CESAR P. UY, BEATRIZ F. UY AND ANITA PAPA, PETITIONERS, VS. HON. VICTORINO P. EVANGELISTA, PRESIDING JUDGE, REGIONAL TRIAL COURT, QUEZON CITY, BRANCH 223, SAN ROQUE PUROK ONSE N...

G.R. No. 140365. July 11, 2001

Ponente: VITUG, J.

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VITUG, J.:

On 01 September 1997, herein respondents San Roque Purok Onse Neighborhood Association, Inc., Belen Duan, et al., filed a complaint for specific performance, reformation and declaration of nullity of a deed of exchange, as well as for damages, against petitioners Cesar P. Uy, Beatriz F. Uy, NATASYA Enterprises, Inc., and Anita Papa before the Regional Trial Court, Branch 223, of Quezon City.

In the complaint, private respondents (then plaintiffs) alleged four causes of action; to wit:

> "AS FIRST CAUSE OF ACTION
>
> "3. Defendants spouses Uy are (were) the registered owners of a parcel of land containing an area of 5,000 square meters described and embraced under TCT No. RT-5390 (357373) in which all plaintiffs herein possess and reside even up to the present, a copy of the aforesaid title is hereto attached as ANNEX `A' is made an integral part of this complaint;
>
> "4. Fearful of possible malicious use by unscrupulous landowners of criminal prosecution under P.D. 772 and mindful of the government's Community Mortgage Program (CMP) as the best option for them as poor and landless citizens to legally acquire, at the same time, wary of some nefarious individuals or groups who continue to dupe and victimize hapless but legitimate buyers like them, plaintiffs went into extensive search and research until ultimately they were led last year by Mr. Boy Javellonar to defendants spouses Uy, who were reportedly either citizens of or permanent/temporary residents of Australia;
>
> "5. Immediately thereafter, negotiations for the plaintiff's acquisition of defendants spouses Uy's property began between the latter and plaintiffs through Ms. Arcelita Gebone, who was and is still the President of `Samahang Sariling Sikap Ng Holy Spirit, Quezon City, Inc.' likewise a neighborhood association incorporated way back in 1988 and is composed of members occupying a bigger track of land with an area of about 2 hectares supposedly owned by one Gervacio Luis Que, from where defendants spouses Uy's property was reportedly derived from as a portion thereof. In the meantime, to legalize their continued stay in the premises, said Ms. Gebone, authorized plaintiffs to remain in the premises, by virtue of her formal appointment as caretaker of the property in question, embodied in a Certification dated September 20, 1996, a copy of which is hereto attached as Annex `B' and is made an integral part hereof;
>
> "6. Under date of December 10, 1996 and only after months of previous intense negotiations, herein defendant Cesar Uy authorized Ms. Arcelita Gebone to have the property surveyed, which in turn, was given clearance by the Barangay Holy Spirit officials on December 12, 1996, in preparation for the plaintiff's acquisition of said property in accordance with and by virtue of the CMP program, copies of the aforesaid Authorization and

Clearance are hereto attached as Annexes `C' and `D' respectively and are made integral parts hereof;

"7. Pursuant to the aforementioned negotiations and in compliance with one of the requirements under the CMP, plaintiffs caused for the survey and subdivision of the property of defendants spouses spouses Uy, which was completed and finalized in a Plan prepared by Geodetic Engineer, Job B. Bragois on December 20, 1996, a copy of said plan (reduced from its original measurements to bond size), is hereto attached as Annex `E' and is made an integral part hereof;

