

DEVELOPMENT BANK OF THE PHILIPPINES, PETITIONER, VS. HON. COURT OF APPEALS AND SPOUSES NILO AND ESPERANZA DE LA PEÑA, RESPONDENTS.

G.R. No. 137557. October 30, 2000

Ponente: MENDOZA, J.

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MENDOZA, J.:

This is a petition for review on certiorari of the decision,[1] dated August 7, 1998, and resolution,[2] dated February 11, 1999, of the Court of Appeals affirming with modification the decision of the Regional Trial Court, Branch 172, Valenzuela, enjoining petitioner from rescinding the contract it had executed covering the sale of a parcel of land and ordering respondent spouses, as vendees, to pay petitioner the amount of P54,200.00.

The facts are undisputed:

Petitioner Development Bank of the Philippines is the owner of a parcel of land in Bulacan (now Lawang Bato, Valenzuela, Metro Manila)[3] as evidenced by TCT No. 13351(202029). On August 8, 1983, it sold the land to respondent spouses Nilo and Esperanza De La Peña under a Deed of Conditional Sale for P207,000.00.[4] The Deed of Conditional Sale stipulated:

That the down payment shall be P41,400.00 and the balance of P165,600.00 to be paid in six (6) years on the semi-annual amortization plan at 18% interest per annum. The first amortization of P23,126.14 shall be due and payable six (6) months from the date of execution of the Deed of Conditional Sale and all subsequent amortizations shall be due and payable every six (6) months thereafter;

After the execution of the contract, the spouses De La Peña constructed a house on the said lot and began living there. They also introduced other improvements therein by planting fruit trees and building a small garage.[5] Pursuant to their contract with the DBP, respondent spouses De La Peña made the following payments:

OR. NO.

DATE

AMOUNT

261122 June 22, 1983

P 36,000.00

355399 August 4, 1983

5,400.00

828029 March 22, 1984

6,000.00

862947 June 4, 1984

21,000.00

1230133 November 15, 1984

3,000.00

1365914 Feb. 8, 1985

6,000.00

1545272 March 11, 1985

6,000.00

1549511 April 8, 1985

6,000.00

1549641 May 3, 1985

6,000.00

1714171 July 9, 1985

11,400.00

1893683 November 29, 1985

11,400.00

2257661 July 3, 1986

10,000.00

2349229 September 3, 1986

15,000.00

2529065 November 4, 1986

16,000.00

2830513 August 18, 1987

21,000.00

3342166 October 12, 1988

10,000.00

3367039 December 9, 1988

10,000.00

3367193 January 10, 1989

10,000.00

3367500 February 10, 1989

10,000.00

3461778 March 9, 1989

18,000.00

3532008 April 10, 1989

18,800.00

3617235 August 28, 1989

P33,000.00

TOTAL

P289,600.00[6]

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After making the above payments, Esperanza De La Peña went to petitioner DBP and asked for the execution of a Deed of Absolute Sale and for the issuance of the title to the property.[7] On January 5, 1989, however, respondent spouses De La Peña were informed by DBP through a letter that there was still a balance of P221,86.85, broken down as follows, owing from them:

Principal

P 150,765.35

Regular Interest

57,121.13

Additional Interest

9,799.01

Penalty Charges

____ 4,182.36

TOTAL**P 221,867.85[8]**

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In another letter, dated July 11, 1989, DBP demanded from respondent spouses the payment of this amount, which had increased to P225,855.86 as of June 30, 1989, otherwise, it would rescind the sale.[9] In reply, respondent spouses, in a letter dated August 11, 1989, proposed a settlement of the amount through semi-annual payments over a period of five years.[10]

As the parties failed to reach an agreement, respondent spouses filed a complaint against petitioner on January 30, 1990 for specific performance and damages with injunction before the Regional Trial Court, Valenzuela, Metro Manila.[11] The case was assigned to Branch 172 of the court. The complaint was later amended to include a prayer for the issuance of a temporary restraining order to enjoin the defendant from rescinding the sale and selling the land to interested buyers.[12]

On March 30, 1993, the trial court rendered a decision, the dispositive portion of which reads:

WHEREFORE, in view of the foregoing, judgment is hereby rendered,

- Dismissing the complaint, as plaintiffs have still to pay the defendant the sum of P54,200.00 as interest to be able to sue for specific performance;
- The writ of preliminary injunction is hereby declared permanent;
- Defendant to pay plaintiffs attorney's fees in the amount of P30,000.00; and 4. Defendant to pay the costs of suit.

