of the decision,[1] dated April 8, 1997, of the Court of Appeals which reversed the decision of the Regional Trial Court, Branch 153, Pasig City dismissing the complaint brought by respondents against petitioner for enforcement of a contract of sale.

The facts are not in dispute.

Petitioner San Miguel Properties Philippines, Inc. is a domestic corporation engaged in the purchase and sale of real properties. Part of its inventory are two parcels of land totalling 1, 738 square meters at the corner of Meralco Avenue and General Capinpin Street, Barrio Oranbo, Pasig City, which are covered by TCT Nos. PT-82395 and PT-82396 of the Register of Deeds of Pasig City.

On February 21, 1994, the properties were offered for sale for P52,140,000.00 in cash. The offer was made to Atty. Helena M. Dauz who was acting for respondent spouses as undisclosed principals. In a letter[2] dated March 24, 1994, Atty. Dauz signified her clients' interest in purchasing the properties for the amount for which they were offered by petitioner, under the following terms: the sum of P500,000.00 would be given as earnest money and the balance would be paid in eight equal monthly installments from May to December, 1994. However, petitioner refused the counter-offer.

On March 29, 1994, Atty. Dauz wrote another letter[3] proposing the following terms for the purchase of the properties, viz:

This is to express our interest to buy your-above-mentioned property with an area of 1, 738 sq. meters. For this purpose, we are enclosing herewith the sum of P1,000,000.00 representing earnest-deposit money, subject to the following conditions.

- We will be given the exclusive option to purchase the property within the 30 days from date of your acceptance of this offer.
- During said period, we will negotiate on the terms and conditions of the purchase; SMPPI will secure the necessary Management and Board approvals; and we initiate the documentation if there is mutual agreement between us.
- In the event that we do not come to an agreement on this transaction, the said amount of P1,000,000.00 shall be refundable to us in full upon demand. . . .

Isidro A. Sobrecarey, petitioner's vice-president and operations manager for corporate real estate, indicated his conformity to the offer by affixing his signature to the letter and accepted the "earnest-deposit" of P1 million.

Upon request of respondent spouses, Sobrecarey ordered the removal of the "FOR SALE" sign from the properties.

Atty. Dauz and Sobrecarey then commenced negotiations. During their meeting on April 8, 1994, Sobrecarey informed Atty. Dauz that petitioner was willing to sell the subject properties on a 90-day term. Atty. Dauz countered with an offer of six months within which to pay.

On April 14, 1994, the parties again met during which Sobrecarey informed Atty. Dauz that petitioner had not yet acted on her counter-offer. This prompted Atty. Dauz to propose a four-month period of amortization.

On April 25, 1994, Atty. Dauz asked for an extension of 45 days from April 29, 1994 to June 13, 1994 within which to exercise her option to purchase the property, adding that within that period, "[we] hope to finalize [our] agreement on the matter." [4] Her request was granted.

On July 7, 1994, petitioner, through its president and chief executive officer, Federico Gonzales, wrote Atty. Dauz informing her that because the parties failed to agree on the terms and conditions of the sale despite the extension granted by petitioner, the latter was returning the amount of P1 million given as "earnest-deposit." [5]

On July 20, 1994, respondent spouses, through counsel, wrote petitioner demanding the execution within five days of a deed of sale covering the properties. Respondents attempted to return the "earnest-deposit" but petitioner refused on the ground that respondents' option to purchase had already expired.

On August 16, 1994, respondent spouses filed a complaint for specific performance against petitioner before the Regional Trial Court, Branch 133, Pasig City where it was docketed as Civil Case No. 64660.

Within the period for filing a responsive pleading, petitioner filed a motion to dismiss the complaint alleging that (1) the alleged "exclusive option" of respondent spouses lacked a consideration separate and distinct from the purchase price and was thus unenforceable and (2) the complaint did not allege a cause of action because there was no "meeting of the minds" between the parties and, therefore, no perfected contract of sale. The motion was opposed by respondents.

