

CARLOS PELLICER, PLAINTIFF AND APPALLEE, VS. LAUREANO RUIZ, DEFENDANT AND APPELLANT.

G.R. No. 14300. May 30, 1961

Ponente: CONCEPCION, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-14300/>

CONCEPCION, J.:

APPEAL from a decision of the Court of First Instance of Pangasinan, the dispositive part of which reads:

"In view of the foregoing considerations, the Court hereby renders judgment rescinding the contracts—Exhibits 'T' and 'F'; ordering the plaintiff to return to the defendant this sum of P28,500.00 which is the balance after deducting the amount of P20,000.00 representing the value of the net harvest of the land for the agricultural year 1956-1957 from the P48,500.00 which the former has actually received from the latter, ordering the defendant to restore to the plaintiff the 6 x 6 truck which is part of the subject matter of the contracts rescinded; ordering the defendant to pay the amount of P8,000.00 as attorney's fees; and dismissing the counterclaims of the defendant for lack of merit.

The writ of preliminary injunction issued on July 17, 1957, is hereby made permanent.

With costs against the defendant."

Plaintiff Carlos Pellicer is the owner of three (3) parcels of land, of about 588.7594 hectares, located in the municipality of Umingan, Pangasinan, and covered by Transfer Certificate of Title No. 22248 of said province. This land is subject to "first and additional mortgages" in favor of the Rehabilitation Finance Corporation, hereafter referred to as the RFC (now Development Bank), and a second mortgage in favor of the Philippine Rational Bank, hereafter referred to as the PNB, to guarantee the payment of obligations, consisting of agricultural loans and crop loans, amounting to P82,468.71 and P29,413.07, respectively, as of May 11, 1956, including interest. On May 25, 1956, Pellicer and defendant Laureano Ruiz executed the deed Exhibit 1, whereby the former undertook to sell to the latter said land, with the improvements thereon, in addition to a diesel tractor, a GMC dump truck, and certain water rights described in said instrument, for the aggregate sum of P200,000.00, payable as follows: (a) P10,000.00, upon the signing of said instrument, as deposit to guarantee the payment of (b) P40,000.00 (including the P10,000.00 deposit) within three (3) months, and (c) the balance, after deducting said sum of P40,000.00 and the amount of the aforementioned obligations in favor of the RFC and PNB, the payment of which would be assumed by defendant, within two (2) years.

Defendant was unable, however, to pay the sum of P40,000.00 within said period of three (3) months. In order to forestall a complete forfeiture of the P10,000.00 deposit and the rescission of said Exhibit I, as well as to secure an extension up to September 26, 1956, of the period to pay the aforementioned sum of P40,000.00, on September 10, 1956, defendant paid P8,000.00 to the plaintiff by way of penalty.

On December 5, 1956, they executed the "deed of sale with assumption of first mortgage and second mortgage and deed of third mortgage" (Exhibit F) of the aforementioned properties, stating, *inter alia*, that defendant had "already assumed the payment of all the indebtedness" aforementioned, in favor of the RFC and PNB, and that

these institutions had "agreed to such assumption and relieved" plaintiff of said obligations; that defendant had paid him P32,000.00, in addition to the P10,000.00 deposit; and that the balance of the stipulated price was P46,118.22, payment of which, within two (2) years, with interest thereon at the rate of 6% per annum, would be secured by a third mortgage, which was thereby constituted on the land above referred to and its improvements. At the foot of Exhibit F, there were two spaces for the signatures of the RFC and the PNB, to indicate their conformity thereto. Jose V. Buenaventura, Vice President of the PNB, affixed his signature thereto, on behalf of said institution. Nobody signed on behalf of the RFC.

On the same date, defendant and his father, Antonio Ruiz, signed and delivered to plaintiff the "Promissory Note", Exhibit H, for said sum of P46,118.22, the second and third paragraphs of which are as follows:

"Anything in this promissory note notwithstanding, in the event that Laureano Ruiz should sell any part of the parcels of land subject-matter of said deed of sale, or should he obtain a loan on any security, we bind ourselves to apply the proceeds of such sale or loan to the payment of the balance of the purchase price as evidenced by this promissory note.

In the event of judicial proceedings to enforce payment of this promissory note, we, jointly, severally and solidarily, agree to pay to the holder of this promissory note an additional sum of not less than ten per cent (10%) of our obligation, for and as attorney's fees and expenses of collection, whether actually incurred or not, in addition to the costs of suit."