"8. However, after a few months and for no apparent reason, defendants spouses Uy balked and reneged from their original commitment for plaintiffs to acquire their property at the priced fixed by and in accordance with CMP rules and guidelines. Instead, said defendants countered to sell the same directly to plaintiffs at the price of Two Thousand Five Hundred (2,500.00) Pesos or for an aggregate of P12,500,000.00 for the entire 5,000 sq. m. lot, payable with a down payment of P1,800,000.00 and the remaining balance of P10,700,000.00 to be paid by or through a mortgage constituted over the same property to and in favor of defendant Anita Papa, payable 25 years at 300 equal monthly installments of P162,365.00, commencing August 15, 1997, a copy of the real estate mortgage in 11 pages, dated July 1997, is hereto attached as Annex `F' and is made an integral part hereof;

"9. When the other members of the Samahang Sariling Sikap Ng Holy Spirit, Quezon City, Inc. (especially those who were/are not actual occupants of the premises owned by defendants spouses Uy), came to know of the foregoing change in heart by the latter, they expressed lack of interest in pursuing the stalled negotiations with said defendants spouses Uy. Herein plaintiffs, however, went on to pursue even with the above modification, this time only in respect to the actual portion they were occupying, having extensively invested a lot of money and having improved such premises over the past year(s). In the process, they were able to raise about P1,200,000.00. Thus, and constituting as their,

"III

"SECOND CAUSE OF ACTION

"10. Plaintiffs sought defendant Cesar Uy to allow them to purchase the property even under their counter proposal provided only that (a) such sale be done individually in accordance with their actual holdings or possession and (b) that the failure of one or others to pay their parri-passu share in the mortgage obligation shall not affect those who are or shall be religiously paying. For this purpose, plaintiff submitted on August 7, 1997 the Articles of Incorporation of SARPONAI limiting membership thereto only to the actual occupants of the property in question in accordance with the revised plan re-surveyed last April 5, 1997 completed only of late, a copy of which, likewise reduced to bond size is hereto attached as Annex `G' and is made an integral part hereof;

"11. Plaintiffs subsequently submitted to defendants spouses Uy, to enable the latter to draw the pertinent documents in accordance therewith and based upon the following individual acquisitions, to wit:

Name

Block/Lot No.

Area (in sq. m.)

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1.

Belen A. Duan

1/2

150.00

2.

Jinky San Lorenzo

1/3

50.00

3.

Orlando Donaire

1/4

67.00

4.

Odelon Allamorin

1/7

55.00

5.

Jerson Tabon

1/8

30.00

6.

Esther Mahipos

1/9

30.00

7.

Julie D. Gaspar

I/11

40.00

8.

Cecelia Legara

I/13

65.00

9.

Conrado Torio

I/15

50.00

10.

Charlie Verano

I/16

32.00

11.

Freddie Debias

I/17

32.00

12.

Vicente Calipay

II/1

82.50

13.

Leonilo Polar

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II/2

74.50

14.

Roque Amano

II/3

90.50

15.

Ricardo Allamorin

II/4

89.00

16.

Carmelo Dialogo

II/5

98.00

17.

Roy Catampongan

II/6

95.50

18.

Paterno dela Cerna

II/7

36.00

19.

Rolano Saspa

II/12

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68.00

20.

Warlito Elimangco

III/5

30.50

21.

Edna Villamor

IV/1

154.00

22.

Josephine Merin

IV/4

93.00

23.

Marciano Gop, Jr.

IV/5

74.00

Total

1, 586.00

"as to the rest of the remaining area outside the above total, which is 3,414.00 sq. m. more or less, the same may be sold to all others similarly situated but at present, are wary to commit due to defendants' suspicious moves or machinations;

"12. It was also proposed that the purported mortgage by defendants spouses Uy to and in favor of their co-defendant Anita Papa be modified, first, to allow plaintiffs to individually acquire their respective holdings as shown in the proceeding paragraph even prior to the 25-year period provided only that they have already paid in full the entire consideration commensurate to the area of their respective holdings; second, for said

defendant Anita Papa, as mortgagee, to execute the corresponding partial release of mortgage over portion or portions already paid in full; and last, that the title covering this 5,000 sq. m. be subdivided to allow issuance of individual title(s) to plaintiffs who may have paid in full said consideration. All these shall materialize only by or through the following:

