

FIDELA DEL CASTILLO VDA. DE MISTICA, PETITIONER, VS. SPOUSES BERNARDINO NAGUIAT AND MARIA PAULINA GERONA-NAGUIAT, RESPONDENTS.

G.R. No. 137909. December 11, 2003

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.:

The failure to pay in full the purchase price stipulated in a deed of sale does not ipso facto grant the seller the right to rescind the agreement. Unless otherwise stipulated by the parties, rescission is allowed only when the breach of the contract is substantial and fundamental to the fulfillment of the obligation.

The Case

Before us is a Petition for Review[1] under Rule 45 of the Rules of Court, seeking to nullify the October 31, 1997 Decision[2] and the February 23, 1999 Resolution[3] of the Court of Appeals (CA) in CA-GR CV No. 51067. The assailed Decision disposed as follows:

"WHEREFORE, modified as indicated above, the decision of the Regional Trial Court is hereby AFFIRMED."[4]

The assailed Resolution denied petitioner's Motion for Reconsideration.

The Facts

The facts of the case are summarized by the CA as follows:

"Eulalio Mistica, predecessor-in-interest of herein [petitioner], is the owner of a parcel of land located at Malhacan, Meycauayan, Bulacan. A portion thereof was leased to [Respondent Bernardino Naguiat] sometime in 1970.

"On 5 April 1979, Eulalio Mistica entered into a contract to sell with [Respondent Bernardino Naguiat] over a portion of the aforementioned lot containing an area of 200 square meters. This agreement was reduced to writing in a document entitled 'Kasulatan sa Pagbibilihan' which reads as follows:

`NAGSASALAYSAY:

`Na ang NAGBIBILI ay nagmamay-aring tunay at naghahawak ng isang lagay na lupa na nasa Nayon ng Malhacan, Bayan ng Meycauayan, Lalawigan ng Bulacan, na ang kabuuan sukat at mga kahangga nito gaya ng sumusunod:

x x x x x x x x

`Na alang-alang sa halagang DALAWANG PUNG LIBONG PISO (P20,000.00) Kualtang Pilipino, ang NAGBIBILI ay nakipagkasundo ng kanyang ipagbibili ang isang bahagi o sukat na DALAWANG DAAN (200) METROS PARISUKAT, sa lupang nabanggit sa itaas, na ang mga kahangga nito ay gaya ng

sumusunod:

x x x x x x x x

`Na magbibigay ng paunang bayad ang BUMIBILI SA NAGBIBILI na halagang DALAWANG LIBONG PISO (P2,000.00) Kualtang Pilipino, sa sandaling lagdaan ang kasulatang ito.

`Na ang natitirang halagang LABING WALONG LIBONG PISO (P18,000.00) Kualtang Pilipino, ay babayaran ng BUM[I]BILI sa loob ng Sampung (10) taon, na magsisimula sa araw din ng lagdaan ang kasulatang ito.

`Sakaling hindi makakabayad ang Bumibili sa loob ng panahon pinagkasunduan, an[g] BUMIBILI ay magbabayad ng pakinabang o interes ng 12% isang taon, sa taon nilakaran hanggang sa ito'y mabayaran tuluyan ng Bumibili:

`Sa katunayan ng lahat ay nilagdaan ng Magkabilang Panig ang kasulatang ito, ngayon ika 5 ng Abril, 1979, sa Bayan ng Meycauayan. Lalawigan ng Bulacan, Pilipinas.

(signed)

(signed)

BERNARDINO NAGUIAT

EULALIO MISTICA

Bumibili

Nagbibili'

"Pursuant to said agreement, [Respondent Bernardino Naguiat] gave a downpayment of P2,000.00. He made another partial payment of P1,000.00 on 7 February 1980. He failed to make any payments thereafter. Eulalio Mistica died sometime in October 1986.

"On 4 December 1991, [petitioner] filed a complaint for rescission alleging inter alia: that the failure and refusal of [respondents] to pay the balance of the purchase price constitutes a violation of the contract which entitles her to rescind the same; that [respondents] have been in possession of the subject portion and they should be ordered to vacate and surrender possession of the same to [petitioner] ; that the reasonable amount of rental for the subject land is P200.00 a month; that on account of the unjustified actuations of [respondents], [petitioner] has been constrained to litigate where she incurred expenses for attorney's fees and litigation expenses in the sum of P20,000.00.