SO ORDERED.[13]

Petitioner filed an appeal with the Court of Appeals which rendered a decision, dated August 8, 1997, affirming with modification the ruling of the trial court. The dispositive portion of its decision reads:

WHEREFORE, with the MODIFICATION that the grant of attorney's fees is deleted, the appealed Decision is AFFIRMED.[14]

In its resolution, dated February 11, 1999, the Court of Appeals likewise denied petitioner's motion for reconsideration.[15]

Hence, this petition. Petitioner now contends:

- BOTH THE TRIAL COURT AND THE COURT OF APPEALS GAVE A MANIFESTLY MISTAKEN AND ABSURD CONSTRUCTION OF THE DEED OF CONDITIONAL SALE CONTRACT (ANNEX "E").
- THE HONORABLE COURT OF APPEALS GRAVELY ERRED AND COMMITTED REVERSIBLE ERROR WHEN IT AFFIRMED THE TRIAL COURT'S ISSUANCE OF THE INJUNCTION AGAINST PETITIONER DBP PERMANENT.[16]

First. The Court of Appeals held:

A careful reading of the aforementioned provisions reveals that while the period of payment (six years) and the amount of the first amortization (P23,126.14) are stipulated, the amount that the vendees should pay semi-annually is not specified. Since the Deed of Conditional Sale executed by the parties is a contract of adhesion, i.e., a ready-made contract to which appellees merely affixed their assent or "adhesion", as the court a quo correctly found, a restrictive construction of the obscure provision regarding the amount of semi-annual amortizations should be made against the drafter DBP (PAL vs. Court of Appeals, 255 SCRA 48, BPI Credit vs. Court of Appeals, 204 SCRA 611; Maersk Lines vs. Court of Appeals, 222 SCRA 108; Angeles vs. Calasaz, 135 SCRA 323). It is not disputed that appellant Bank was the party responsible for the preparation of the Deed of Conditional Sale. Any ambiguity in the contract whose terms are susceptible of different interpretations must be read against appellant as the party which drafted the contract (Nacu vs. Court of Appeals, 231 SCRA 237). Thus the contract of the parties must be interpreted, in so far as the manner and amounts of amortization is concerned, to be at the option of the vendees, subject only to the condition that the latter should pay the balance of the purchase price within a period of six years.[17]

The questioned provision states:

That the down payment shall be P41,400.00 and the balance of P165,600.00 to be paid in six (6) years on the semi-annual amortization plan at 18% interest per annum. The first amortization of P23,126.14 shall be due and payable six (6) months from the date of execution of the Deed of Conditional Sale and all subsequent amortizations shall be due and payable every six (6) months thereafter;[18]

Contrary to the ruling of the Court of Appeals that the above stipulation fails to specify the monthly amortization, we find no ground for construing any ambiguity against the DBP as the party responsible therefor. As stipulated in the Deed of Conditional Sale, the first amortization was in the amount of P23,126.14 to be paid six months from the date of the execution of the contract. Subsequent amortizations were due and payable every six months thereafter. Such stipulation cannot be construed other than that the subsequent amortizations should be in the same amount as the first, to be paid every six months thereafter. There being no other basis for the payment of the subsequent amortizations, the reasonable conclusion one can reach is that subsequent payments shall be made in the same amount as the first payment.

With regard to the remaining monetary obligation of the private respondents, the question is whether respondent spouses could be held liable for the interests and penalty charges considering that they had already paid the full amount of the principal obligation and petitioner DBP did not object to the late payments made by them.