"IV

"THIRD CAUSE OF ACTION

"13. In the meantime, while all the above was taking place, plaintiffs, together with other persons not otherwise residing at or having interest in the property, came to know of a 2 page demand letter dated July 28, 1997 signed by defendant Cesar Uy, this time supposedly as counsel for the new owner, co-defendant Natas-ya, and they later on, individually received a similar demand letter dated July 26, 1997 invariably last August 6/7/8, 1997, a copy of said letter is hereto attached as Annex `H' and is made an integral part hereof;

"14. True enough, plaintiffs discovered much to their dismay and disappointment, but to their damage and prejudice, that the property in question is now embraced under TCT No. N-179573, in the name of defendant Natas-ya, purportedly by virtue of a Deed of Exchange between it and defendants spouses Uy dated January 30, 1996, without however the necessary consent or conformity from defendant Anita Papa as mortgagee thereof, copies of said title and deed are hereto attached as Annexes `I' and `J' respectively and are made integral parts hereof;

"15. Notwithstanding the above conveyance by defendants spouses Uy of the property in question, to and in favor of their co-defendant Natas-ya as early as January, 1996, said defendants Uy executed an Amended Real Estate Mortgage on July 24, 1997, increasing the original mortgage obligations from P8,000,000.00 to P10,700,000.00, again without the consent or conformity either by defendant Natas-ya Enterprises, Inc. as eventual owner/buyer thereof or by Anita Papa as mortgagee therein, in view of the change of obligor from spouses Uy to Natas-ya, a copy of said Amended Mortgage is hereto attached as Annex `K' and is made an integral part hereof;

"16. From the foregoing it is evident the supposed transfer of the property in question by defendants spouses Uy to and in favor of defendant Natas-ya in exchange for P3,000,000.00 worth of shares in its company, is null and void from the very beginning, in view of the following;

"a) The supposed exchange was without the necessary corporate authorization required on the part of defendant Natas-ya, like the board resolutions accepting/agreeing to such exchange. The records in the Securities & Exchange Commission did not disclose this fact, nor of the other requirement imposed upon corporations seeking stockholders' asset in extra ordinary (sic) cases of acquisition of this magnitude and in incurring indebtedness, such as in the case at bar whereupon herein defendant Natas-ya is now saddled with, i.e., the P8,000,000.00 mortgage obligations, recently increased to P10,700,000.00;

"b) There was no capital gains taxes paid from such transaction, despite the fact that the consideration appears to be not only the amount of P3,000,000.00 representing the value of the shares supposedly issued by defendant Natas-ya in exchange therefor, but also the assumption of said mortgage obligations of P8,000,000.00, later increased, albeit illegally, to the sum of P10,700,000.00;

"c) The supposed exchange which led to the transfer and assumption of mortgage obligations by or from defendants spouses Uy to their co-defendants Natas-ya was similarly without the expressed (sic) consent or conformity of the creditor, defendant Anita Papa;

"d) The purported additional mortgage was executed by defendants spouses Uy by virtue of an amendment dated July 24, 1997, when in truth and in fact, said defendants, had previously conveyed the same property in favor of their other co-defendant Natas-ya as early as in January 1996 or for over 1 1/2 years after they (spouses Uy) were no longer the actual owners thereof; and

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"e) At the time the property in question was conveyed in favor of defendant Natas-ya by its co-defendants spouses Uy in January, 1996, all it had as its corporate asset was the minimum initial paid up amount of P625,000.00 (sic), which is 25% of the subscribed capital of P2,500,000.00, which in turn, is likewise the minimum 25% required subscription from its authorized capitalization of P10,000,000.00.