"In their answer and amended answer, [respondents] contended that the contract cannot be rescinded on the ground that it clearly stipulates that in case of failure to pay the balance as stipulated, a yearly interest of 12% is to be paid. [Respondent Bernardino Naguiat] likewise alleged that sometime in October 1986, during the wake of the late Eulalio Mistica, he offered to pay the remaining balance to [petitioner] but the latter refused and hence, there is no breach or violation committed by them and no damages could yet be incurred by the late Eulalio Mistica, his heirs or assigns pursuant to the said document; that he is presently the owner in fee simple of the subject lot having acquired the same by virtue of a Free Patent Title duly awarded to him by the Bureau of Lands; and that his title and ownership had already become indefeasible and incontrovertible. As counterclaim, [respondents] pray for moral damages in the amount of P50,000.00; exemplary damages in the amount of P30,000.00; attorney's fees in the amount of P10,000.00 and other litigation expenses.

"On 8 July 1992, [respondents] also filed a motion to dismiss which was denied by the court on 29 July 1992. The

motion for reconsideration was likewise denied per its Order of 17 March 1993.

"After the presentation of evidence, the court on 27 January 1995 rendered the now assailed judgment, the dispositive portion of which reads:

`WHEREFORE, premises considered, judgment is hereby rendered:

`1. Dismissing the complaint and ordering the [petitioner] to pay the [respondents] attorney's fee in the amount of P10,000.00 and costs of the suit;

`2. Ordering the [respondents]:

`a.

To pay [petitioner] and the heirs of Eulalio Mistica the balance of the purchase price in the amount of P17,000.00, with interest thereon at the rate of 12% per annum computed from April 5, 1989 until full payment is made, subject to the application of the consigned amount to such payment;

`b.

To return to [petitioner] and the heirs of Eulalio Mistica the extra area of 58 square meters from the land covered by OCT No. 4917 (M), the corresponding price therefor based on the prevailing market price thereof." [5] (Citations omitted)

CA's Decision

Disallowing rescission, the CA held that respondents did not breach the Contract of Sale. It explained that the conclusion of the ten-year period was not a resolutory term, because the Contract had stipulated that payment -- with interest of 12 percent -- could still be made if respondents failed to pay within the period. According to the appellate court, petitioner did not disprove the allegation of respondents that they had tendered payment of the balance of the purchase price during her husband's funeral, which was well within the ten-year period.

Moreover, rescission would be unjust to respondents, because they had already transferred the land title to their names. The proper recourse, the CA held, was to order them to pay the balance of the purchase price, with 12 percent interest.

As to the matter of the extra 58 square meters, the CA held that its reconveyance was no longer feasible, because it had been included in the title issued to them. The appellate court ruled that the only remedy available was to order them to pay petitioner the fair market value of the usurped portion.

Hence, this Petition.[6]

Issues

In her Memorandum,[7] petitioner raises the following issues:

"1.

Whether or not the Honorable Court of Appeals erred in the application of Art. 1191 of the New Civil Code, as it ruled that there is no breach of obligation inspite of the lapse of the stipulated period and the failure of the private respondents to pay.

"2.

Whether or not the Honorable Court of Appeals [e]rred in ruling that rescission of the contract is no longer feasible considering that a certificate of title had been issued in favor of the private respondents.

"3.

Whether or not the Honorable Court of Appeals erred in ruling that since the 58 sq. m. portion in question is covered by a certificate of title in the names of private respondents reconveyance is no longer feasible and proper."^[8]

The Court's Ruling

The Petition is without merit.

First Issue:

Rescission in Article 1191

Petitioner claims that she is entitled to rescind the Contract under Article 1191 of the Civil Code, because respondents committed a substantial breach when they did not pay the balance of the purchase price within the ten-year period. She further avers that the proviso on the payment of interest did not extend the period to pay. To interpret it in that way would make the obligation purely potestative and, thus, void under Article 1182 of the Civil Code.