The contract provided that "[t]he first amortization of P23,236.14 shall be due and payable six (6) months from the date of execution of the Deed of Conditional Sale and all subsequent amortizations shall be due and payable every six (6) months thereafter." As the contract was executed on August 8, 1983,[19] the first amortization became due on February 8, 1994 while the next one fell due on August 8 of that year. The subsequent amortizations were to be paid every six months thereafter, i.e., on February 8 and August 8 of the following years. Respondent spouses failed to comply with the schedule of payment of amortizations, their payments having been actually made as follows:

OR. NO.**DATE****AMOUNT**

261122 June 22, 1983

P 36,000.00

355399 August 4, 1983

5,400.00

828029 March 22, 1984

6,000.00

862947 June 4, 1984

21,000.00

1230133 November 15, 1984

3,000.00

1365914 Feb. 8, 1985

6,000.00

1545272 March 11, 1985

6,000.00

1549511 April 8, 1985

6,000.00

1549641 May 3, 1985

6,000.00

1714171 July 9, 1985

11,400.00

1893683 November 29, 1985

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10,000.00

2349229 September 3, 1986

15,000.00

2529065 November 4, 1986

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2830513 August 18, 1987

21,000.00

3342166 October 12, 1988

10,000.00

3367039 December 9, 1988

10,000.00

3367193 January 10, 1989

10,000.00

3367500 February 10, 1989

10,000.00

3461778 March 9, 1989

18,000.00

3532008 April 10, 1989

18,800.00

3617235 August 28, 1989

P 33,000.00

TOTAL

P 289,600.00[20]

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As private respondents failed to pay on time, they incurred additional interests and penalty charges which were applied to the payments they already made, pursuant to their contract which provides in pertinent parts as follows:

- That the sale shall be subject to penalty charges and additional interest as follows:

a) On sale accounts with amortizations (principal past due and/or regular interest) or portion thereof in arrears for thirty (30) days or less:

i. Additional interest at the basic sale interest per annum computed on total amortizations past due, irrespective of age.

ii. No penalty charge.

b) On sale accounts with amortizations or portion thereof in arrears for more than thirty (30) days:

i. Additional interest as provided above, plus

ii. Penalty charge of 8% per annum.[21]

The payments made by respondent spouses were applied to their obligation, including interests, in the following manner:[22]

DATE OR NUM-BER TOTAL PRINCIPAL REGULAR INTEREST ADDITIO-NAL INTEREST PENALTY
CHARGES ADVANCES/INT. ON ADV.

6-22-83

261122

P36,000.00

P36,000.00)

Down-

-

8-04-83

355399

5,400.00

5,400.00)

Payment

3-22-84

828029

6,000.00

-

P5,443.75

P490.35

P65.90

-

6-04-84

862947

21,000.00

10,409.95

9,460.25

645 .22

286.82

P197.76

11-15-84

230123

3,000.00

-

1,665.66

1,018.71

315.63

-

2-08-85

365914

6,000.00

-

4,837.37

804.84

357.79

-

3-11-85

1545272

6,000.00

-

5,006.03

891.28

102.69

-

4-08-85

1549510

6,000.00

-

5,103.08

697.54

199.38

-

5-03-85

1549641

6,000.00

-

5,324.97

524.97

150.06

-

7-09-85

1714171

11,400.00

4,428.85

5,514.20

1,133.31

323.94

-

11-29-85

1893683

11,000.00

-

6,352.80

3,757.49

889.91

-

7-03-86

2257661

10,000.00

-

-

7,693.45

2,306.55

-

9-03-86

2349229

15,000.00

-

9,640.76

4,519.05

840.19

-

11-04-6

2529065

16,000.00

-

11,120.74

3,813.72

1,065.54

-

8-18-87

2830513

21,000.00

-

-

5,664.24

5,335.76

-

10-13-88

3342166

10,000.00

-

-

-

10,000.00

-

12-09-88

3367039

10,000.00

-

-

4,937.64

5,062.36

-

1-10-89

3367193

10,000.00

-

-

8,766.53

1,233.47

-

2-10-89

3367500

10,000.00

-

-

8,805.08

1,194.92

-

3-10-89

3461778

18,000.00

-

-

16,920.72

1,079.28

-

4-10-89

3532008

18,800.00

-

5,786.19

11,646.64

1,367.17

-

8-28-89

3617235

33,000.00

-

12,880.57

14,122.69

5,996.74

-

P289,600.00

P56,238.50

P88,136.37

P106,853.47

P38,173.90

P197.76

Hence, as of June 30, 1989, over and above their payments in the total amount of P289,600.00, respondent spouses still owed DBP the amount of P225,855.86.[23] By August 15, 1990, this amount ballooned to P260,945.85, broken down as follows:[24]

Amount of Loan

P 207,000.00

UNMATURED OBLIGATION

Principal

Matured (8-8-89)