"Based from the foregoing facts and circumstances, it is obvious that defendants conspired with one another to prevent plaintiffs, from acquiring the whole or portion of the property in question, to the latter's great damage and prejudice giving rise to their claims for Damages, forming part of their,'

"V

"FOURTH CAUSE OF ACTION

"17. In view of the malicious moves and/or machinations by defendants, especially defendant Cesar Uy, taking advantage of plaintiffs who do not possess that degree of education to afford them the kind of knowledge and understanding that said defendant possesses as a seasoned lawyer and legal practitioner perpetrated upon their less fortunate brethren, who despite their lowly station in life desire to legally possess and acquire the property in question, said defendants, depending on the manner or extent of their participation or complicity be assessed, jointly and severally for Actual Damages of at least P500,000.00;

"18. As a further consequence of defendants (sic) concerted actions in depriving plaintiffs of their long desire of having peace and tranquillity in legally acquiring the land upon which they had built their homes, causing them wounded feelings, sleepless nights and similar untold miseries, said defendants, depending on the manner and extent of their participation or complicity to the alleged conspiracy, be further assessed with Moral Damages in the amount of no less than P1,000,000.00;

"19. In order to serve as an example and deterrent to all other landowners or business persons who, in their desire to defraud others or from walking away from their commitments, employ such tricks, moves or machinations aimed at damaging or prejudicing especially those like herein plaintiffs, who have less in life both materially and professionally, said defendants, depending on the manner or extent of their participation or complicity to the alleged conspiracy, be further assessed the sum of at least P1,000,000.00, by way of Exemplary Damages; and

"20. In order for them to enforce the rights in the agreement as well as to protect their interests in this transaction, plaintiffs are compelled to litigate herein and in the process, they stand to incur the additional expense of no less than P500,000.00 for and as attorney's fees, exclusive of litigation costs and expenses.

"Finally, if in all of these damages claimed, defendant Natas-ya is found and ordered to pay the same for more than the aggregate amount of P625,000.00, which represents their initial paid in capital, then it is further prayed that its incorporators, be ordered to deliver or pay their combined unpaid subscription balance in the aggregate amount of P1,875,000.00, broken down as follows:

NAME

ADDRESS (per S.E.C. Records)

AMOUNT

1.

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Isaac C. Manalang 17 Sumulong Highway, Antipolo, Rizal

P375,000.00

2.

Marcial S. Lopez 64 Esteban St., Valenzuela, M.Manila

375,000.00

3.

Ramon T. Castro 86 Craig St., Sampaloc, M.M.

375,000.00

4.

Joseph L. Ramos 144 Pineda St., Bagbag, Novaliches, Q.C.

375,000.00

5.

Isabel H. Rodriguez 384 Vergel de Dios, Tambo, Parañaque

375,000.00

Total

P1,875,000.00"[1]

On 29 September 1997, the spouses Uy (then defendants) filed a motion to dismiss the complaint stressing (a) that the complaint did not state a valid cause of action; (b) that the claim on which the action had been founded was unenforceable under the provisions of the Statute of Frauds; and (c) that respondents were not the real parties-in-interest. Anita Papa, petitioners' then co-defendant, filed, on similar grounds, her own motion to dismiss the complaint.

Against the move to have the complaint dismissed private respondents filed an opposition, contending that - (a) contrary to what defendants spouses Uy had asserted, the complaint stated a valid and genuine cause of action; (b) the claims set forth in the complaint were enforceable which could be pursued independently of each other; and (c) petitioners lost whatever interests they might have had after confirming the transfer or conveyance of the lot in question in favor of Natasya Enterprises.