On December 12, 1994, the trial court granted petitioner's motion and dismissed the action. Respondents filed a motion for reconsideration, but it was denied by the trial court. They then appealed to the Court of Appeals which, on April 8, 1997, rendered a decision [6] reversing the judgment of the trial court. The appellate court held that all the requisites of a perfected contract of sale had been complied with as the offer made on March 29, 1994, in connection with which the earnest money in the amount of P1 million was tendered by respondents, had already been accepted by petitioner. The court cited Art. 1482 of the Civil Code which provides that "[w]henver earnest money is given in a contract of sale, it shall be considered as part of the price and as proof of the perfection of the contract." The fact the parties had not agreed on the mode of payment did not affect the contract as such is not an essential element for its validity. In addition, the court found that Sobrecarey had authority to act in behalf of petitioner for the sale of the properties. [7]

Petitioner moved for reconsideration of the trial court's decision, but its motion was denied. Hence, this petition.

Petitioner contends that the Court of Appeals erred in finding that there was a perfected contract of sale between the parties because the March 29, 1994 letter of respondents, which petitioner accepted, merely resulted in an option contract, albeit it was unenforceable for lack of a distinct consideration. Petitioner argues that the absence of agreement as to the mode of payment was fatal to the perfection of the contract of sale. Petitioner also disputes the appellate court's ruling that Isidro A. Sobrecarey had authority to sell the subject real properties. [8]

Respondents were required to comment within ten (10) days from notice. However, despite 13 extensions

totalling 142 days which the Court had given to them, respondents failed to file their comment. They were thus considered to have waived the filing of a comment.

The petition is meritorious.

In holding that there is a perfected contract of sale, the Court of Appeals relied on the following findings: (1) earnest money was allegedly given by respondents and accepted by petitioner through its vice-president and operations manager, Isidro A. Sobrecarey; and (2) the documentary evidence in the records show that there was a perfected contract of sale.

With regard to the alleged payment and acceptance of earnest money, the Court holds that respondents did not give the P1 million as "earnest money" as provided by Art. 1482 of the Civil Code. They presented the amount merely as a deposit of what would eventually become the earnest money or downpayment should a contract of sale be made by them. The amount was thus given not as a part of the purchase price and as proof of the perfection of the contract of sale but only as a guarantee that respondents would not back out of the sale. Respondents in fact described the amount as an "earnest-deposit." In *Spouses Doromal, Sr. v. Court of Appeals*,^[9] it was held:

. . . While the P5,000 might have indeed been paid to Carlos in October, 1967, there is nothing to show that the same was in the concept of the earnest money contemplated in Art. 1482 of the Civil Code, invoked by petitioner, as signifying perfection of the sale. Viewed in the backdrop of the factual milieu thereof extant in the record, We are more inclined to believe that the said P5,000.00 were paid in the concept of earnest money as the term was understood under the Old Civil Code, that is, as a guarantee that the buyer would not back out, considering that it is not clear that there was already a definite agreement as to the price then and that petitioners were decided to buy 6/7 only of the property should respondent Javellana refuse to agree to part with her 1/7 share.^[10]

In the present case, the P1 million "earnest-deposit" could not have been given as earnest money as contemplated in Art. 1482 because, at the time when petitioner accepted the terms of respondents' offer of March 29, 1994, their contract had not yet been perfected. This is evident from the following conditions attached by respondents to their letter, to wit: (1) that they be given the exclusive option to purchase the property within 30 days from acceptance of the offer; (2) that during the option period, the parties would negotiate the terms and conditions of the purchase; and (3) petitioner would secure the necessary approvals while respondents would handle the documentation.

The first condition for an option period of 30 days sufficiently shows that a sale was never perfected. As petitioner correctly points out, acceptance of this condition did not give rise to a perfected sale but merely to an option or an accepted unilateral promise on the part of respondents to buy the subject properties within 30 days from the date of acceptance of the offer. Such option giving respondents the exclusive right to buy the properties within the period agreed upon is separate and distinct from the contract of sale which the parties may enter.^[11] All that respondents had was just the option to buy the properties which privilege was not, however, exercised by them because there was a failure to agree on the terms of payment. No contract of sale may thus be enforced by respondents.

Furthermore, even the option secured by respondents from petitioner was fatally defective. Under the second paragraph of Art. 1479, an accepted unilateral promise to buy or sell a determinate thing for a price certain is binding upon the promisor only if the promise is supported by a distinct consideration. Consideration in an option contract may be anything of value, unlike in sale where it must be the price certain in money or its equivalent. There is no showing here of any consideration for the option. Lacking any proof of such consideration, the option is unenforceable.