MATURED OBLIGATION

Principal

P 150,761.50

Advances

0.00

Regular Interest

57,113.73

AI on PPD & RI

37,086.71

RI on Advances

0.00

Penalty Charge

15,983.91

Sub Total

260,945.85

TOTAL OBLIGATION

260,945.85

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Daily Interest on UP

P 0.00

Daily Interest on PDO

P 150.97

The Court of Appeals ruled:

It is to be noted that appellant did not question the tender of payment by the appellees-vendees in different amounts and on different dates as aforestated. It did not call attention to the amortizations paid by vendees as being wrong or improper. Appellant in fact unqualifiedly accepted the payments. This is tantamount to a waiver on its part to demand for the "correct amount of the amortization, applying the ruling of the Supreme Court in *Ocampo vs. Court of Appeals* (233 SCRA 551) that the vendor's unqualified acceptance of payments after the expiration of the period precludes the vendor from raising the issue of late payments and constitutes a waiver of the period. It was only after the appellees asked the appellant to execute the final Deed of Sale that the bank started to demand for payment under its interpretation of the Deed of Conditional Sale threatening rescission thereof, otherwise. As the unqualified acceptance of the payments constituted a waiver of the "correctness" of the amortizations, the same likewise constituted a waiver of the ground to rescind under Art. 1592 of the Civil Code (*Ocampo vs. CA*, supra).

On the remaining monetary obligation of plaintiffs, we quote with favor and hereby adopt the following computation of the trial court:

"However, considering the terms of the Deed of Conditional Sale that plaintiffs must pay 18% per annum for the balance of P165,600.00, that amount of interest is the only amount due from plaintiffs covering a period of six years, or a total of P178,200.00. As plaintiffs had paid already a total of P289,600.00, the amount of P165,000.00 must be deducted therefrom which results to an overpayment of P124,000.00 on the principal. With this amount of P124,000.00 all what plaintiffs must pay will only be the amount of P54,200.00 as interest

due on the principal amount of P165,000.00."[25]

The reliance on *Ocampo v. Court of Appeals*[26] is misplaced insofar as respondent court used the ruling in said case to justify its position that petitioner waived "the correct amount of amortization" to be paid by private respondents. The case of *Ocampo* did not involve interests to be paid by the buyer to the seller in case of late payments. That case involved a judicial rescission made by the seller because of the first buyer's late payments. In that case, the seller executed a contract of sale in favor of the first buyer, stipulating therein that payments should be made in six months. The buyer failed to pay the consideration in full within the period agreed upon. However, the seller accepted a partial payment of the balance even if made after the expiration of the period. The buyer had her adverse claim annotated on the title of the seller. Later, the seller sold the land to a second buyer who was able to secure a title in his name. This Court ruled in that case that the seller was precluded from raising the issue of late payments because his unqualified acceptance of payments after the expiration of the six-month period was a waiver of the period. The Court did not rule in that case that acceptance of late payments was a waiver on the "correct amount of amortization" due to the seller. No mention in fact was made by the Court in *Ocampo* of the interests to be paid by the buyer.

On the other hand, in this case, the interest and penalty charges to be paid by private respondents in case of delay in payments were expressly stipulated in the Conditional Contract of Sale. Under the Civil Code, parties to a contract can make stipulations therein provided they are not contrary to law, morals, good customs, public order or public policy.[27] There being no question as to the validity of the Conditional Contract of Sale, the DBP correctly applied the provision on interests and penalty charges when private respondents failed to pay on the dates agreed upon. No further notice to private respondents had to be given to them.

The Court of Appeals likewise erred in disregarding paragraph 8 of the contract on interests and penalty charges and concluding that the unpaid balance of private respondents was merely in the amount of P54,200.00. In determining the amount of P54,200.00, both the trial court and respondent Court of Appeals erroneously took into account only the 18% annual interest on the remaining balance of P165,000.00:

In computing the liability of private respondents, the trial court determined what constitutes 18% of the principal amount of P165,600.00 and then multiplied such amount by six, the number of years the loan is to be paid, the product of which was P178,200.00. From the payments made by private respondents in the amount of P289,600.00, the remaining balance of P165,600.00 was deducted, which resulted in the overpayment of P124,000. This supposed overpayment of P124,000.00 was then deducted from the amount of interest, as determined by the trial court, which is P178,200.00, resulting in the difference of P54,200.00. This final amount of P54,200.00, decided by the trial court and affirmed by the Court of Appeals, was the final remaining balance of private respondents. However, the computation is erroneous. Following the method adopted by the trial court, the product of 18% of the principal amount of P165,600.00 (P29,808.00) multiplied by six is P178,848.00. Hence, from the amount of P178,848.00 must be subtracted the supposed overpayment of P124,000.00, resulting in the difference of P54,848.00.[28]

Article 1374 of the Civil Code provides that "the various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly." In the same vein, Rule 130, §11 of the Rules on Evidence states that "In the construction of an instrument where there are several provisions or particulars, such a construction is, if possible, to be adopted as will give effect to all." Accordingly, the annual interest of 18% must be construed together with paragraph 8 of the Deed of Conditional Sale imposing additional interests and penalty in case of arrears in making payments. Hence, upon failure of private respondents to pay their amortizations on the prescribed dates, they incurred interests and penalty charges at the stipulated rates. Private respondents cannot be allowed to renege on their obligation on the ground that what they had paid

was in excess of the principal obligation in the amount of P207,000.00. Nor can private respondents demand fulfillment of petitioner's obligation to execute a final deed of sale and deliver the title to the land in their favor when they have not yet fully paid their principal obligation with the accrued interests thereto. "[N]either the law nor the courts will extricate a party from an unwise or undesirable contract he or she entered into with all the required formalities and with full awareness of its consequences." [29]

Be that as it may, we find the interests to be excessive. It is noteworthy that the interests paid by private respondents, which amounted to P233,361.50, [30] including therein the regular interest, additional interest, penalty charges, and interest on advances, is more than the principal obligation in the amount of P207,000.00, which private respondents owed. Moreover, the additional interest of 18% alone amounted to P106,853.45, [31] which is almost half of what was already paid by private respondents.

Article 1229 of the Civil Code states that "Even if there has been no performance, the penalty may also be reduced by the courts if it is iniquitous or unconscionable." In *Barons Marketing Corp. v. Court of Appeals*, [32] the Court reduced the 25% penalty charge to cover the attorney's fees and collection fees, which was in addition to the 12% annual interest, to 10% for being manifestly exorbitant. Likewise, in *Palmares v. Court of Appeals*, [33] the Court eliminated altogether the payment of the penalty charge of 3% per month for being excessive and unwarranted under the circumstances. It ruled in that case:

Upon the matter of penalty interest, we agree with the Court of Appeals that the economic impact of the penalty interest of three percent (3%) per month on total amount due but unpaid should be equitably reduced. The purpose for which the penalty interest is intended - that is, to punish the obligor - will have been sufficiently served by the effects of compounded interest. Under the exceptional circumstances in the case at bar, e.g., the original amount loaned was only P15,000.00; partial payment of P8,600.00 was made on due date; and the heavy (albeit still lawful) regular compensatory interest, the penalty interest stipulated in the parties' promissory note is iniquitous and unconscionable and may be equitably reduced further by eliminating such penalty interest altogether. [34]

In the instant case, private respondents made regular payments to petitioner DBP in compliance with their principal obligation. They failed only to pay on the dates stipulated in the contract. This indicates the absence of bad faith on the part of private respondents and their willingness to comply with the terms of the contract. Moreover, of their principal obligation in the amount of P207,000.00, private respondents have already paid P289,600.00 in favor of petitioner. These circumstances convince us of the necessity to equitably reduce the interest due to petitioner and we do so by reducing to 10% the additional interest of 18% per annum computed on total amortizations past due. The penalty charge of 8% per annum is sufficient to cover whatever else damages petitioner may have incurred due to private respondents' delay in paying the amortizations, such as attorney's fees and litigation expenses.

Second. Petitioner contends that private respondents have not established a clear legal right so as to be entitled to an injunction because they are still liable to pay additional interests in accordance with the contract executed between them. [35] The contention has no merit.