Subsequently, or on April 25, 1957, plaintiff sent to the defendant a verified notice (Exh. K) of rescission of the Contract Exhibit F, upon the ground that defendant had "not secured the full conformity" of the RFC and PNB to the assumption of plaintiff's obligations; that defendant had "already harvested the crops" of the land aforementioned, but had "not yet made a single payment to any of the aforesaid creditors * * * thereby exposing the aforesaid properties to foreclosure proceedings"; and that he had not made any payment on the balance of the purchase price, all in violation of the provisions of said Exhibit F.

On May 23, 1957, plaintiff instituted this action in the Court of First Instance of Pangasinan for the rescission of the contracts, Exhibits F and I, upon the grounds specified in said notice of rescission and upon the further ground that the sum of P32,000.00 specified in Exhibit F had not been fully paid. Plaintiff prayed, also, that defendant be required to render account of the 1956-1957 harvest and sentenced to pay damages, attorney's fees and costs. It was, likewise, alleged in the complaint that, in the exercise of his right to rescind said contracts, plaintiff had assumed possession of the properties aforementioned and that the defendant and his agents were disturbing said possession, for which reason it was prayed that a writ of preliminary injunction be issued, and that, after due trial, said injunction be made permanent.

In his answer, defendant alleged that he had fully paid the sum of P32,000.00 mentioned in Exhibit F; that he had complied with the stipulation regarding assumption of plaintiff's obligations in favor of the RFC and the PNB; that the PNB had already manifested its approval thereof; that defendant had "applied with the RFC for permission to assume the plaintiff's liabilities, which application had favorably been considered by its Board of Directors", but the RFC "has not formally notified the defendant of its approval of the assumption by defendant of plaintiff's indebtedness * * * due to the fault of the plaintiff himself"; that the "defendant could not make any payment with" the RFC and the PNB "because of plaintiff's acts"; that "he harvested the crops of 1956-1957" and "as owner he is 'entitled to dispose of such crops in accordance with his discretion"; that plaintiff has no right to rescind the contract, Exhibit F, or to summarily take possession of the land in question, which defendant still holds; that defendant had fully complied with his obligations under Exhibit F; and that the balance of the purchase price was still unsatisfied because defendant had, under the contract, two (2) years within which to make payment. Defendant, moreover, set up a counterclaim for P270,000.00 as damages, and P50,000.00 as attorney's fees.

Plaintiff's petition for a writ of preliminary injunction was, thereafter, set for hearing, in the course of which both parties introduced evidence, upon consideration of which the lower court issued the writ prayed for. In due course, later on, it rendered judgment for the plaintiff, as above stated. Hence, this appeal by the defendant. The issues raised in his brief may be reduced to the following, namely: 1) In the rescission of the contract Exhibit F justified; 2) Was the writ of injunction properly issued.

The lower court answered the first question in the affirmative upon the ground that defendant had materially violated the contract because:

- He had not fully satisfied the initial installment of P32,000.00 stipulated in Exhibit F, by leaving a balance of P1,500.00 unpaid;
- Although he and his father had secured a loan of P60,500.00 from the RFC, neither said sum nor any portion thereof was applied to the payment of the balance of P46,118.22 of the agreed price, in violation of the terms of the promissory note Exhibit H;
- Defendant had harvested the 1956-1957 crop and received 2,000 cavanes of palay as his share thereof, and yet, he did not, apply the same to the amortization of the agricultural and crop loans guaranteed by the mortgages in favor of the RFC and the PNB, thereby exposing the land in question to a foreclosure of said mortgages;
- Although the period stated in Exhibit F, H and I for the payment of said balance of the purchase price is two (2) years, the true agreement of the parties was that said balance would be paid within sixty (60) days, except only in the event of death of the defendant; and
- The consent of the PNB and the RFC to the assumption of plaintiff's obligations by the defendant had not been secured by the latter.

Defendant assails the correctness of these findings of the lower court, but a review of the record discloses that his pretense is untenable. In this connection, we note, at the outset, that, although the notice of rescission specified the grounds thereof, defendant does not appear to have replied thereto, or protested against it, alleging that said grounds were false or inaccurate. In other words, his silence thereon suggests admission of the veracity and validity of plaintiff's claim.

Regardless of the foregoing, it is not disputed that the sum of P46,118.22, representing the "balance" of the purchase price, is still unsatisfied, thus showing beyond doubt that the proceeds of the P60,500.00 loan obtained by him and his father from the RFC had not been applied, totally or partially, to the payment of the first sum, in violation of defendant's obligation under Exhibit H. Similarly, defendant did not apply his share of the 1956-1957 crop, consisting of 2,000 cavanes of palay, to the payment or amortization of the agricultural and crop loans granted by the RFC and PNB. He would have us believe that he offered to turn over 700 cavanes to the RFC and 600 cavanes to the PNB, and that these banking institutions turned down his offer in compliance with instructions given by the plaintiff. Defendant did not explain, however, why his alleged offer did not cover his full share of 2,000 cavanes. Then, also, said offer appears to have been made late in April 1957, after plaintiff had taken steps for the rescission of the contract for breach thereof by the defendant. Again, the allegation in defendant's answer to the effect that he is "entitled to dispose" of his share in the crops "in accordance with his discretion as owner," indicates that no such offer had really been made.