We disagree. The transaction between Eulalio Mistica and respondents, as evidenced by the Kasulatan, was clearly a Contract of Sale. A deed of sale is considered absolute in nature when there is neither a stipulation in the deed that title to the property sold is reserved to the seller until the full payment of the price; nor a stipulation giving the vendor the right to unilaterally resolve the contract the moment the buyer fails to pay within a fixed period.^[9]

In a contract of sale, the remedy of an unpaid seller is either specific performance or rescission.^[10] Under Article 1191 of the Civil Code, the right to rescind an obligation is predicated on the violation of the reciprocity between parties, brought about by a breach of faith by one of them.^[11] Rescission, however, is allowed only where the breach is substantial and fundamental to the fulfillment of the obligation.^[12]

In the present case, the failure of respondents to pay the balance of the purchase price within ten years from the execution of the Deed did not amount to a substantial breach. In the Kasulatan, it was stipulated that payment could be made even after ten years from the execution of the Contract, provided the vendee paid 12 percent interest. The stipulations of the contract constitute the law between the parties; thus, courts have no alternative but to enforce them as agreed upon and written.^[13]

Moreover, it is undisputed that during the ten-year period, petitioner and her deceased husband never made any demand for the balance of the purchase price. Petitioner even refused the payment tendered by respondents during her husband's funeral, thus showing that she was not exactly blameless for the lapse of the ten-year period. Had she accepted the tender, payment would have been made well within the agreed period.

If petitioner would like to impress upon this Court that the parties intended otherwise, she has to show competent proof to support her contention. Instead, she argues that the period cannot be extended beyond ten years, because to do so would convert the buyer's obligation to a purely potestative obligation that would annul the contract under Article 1182 of the Civil Code.

This contention is likewise untenable. The Code prohibits purely potestative, suspensive, conditional obligations

that depend on the whims of the debtor, because such obligations are usually not meant to be fulfilled.[14] Indeed, to allow the fulfillment of conditions to depend exclusively on the debtor's will would be to sanction illusory obligations.[15] The Kasulatan does not allow such thing. First, nowhere is it stated in the Deed that payment of the purchase price is dependent upon whether respondents want to pay it or not. Second, the fact that they already made partial payment thereof only shows that the parties intended to be bound by the Kasulatan.

Both the trial and the appellate courts arrived at this finding. Well-settled is the rule that findings of fact by the CA are generally binding upon this Court and will not be disturbed on appeal, especially when they are the same as those of the trial court.[16] Petitioner has not given us sufficient reasons to depart from this rule.

Second Issue:

Rescission Unrelated to Registration

The CA further ruled that rescission in this case would be unjust to respondents, because a certificate of title had already been issued in their names. Petitioner nonetheless argues that the Court is still empowered to order rescission.

We clarify. The issuance of a certificate of title in favor of respondents does not determine whether petitioner is entitled to rescission. It is a fundamental principle in land registration that such title serves merely as an evidence of an indefeasible and incontrovertible title to the property in favor of the person whose name appears therein.[17]

While a review of the decree of registration is no longer possible after the expiration of the one-year period from entry, an equitable remedy is still available to those wrongfully deprived of their property.[18] A certificate of title cannot be subject to collateral attack and can only be altered, modified or canceled in direct proceedings in accordance with law.[19] Hence, the CA correctly held that the propriety of the issuance of title in the name of respondents was an issue that was not determinable in these proceedings.

Third Issue:

Reconveyance of the Portion Importunately Included

Petitioner argues that it would be reasonable for respondents to pay her the value of the lot, because the CA erred in ruling that the reconveyance of the extra 58-square meter lot, which had been included in the certificate of title issued to them, was no longer feasible.

In principle, we agree with petitioner. Registration has never been a mode of acquiring ownership over immovable property, because it does not create or vest title, but merely confirms one already created or vested.[20] Registration does not give holders any better title than what they actually have.[21] Land erroneously included in the certificate of title of another must be reconveyed in favor of its true and actual owner.[22]

Section 48 of Presidential Decree 1529, however, provides that the certificate of title shall not be subject to collateral attack, alteration, modification, or cancellation except in a direct proceeding.[23] The cancellation or removal of the extra portion from the title of respondents is not permissible in an action for rescission of the contract of sale between them and petitioner's late husband, because such action is tantamount to allowing a collateral attack on the title.

It appears that an action for cancellation/annulment of patent and title and for reversion was already filed by the State in favor of petitioner and the heirs of her husband.[24] Hence, there is no need in this case to pass upon the right of respondents to the registration of the subject land under their names. For the same reason, there is no necessity to order them to pay petitioner the fair market value of the extra 58-square meter lot importunately included in the title.

WHEREFORE, the assailed Decision and Resolution are AFFIRMED with the MODIFICATION that the payment for the extra 58-square meter lot included in respondents' title is DELETED.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Ynares-Santiago, Carpio, and Azcuna, JJ., concur.