In its order, dated March 8, 1990, the trial court issued a writ of preliminary injunction to prevent petitioner from rescinding the contract with private respondents and selling the land to other interested persons. The trial court stated:

After studying the respective positions of both parties, the Court believes that plaintiffs are entitled to the writ of preliminary injunction prayed for under Section 3 Rule 58 of the Revised Rules of Court. This is because the Court wants to thresh out the issue of whether or not the Deed of Conditional Sale which plaintiffs contend is embodied in a contract of adhesion was really made for the disadvantage, damage and prejudice of plaintiffs;

the issue of whether or not despite the payment of P289,6000.00 by plaintiffs over and above the stipulated consideration for the lot in the amount of P207,000.00, still entitles DBP to rescind the said Deed of Conditional Sale and sell it to other persons. These two issues and other issues which it believes will come up as the case proceeds, need be resolved first, before DBP is allowed to proceed with its intended rescission of the Contract and sale of the lot to other persons, otherwise, in the event plaintiffs' contention stand would be found meritorious and tenable, the judgment in their favor would become moot and academic which would ultimately cause irreparable damage to them.

WHEREFORE, in view of the foregoing, let the Writ of Preliminary Injunction prayed for issue, provided plaintiffs post an injunction bond in the amount of P200,000.00 conditional that it shall be liable together with the principals, spouses Nilo Dela Peña and Esperanza Dela Peña, to defendant, in the event it shall be found out that plaintiffs are not entitled to the writ of preliminary injunction prayed for.[36]

In its decision, dated March 30, 1993, the trial court declared permanent the writ of preliminary injunction issued in favor of private respondents.[37] Its ruling was subsequently affirmed by the Court of Appeals.[38]

Two requisites are necessary if a preliminary injunction is to issue, namely: (1) the existence of a right to be protected and (2) the facts against which the injunction is to be directed are violative of said right.[39]

As to the question whether private respondents have a right to be protected, we hold that they do. Injunction may be resorted to for the preservation or protection of the rights of the complainant and for no other purpose during the pendency of the principal action.[40] In the case at bar, private respondents applied for an injunction in order to prevent petitioner DBP from rescinding the sale and selling the land to other interested buyers. They are entitled to such writ because petitioner DBP had no right to rescind the sale and deprive them of any right of possession over the property.

In the first place, there was no substantial breach in the performance of private respondents' obligation. Article 1191 of the Civil Code provides that "The power to rescind obligations is implied in reciprocal ones, in case one of the obligors should not comply with what is incumbent upon him. The injured party may choose between the fulfillment and the rescission of the obligation, with the payment of damages in either case. He may also seek rescission, even after he has chosen fulfillment, if the latter should become impossible. . . ." Rescission of a contract will not be permitted for a slight or casual breach, but only such substantial and fundamental breach as would defeat the very object of the parties in making the agreement.[41] Private respondents made regular payments to petitioner DBP. Their fault consisted only of their failure to pay the installments on the dates stipulated in the contract, for which they were charged additional interests and penalty charges. In the second place, private respondents stopped their payments to the DBP only after they had paid P289,600.00 because of their belief that they had already complied with their obligation to petitioner. Lastly, notwithstanding private respondents' delay in paying the amortizations, petitioner DBP unqualifiedly accepted the payments made by them. Hence, petitioner lost its right to rescind the sale on the basis of such late payments. In an analogous case, we held:

In the instant case, the sellers gave the buyers until May 1979 to pay the balance of the purchase price. After the latter failed to pay installments due, the former made no judicial demand for rescission of the contract nor did they execute any notarial act demanding the same, as required under Article 1592. Consequently, the buyers could lawfully make payments even after the May 1979 deadline, as in fact they paid several installments, an act which cannot but be construed as a waiver of the right to rescind. When the sellers, instead of availing of their right to rescind, accepted and received delayed payments of installments beyond the period stipulated, and the buyers were in arrears, the sellers in effect waived and are now estopped from exercising said right to rescind.[42]

Private respondents, therefore, had the right to prevent the former from rescinding the sale and selling the property in question. The first requisite had been met.

As to the second requisite, it was expressly stipulated in the contract that should rescission take place, private respondents, as the vendees, shall waive whatever right they may have acquired over the property and that all sums of money paid by them shall be considered and treated as rentals for the use of the property. In addition, private respondents shall vacate the property, waiving whatever expenses they may have incurred in the property in the form of improvement or under any concept, without any right of reimbursement.[43] Clearly, the act sought to be enjoined by the injunction was violative of the rights that private respondents have acquired over the property. What they stood to lose in case petitioner decides to rescind the sale is material and substantial. Not only would they forfeit all the payments they have made in favor of petitioner, they would also lose their right of possession over the property.