In an order, dated 11 November 1997, the Regional Trial Court of Quezon City, Branch 223, presided over by

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Judge Victorino P. Evangelista, denied the motion to dismiss of petitioners. The trial court ratiocinated:

> "Dismissibility of the complaint may not be sustained on the grounds assessed. Independent of the challenge raised with respect to the first, second and third causes of action as embodied in the complaint, the Court finds sufficient basis for which plaintiffs' claim may be properly maintained in so far as the allegations constitutive of the fourth statement of plaintiffs' cause is concerned. Hypothetically admitted for the purpose of evaluating the principal ground jointly raised by the movants with respect to the sufficiency of plaintiffs' cause of action, the Court finds materiality in the allegations embodied under paragraph Nos. 17, 18 and 19 of the Complaint, specifically the purported malicious moves and/or machinations by the defendants in taking advantage of the plaintiffs' lowly station in life and the alleged conspiracy on the part of the defendants in depriving the plaintiffs of their desire to acquire the land upon which they had built their homes. These are ultimate facts sufficient to confer a valid cause of action and are independent of whether or not a perfected and binding contract has been reached between the plaintiffs as occupants of the land in question and the defendants as former owners thereof. Settled is the rule that a trial judge cannot dismiss a complaint which contains two causes of action where one of them clearly states a sufficient cause of action against the defendant (Mendoza vs. Bautista, 121 SCRA 760). Being actual occupants of the lots in question, plaintiffs have shown material interest in the property that may adversely be affected by their possible ejectment by the owners thereof from the subject premises, hence, are real parties-in-interest."[2]

On 17 November 1997, petitioners filed a motion for reconsideration. Private respondents promptly filed an opposition thereto. In an order, dated 12 February 1998, the trial court denied the motion for reconsideration.

On 06 March 1998, petitioners filed a motion for a bill of particulars; simultaneously, petitioners filed with the Court of Appeals a petition for certiorari, with prayer for a writ of preliminary injunction, prohibition and temporary restraining order, alleging that -

> "1. Respondent Judge acted arbitrarily, capriciously, and with grave abuse of discretion amounting to lack of jurisdiction in holding that the complaint states a valid cause of action and in denying the motion to dismiss.
>
> "2. Respondent Judge acted arbitrarily, capriciously, and with grave abuse of discretion amounting to lack of jurisdiction in ignoring the unenforceability of private respondents' claim under the provisions of the statute of fraud and in not dismissing the complaint.
>
> "3. Respondent Judge acted arbitrarily, capriciously, and with grave abuse of discretion in not holding that private respondents are not real parties-in-interest and in not setting aside the challenged order (Annex `A')."[3]

On 13 April 1998, private respondents filed their bill of particulars.

In a decision, dated 22 September 1998, the Court of Appeals, speaking through Mr. Justice Romeo Callejo, Sr., granted the petition in part; it adjudged:

> "IN THE LIGHT OF ALL THE FOREGOING, the Petition is GIVEN DUE COURSE. The Petition is GRANTED, in part, in that the Order of the Respondent Court (Annex `A' of the Petition), denying Petitioners' `Motions to Dismiss' the `First to Third Causes of Action' for Specific Performance and Reformation is SET ASIDE. However, the aforesaid Order of the Respondent Court denying the Petitioners' `Motion to Dismiss' `Fourth Cause of Action,' in tandem with the `Third Cause of Action' of the Private Respondents for damages is AFFIRMED. The Respondent Court is hereby directed to proceed with Civil Case No. Q-97-32037 only with respect to Private Respondents' cause of action for damages and attorney's fees."[4]

Petitioners filed a motion for partial reconsideration. In its resolution of 01 October 1999, the Court of Appeals denied the motion for lack of merit.

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Petitioners, in this instance, would have it that -

> "1. The Court of Appeals erred, as a matter of law, in holding that the allegations under the heading `Fourth Cause of Action,' in tandem with the `Third Cause of Action,' asserted in respondents' complaint constitute a valid and sufficient cause of action.
>
> "2. The Court of Appeals erred, as a matter of law, in not holding that the respondents are not real parties in interest and therefore have no valid and sufficient cause of action against the petitioners."[5]

There is merit in the petition.