[1] Rollo, pp. 22-33.

[2] Id., pp. 49-56. Fourth Division. Penned by Justice Antonio M. Martinez (Division chairman), with the concurrence of Justices Corona Ibay-Somera and Oswaldo D. Agcaoili (members).

[3] Id., p. 65; penned by Justice Corona Ibay-Somera and concurred in by Justices Oswaldo D. Agcaoili and Mariano M. Umali.

[4] CA Decision, p. 7; rollo, p. 55.

[5] Id., pp. 1-4 & 49-52.

[6] The case was deemed submitted for decision on December 13, 2001, upon this Court's receipt of respondents' Memorandum signed by Atty. Ernesto S. Salunat. It was noted in the Court's Resolution dated February 6, 2002. Petitioner's Memorandum, signed by Atty. Manuel P. Punzalan, was received by this Court on October 26, 2000.

[7] Rollo, pp. 92-105.

[8] Petitioner's Memorandum, p. 5; rollo, p. 96.

[9] People's Industrial and Commercial Corp. v. Court of Appeals, 346 Phil. 189, 203, October 24, 1997; Sps. Babasa v. Court of Appeals, 352 Phil. 1142, May 21, 1998.

[10] Jacinto v. Kaparaz, 209 SCRA 246, 257, May 22, 1992; Heirs of Escanlar v. Court of Appeals, 346 Phil. 158, 172, October 23, 1997.

[11] Uy v. Court of Appeals, 372 Phil. 743, September 9, 1999.

[12] Power Commercial and Industrial Corp. v. Court of Appeals, 274 SCRA 597, 608, June 20, 1997; Development Bank of the Philippines v. Court of Appeals, 344 SCRA 492, 509, October 30, 2000.

[13] Valarao v. Court of Appeals, 363 Phil. 495, 506, March 3, 1999.

[14] Vitug, Compendium of Civil Law & Jurisprudence (1993 rev. ed.), p. 488; Perez v. Court of Appeals, 380 Phil. 592, 600, January 28, 2000.

[15] Tolentino, Commentaries and Jurisprudence on the Civil Code, Vol. IV (1991 ed.), p. 152.

[16] Lubos v. Galupo, 373 SCRA 618, January 16, 2002; Manufacturers Building, Inc. v. CA, 354 SCRA 521, March 16, 2001; Xentrex Automotive, Inc. v. CA, 353 Phil. 258, June 18, 1998.

[17] Vda. de Retuerto v. Barz, 372 SCRA 712, 719, December 19, 2001; Heirs of Brusas v. Court of Appeals, 372 Phil. 47, August 26, 1999; Liao v. Court of Appeals, 380 Phil. 400, January 27, 2000.

[18] Villanueva-Mijares v. Court of Appeals, 386 Phil. 555, April 12, 2000; Heirs of Ramon Durano Sr. v. Uy, 344 SCRA 238, 263, October 24, 2000.

[19] Seville v. National Development Company, 351 SCRA 112, 125, February 2, 2001; Zaragoza v. Court of

Appeals, 341 SCRA 309, 317, September 29, 2000; Tan v. Philippine Banking Corporation, 355 SCRA 292, 299, March 26, 2001; Vda. de Retuerto v. Barz, *supra*, p. 722; Mallilin Jr. v. Castillo, 389 Phil. 153, June 16, 2000.

[20] Development Bank of the Philippines v. Court of Appeals, 387 Phil. 283, April 28, 2000; Republic v. Court of Appeals, 335 SCRA 693, 700, July 14, 2000; Republic of the Phils. v. Court of Appeals, 361 Phil. 319, January 21, 1999; Garcia v. Court of Appeals, 371 Phil. 107, August 10, 1999.

[21] Heirs of Ingjug-Tiro v. Sps. Casals, 415 Phil. 665, August 20, 2001.

[22] Development Bank of the Philippines v. Court of Appeals, *supra*, p. 285; Republic v. CA, *supra*, p. 384; De Ocampo v. Arlos, 343 SCRA 716, 727, October 19, 2000.

[23] Mallilin Jr. v. Castillo, *supra*.

[24] Docketed as Civil Case No. 182-M-95 and filed with the RTC of Malolos, Bulacan (Branch 12); rollo, pp. 106-112.

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