There was indeed an urgent and permanent necessity for the issuance of the writ to protect private respondents' rights over the property.

As held in one case:[44]

The controlling reason for the existence of the judicial power to issue the writ is that the court may thereby prevent a threatened or continuous irremediable injury to some of the parties before their claims can be thoroughly investigated and advisedly adjudicated. It is to be resorted to only when there is a pressing necessity to avoid injurious consequences which cannot be remedied under any standard of compensation.

Had no injunction been issued petitioner would have rescinded the sale and sold the property to other parties, and private respondents would have lost what they have paid to petitioner and any right they may have acquired over the property even without the benefit of a trial. The complaint of respondent spouses would have been rendered moot and academic as the property would be in possession of an innocent purchaser for value and private respondents would be powerless to recover the same. Such a situation cannot be countenanced. Hence, we hold that both the trial court and the Court of Appeals correctly issued the writ of preliminary injunction against petitioner.

WHEREFORE, the decision of the Court of Appeals is hereby **AFFIRMED** with the **MODIFICATION** that the additional interest is reduced to 10% per annum computed on total amortizations past due, irrespective of age.

SO ORDERED.

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

[1] Per Justice Portia Aliño-Hormachuelos and concurred in by Justices Buenaventura J. Guerrero and Renato C. Dacudao of the Seventeenth Division of the Court of Appeals.

[2] Per Justice Portia Aliño-Hormachuelos and concurred in by Justices Buenaventura J. Guerrero and Renato C. Dacudao of the Former Seventeenth Division of the Court of Appeals.

[3] Records, p. 38.

[4] Exh. A.

[5] TSN, p. 16-17, March 5, 1991.

[6] Amended Complaint, pp. 2-3.

[7] TSN, p. 9, March 5, 1991.

[8] Exh. B.

[9] Exh. 2.

[10] Exh. 3.

[11] Records, pp. 1-7.

[12] Id., pp. 38-45.

[13] RTC Decision, p. 6.

[14] CA Decision, p. 7; Rollo, p. 13.

[15] Rollo, pp. 52-53.

[16] Petition, pp. 9-10; Rollo, pp. 29-30.

[17] CA Decision, p. 5; Rollo, p. 48.

[18] Exh. A.

[19] Exh. A.

[20] Amended Complaint, pp. 2-3.

[21] Exh. A.

[22] Exh. 5.

[23] Exh. 2.

[24] Exh. 4.

[25] CA Decision, p. 5-6; Rollo, p. 48-49.

[26] 233 SCRA 551 (1994).

[27] Civil Code, Art. 1306; *Ridjo Tape and Chemical Corp. v. Court of Appeals*, 286 SCRA 544 (1998).

[28] RTC Decision, p. 5, Records, p. 249; CA Decision, p. 6; Rollo, p. 49.

[29] *Opulencia v. Court of Appeals*, 293 SCRA 385, 396 (1998).

[30] Exh. 5.

[31] Id.

[32] 286 SCRA 96 (1998).

[33] 288 SCRA 422 (1998).

[34] *Palmares v. Court of Appeals*, supra., pp. 445-446, citing *Magallanes, et al. v. Court of Appeals, et al.*, G.R. No. 112614, May 16, 1994, Third Division, Minute Resolution.

[35] Petition, pp. 17-18; Rollo, pp. 37-38.

[36] Records, pp. 109-110.

[37] Id., p. 250; RTC Decision, p. 6.

[38] Resolution dated Feb. 11, 1999; Rollo, p. 52.

[39] Lopez v. Court of Appeals, G.R. No. 110929, January 20, 2000.

[40] Cagayan de Oro City Landless Residents, Asso., Inc. v. Court of Appeals 254 SCRA 220 (1996).

[41] Laforteza v. Machuca, G.R. No. 137552, June 16, 2000.

[42] Holgado and Heirs of Pedro Escanlar v. Court of Appeals, 281 SCRA 177, 193-194 (1997).

[43] Exh. A; Exh. 1-A-2.

[44] Del Rosario v. Court of Appeals, 255 SCRA 152, 157-158 (1996).

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