It is, likewise, undeniable that, when plaintiff gave his notice of rescission, the obligations in favor of the RFC and the PNB remained in the records thereof in plaintiff's name. This is irrefutable proof that, despite the lapse of over four months, defendant had not assumed said obligations. In fact, the RFC had never signed its conformity to the deed of sale in question (Exh. F). Although a representative of the PNB had affixed its signature thereon, its

conformity thereto was subject to a condition—that additional guarantees be given by the defendant, who never gave, or even offered, such guarantees.

Defendant says that the lower court has erred in finding that the balance of the purchase price was to be paid within sixty (60) days, despite the provision of Exhibits F, H and I stating that the period was two (2) years, thus giving more weight to the testimonial evidence than to the documentary evidence thereon. This finding involves, however, a determination of the credibility and weight of said testimonial evidence, which His Honor, the Trial Judge, was in a better position than we are to determine. Moreover, the records show that Exhibit F did not reflect faithfully the intent of the parties thereto. Thus, for instance, said instrument declares that defendant had "already assumed¹¹ plaintiff's obligations in favor of the banks, although, admittedly, this was not, and up to the present is not, true. Similarly, Exhibit F states that defendant had paid P32,000.00 to the plaintiff. Yet, it appears that defendant had executed in plaintiff's favor a promissory note (Exh. G) for P1,500.00 "as balance of the amount of P32,000.00 referred to in paragraph 8 of the deed of sale executed in my favor by said Mr. Pellicer", which is Exhibit F. Again, non-payment of this promissory note, despite defendant's claim to the contrary, is borne out, not only by the testimonial evidence introduced by the plaintiff, but, also, by the fact that said note remained in his possession.

At any rate, the non-application to the payment or even amortization of the balance of the purchase price of any portion of the P60,500.00 loan obtained by the defendant and his father, as well as defendant's failure to apply his share of the crops to the payment of the aforementioned agricultural and crop loans are, to our mind, sufficiently serious to warrant the exercise, by plaintiff herein, of the right to rescind the contract Exhibit F and to justify the judgment of the lower court decreeing the rescission thereof, as well as that of Exhibit I.

As regards the writ of injunction issued by the lower court, defendant-appellant maintains that it is mandatory in character; that, as such, it was improperly issued; and that, in any event, the lower court thereby sanctioned a possession illegally obtained by the plaintiff. Although in granting the writ the lower court referred thereto as a "mandatory preliminary injunction", its order to this effect merely commanded the defendant and his agents "to desist from molesting in any way the possession of the plaintiff". In other words, the court in fact issued an ordinary writ of preliminary injunction, not one mandatory in nature.

Upon the other hand, the lower court found that plaintiff had taken possession of the property in dispute without any objection on the part of defendant herein. Indeed, it appears that, several days after sending his notice of rescission, plaintiff proceeded to the land in question and advised the tenants and other persons working thereon on defendant's behalf that he (plaintiff) was taking possession of the property, and that said tenants and other persons acquiesced thereto, and expressed their willingness to continue working thereon, and did so, on behalf of the plaintiff, whom they acknowledged as the rightful possessor. What is more, defendant has never brought any action of forcible entry against plaintiff herein. In these circumstances, we are inclined to believe that plaintiff had secured possession of the land in dispute with defendant's acquiescence, through silence and inaction, although sometime later the defendant might have changed his mind, and that, in view of the necessity of seeing to it that the products of the land were applied to the payment of the agricultural and crop loans above referred to and of forestalling the danger of foreclosure of the mortgages in favor of the RFC and PNB, particularly because the latter had reminded plaintiff that his crop loan was overdue and demanded settlement of the account "immediately without further delay" (Exh. M), the lower court was, to our mind, sufficiently justified in authorizing the issuance of a writ of preliminary injunction and, thereafter, making the same permanent.

Wherefore, the decision appealed from is hereby affirmed, with costs against defendant-appellant, Laureano Ruiz. It is so ordered.

Bengzon, C.J., Bautista Angelo, Labrador, Reyes, J.B.L., Barrera, Paredes, and Dizon, JJ., concur.

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.