Equally compelling as proof of the absence of a perfected sale is the second condition that, during the option period, the parties would negotiate the terms and conditions of the purchase. The stages of a contract of sale are as follows: (1) negotiation, covering the period from the time the prospective contracting parties indicate interest in the contract to the time the contract is perfected; (2) perfection, which takes place upon the concurrence of the essential elements of the sale which are the meeting of the minds of the parties as to the object of the contract and upon the price; and (3) consummation, which begins when the parties perform their respective undertakings under the contract of sale, culminating in the extinguishment thereof.[12] In the present case, the parties never got past the negotiation stage. The alleged "indubitable evidence"[13] of a perfected sale cited by the appellate court was nothing more than offers and counter-offers which did not amount to any final arrangement containing the essential elements of a contract of sale. While the parties already agreed on the real properties which were the objects of the sale and on the purchase price, the fact remains that they failed to arrive at mutually acceptable terms of payment, despite the 45-day extension given by petitioner.

The appellate court opined that the failure to agree on the terms of payment was no bar to the perfection of the sale because Art. 1475 only requires agreement by the parties as to the price of the object. This is error. In *Navarro v. Sugar Producers Cooperative Marketing Association, Inc.*,^[14] we laid down the rule that the manner of payment of the purchase price is an essential element before a valid and binding contract of sale can exist. Although the Civil Code does not expressly state that the minds of the parties must also meet on the terms or manner of payment of the price, the same is needed, otherwise there is no sale. As held in *Toyota Shaw, Inc. v. Court of Appeals*,^[15] agreement on the manner of payment goes into the price such that a disagreement on the manner of payment is tantamount to a failure to agree on the price.^[16] In *Velasco v. Court of Appeals*,^[17] the parties to a proposed sale had already agreed on the object of sale and on the purchase price. By the buyer's own admission, however, the parties still had to agree on how and when the downpayment and the installments were to be paid. It was held:

. . . Such being the situation, it can not, therefore, be said that a definite and firm sales agreement between the parties had been perfected over the lot in question. Indeed, this Court has already ruled before that a definite agreement on the manner of payment of the purchase price is an essential element in the formation of a binding and enforceable contract of sale. The fact, therefore, that the petitioners delivered to the respondent the sum of P10,000 as part of the down-payment that they had to pay cannot be considered as sufficient proof of the perfection of any purchase and sale agreement between the parties herein under Art. 1482 of the new Civil Code, as the petitioners themselves admit that some essential matter - the terms of the payment - still had to be mutually covenanted.^[18]

Thus, it is not the giving of earnest money, but the proof of the concurrence of all the essential elements of the contract of sale which establishes the existence of a perfected sale.

In the absence of a perfected contract of sale, it is immaterial whether Isidro A. Sobrecarey had the authority to enter into a contract of sale in behalf of petitioner. This issue, therefore, needs no further discussion.

WHEREFORE, the decision of the Court of Appeals is REVERSED and respondents' complaint is DISMISSED.

SO ORDERED.

Quisumbing, Buena, and De Leon, Jr., JJ., concur.
Bellosillo, (Chairman), J., on leave.

[1] Per Associate Justice Corona Ibay-Somera and concurred in by Justices Emeterio C. Cui and Salvador J. Valdez, Jr.

[2] Annex D; Rollo, p. 99.

[3] Annex E; Id., p. 100.

[4] Annex F; Id., p. 102.

[5] Annex I; Rollo, p. 107.

[6] Rollo, pp. 38-61.

[7] Id., pp. 48-60.

[8] Petition, pp. 12-13; Rollo, pp. 14-15.

[9] 66 SCRA 575 (1975)

[10] Id., at 582. (Emphasis added)

[11] *Carcelar v. Court of Appeals*, 302 SCRA 718 (1999); *Cavite Development Bank and Far East Bank and Trust Company v. Court of Appeals*, G.R. No. 131679, Feb. 1, 2000.

[12] *Ang Yu Asuncion v. Court of Appeals*, 238 SCRA 602 (1994)

[13] The Court of Appeals enumerated these as follows: (1) Annex "A" which contains petitioner's offer to sell the subject properties; (2) Annex "D," a letter dated March 24, 1994 through which respondent spouses, through Atty. Helena M. Dauz, signified their interest to buy the subject properties; and (3) Annex "E," another letter from respondent spouses dated March 29, 1994 through which respondents again expressed their interest to buy the subject properties subject to certain conditions.

[14] 1 SCRA 1181 (1961)

[15] 244 SCRA 320 (1995)

[16] Id., p. 328.

[17] 51 SCRA 439 (1973)

[18] Id., p. 453. (Emphasis added)

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.