Private respondents, in their complaint for specific performance and damages, sought to acquire from petitioners, the registered owners, a 5,000-square meter lot which private respondents contemplated to acquire under the Community Mortgage Program (CMP) of the government. Negotiations for the acquisition of the property began between petitioners and a certain Ms. Arcelita Gebone who was then the president of "Samahang Sariling Sikap ng Holy Spirit, Quezon City, Inc.," a neighborhood association composed of members occupying a bigger track of land with an area of about 2 hectares, owned by one Gervacio Luis Que, from where the property of petitioners spouses Uy was reportedly derived. The negotiation balked down for unknown reasons.

In their action for specific performance, private respondents sought to enforce the alleged commitment of petitioners to convey to the former the land they were occupying. The Court of Appeals observed:

> "In the present recourse, the Petitioners and the Private Respondents were still in the infant stage of their negotiations for the sale, by the Petitioners-Spouses and the purchase by the SARONAI, as Community Association, of the subject property, through Arcelita Gebone. The Petitioners-Spouses had submitted their proposal to the SARONAI for the sale by them of their property. The Private Respondents submitted their counter-proposals. However, the Petitioners-Spouses apparently rejected the counter-proposals of SARONAI. In fine, there had been no meeting of the minds of the parties, and hence, no sale or even a contract to sell was perfected by the Petitioners Spouses and the Private Respondents when the latter filed their complaint with the Respondent Court."[6]

Indeed, from the allegations in the complaint, it was clear that there had yet been no full meeting of the minds between the parties on the supposed conveyance of the property.

A contract is consensual in nature, and it can only be perfected upon a concurrence of the offer and the acceptance. The offer must be certain and the acceptance must be absolute, unconditional and without variance of any sort from the proposal. A qualified acceptance constitutes a counter-offer. Such a qualified acceptance cannot be the equivalent of consent, and it will, in fact, have the effect of a rejection or an annulment of the original offer.[7]

The first to third causes of action manifestly fail to establish any right to demand specific performance in favor of private respondents or to reform an existing contract where none exists. It should follow that the fourth cause of action for damages and attorney's fees, being inextricably linked with and ultimately dependent on the first three causes of action, would not, standing alone, have sufficient basis to stand on.

The rules of procedure require that the complaint must make a concise statement of the ultimate facts or the essential facts constituting the plaintiff's cause of action. A fact is essential if it cannot be stricken out without leaving the statement of the cause of action inadequate. A complaint states a cause of action only when it has its three indispensable elements, namely: (1) a right in favor of the plaintiff by whatever means and under whatever law it arises or is created; (2) an obligation on the part of the named defendant to respect or not to violate such right; and (3) an act or omission on the part of such defendant violative of the right of plaintiff or constituting a

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breach of the obligation of defendant to the plaintiff for which the latter may maintain an action for recovery of damages.[8] If these elements are not extant, the complaint becomes vulnerable to a motion to dismiss on the ground of failure to state a cause of action.[9]

The "Bill of Particulars" later filed by private respondents, in response to the motion filed by petitioners, contains mere allegations embodied in the first, second and third causes of actions, as well as conclusions of law predicated thereon, rather than of new material facts.

WHEREFORE, the questioned decision of the Court of Appeals in CA-G.R. SP No. 47062 is AFFIRMED with MODIFICATION in that the Fourth Cause of Action for damages of private respondents is likewise ordered DISMISSED. No costs.

SO ORDERED.

Melo (Chairman), Panganiban, and Sandoval-Gutierrez, JJ., concur.
Gonzaga-Reyes, J., on leave.

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[1] Rollo, pp. 35-43.

[2] Rollo, pp. 354-355.

[3] Rollo, pp. 371-372.

[4] Rollo, p. 66.

[5] Rollo, pp. 14-15.

[6] Rollo, pp. 56-57.

[7] ABS-CBN Broadcasting Corp. vs. CA, 301 SCRA 572.

[8] Parañaque Kings Enterprises, Inc. vs. CA, 268 SCRA 727.

[9] San Lorenzo Village Asso., Inc. vs. CA, 288 SCRA 115.

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