

**SPS. ALFREDO R. EDRADA AND ROSELLA L. EDRADA, PETITIONERS,
VS. SPS. EDUARDO RAMOS AND CARMENCITA RAMOS,
RESPONDENTS.**

G.R. NO. 154413. August 31, 2005

Ponente: TINGA, J.

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TINGA, J.:

In this Petition[1] under Rule 45, petitioner Spouses Alfredo and Rosella Edrada (petitioners) seek the reversal of the Former Second Division of the Court of Appeals' Decision[2] and Resolution[3] in CA-G.R. CV No. 66375, which affirmed the Decision of Regional Trial Court (RTC) of Antipolo City, Branch 71,[4] in Civil Case No. 96-4057, and denied the Motion for Reconsideration[5] therein.

Respondent spouses Eduardo and Carmencita Ramos (respondents) are the owners of two (2) fishing vessels, the "Lady Lalaine" and the "Lady Theresa." On 1 April 1996, respondents and petitioners executed an untitled handwritten document which lies at the center of the present controversy. Its full text is reproduced below:

1st April 1996

This is to acknowledge that Fishing Vessels "Lady Lalaine" and 'Lady Theresa' owned by Eduardo O. Ramos are now in my possession and received in good running and serviceable order. As such, the vessels are now my responsibility.

Documents pertaining to the sale and agreement of payments between me and the owner of the vessel to follow. The agreed price for the vessel is Nine Hundred Thousand Only (P900,000.00).

(SGD.)

(SGD.)

EDUARDO O. RAMOS

ALFREDO R. EDRADA

(Seller)

(Purchaser)

CONFORME:

CONFORME:

(SGD.)

(SGD.)

CARMENCITA RAMOS

ROSIE ENDRADA[6]

Upon the signing of the document, petitioners delivered to respondents four (4) postdated Far East Bank and Trust Company (FEBTC) checks payable to cash drawn by petitioner Rosella Edrada, in various amounts totaling One Hundred Forty Thousand Pesos (P140,000.00). The first three (3) checks were honored upon presentment to the drawee bank while the fourth check for One Hundred Thousand Pesos (P100,000.00) was dishonored because of a "stop payment" order.

On 3 June 1996, respondents filed an action against petitioners for specific performance with damages before the RTC, praying that petitioners be obliged to execute the necessary deed of sale of the two fishing vessels and to pay the balance of the purchase price. In their Complaint,[7] respondents alleged that petitioners contracted to buy the two fishing vessels for the agreed purchase price of Nine Hundred Thousand Pesos (P900,000.00), as evidenced by the above-quoted document, which according to them evinced a contract to

buy. However, despite delivery of said vessels and repeated oral demands, petitioners failed to pay the balance, so respondents further averred.

Belying the allegations of respondents, in their Answer with Counterclaim,[8] petitioners averred that the document sued upon merely embodies an agreement brought about by the loans they extended to respondents. According to petitioners, respondents allowed them to manage or administer the fishing vessels as a business on the understanding that should they find the business profitable, the vessels would be sold to them for Nine Hundred Thousand Pesos (P900,000.00). But petitioners "decided to call it quits" after spending a hefty sum for the repair and maintenance of the vessels which were already in dilapidated condition.

After trial, the RTC rendered a Decision[9] dated 22 February 1999, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against the defendants and the latter are ordered to pay to the former the amount of Eight Hundred Sixty Thousand Pesos (P860,000.00) with legal interests thereon from June 30, 1996 until fully paid; the amount of P20,000.00 as attorney's fees and the cost of suit.

The counterclaim of the defendants for moral and exemplary damages and for attorney's fees is dismissed for lack of merit.

SO ORDERED.[10]

The RTC treated the action as one for collection of a sum of money and for damages and considered the document as a perfected contract of sale. On 19 April 1999, petitioners filed a Motion for Reconsideration which the RTC denied in an Order[11] dated 2 July 1999.

Both parties appealed the RTC Decision. However, finding no reversible error in the appealed decision, the Court of Appeals, in its Decision,[12] affirmed the same and dismissed both appeals. Only petitioners elevated the controversy to this Court.

Petitioners raised the nature of the subject document as the primary legal issue. They contend that there was no perfected contract of sale as distinguished from a contract to sell. They likewise posed as sub-issues the purpose for which the checks were issued, whether replacement of the crew was an act of ownership or administration, whether petitioners failed to protest the dilapidated condition of the vessels, and whether the instances when the vessels went out to sea proved that the vessels were not seaworthy.[13] It is also alleged in the petition that the true agreement as between the parties was that of a loan.

Evidently, the petition hinges on the true nature of the document dated 1 April 1996. Normally, the Court is bound by the factual findings of the lower courts, and accordingly, should affirm the conclusion that the document in question was a perfected contract of sale. However, we find that both the RTC and the Court of Appeals gravely misapprehended the nature of the said document, and a reevaluation of the document is in order.[14] Even if such reevaluation would lead the court to examine issues not raised by the parties, it should be remembered that the Court has authority to review matters even if not assigned as errors in the appeal, if it is found that their consideration is necessary in arriving at a just decision of the case.[15]

In doing so, we acknowledge that the contending parties offer vastly differing accounts as to the true nature of the agreement. Still, we need not look beyond the document dated 1 April 1996 and the stipulations therein in order to ascertain what obligations, if any, have been contracted by the party. The parole evidence rule forbids any addition to or contradiction of the terms of a written agreement by testimony or other evidence purporting to show that different terms were agreed upon by the parties, varying the purport of the written

contract. Whatever is not found in the writing is understood to have been waived and abandoned.[16]

We disagree with the RTC and the Court of Appeals that the document is a perfected contract of sale. A contract of sale is defined as an agreement whereby one of the contracting parties obligates himself to transfer the ownership of and to deliver a determinate thing, and the other to pay therefore a price certain in money or its equivalent.[17] It must evince the consent on the part of the seller to transfer and deliver and on the part of the buyer to pay.[18]

An examination of the document reveals that there is no perfected contract of sale. The agreement may confirm the receipt by respondents of the two vessels and their purchase price. However, there is no unequivocal agreement to transfer ownership of the vessel, but a mere commitment that "documents pertaining to the sale and agreement of payments"[are] to follow." Evidently, the document or documents which would formalize the transfer of ownership and contain the terms of payment of the purchase price, or the period when such would become due and demandable, have yet to be executed. But no such document was executed and no such terms were stipulated upon.

The fact that there is a stated total purchase price should not lead to the conclusion that a contract of sale had been perfected. In numerous cases,[19] the most recent of which is *Swedish Match, AB v. Court of Appeals*,[20] we held that before a valid and binding contract of sale can exist, the manner of payment of the purchase price must first be established, as such stands as essential to the validity of the sale. After all, such agreement on the terms of payment is integral to the element of a price certain, such that a disagreement on the manner of payment is tantamount to a failure to agree on the price.

Assuming arguendo that the document evinces a perfected contract of sale, the absence of definite terms of payment therein would preclude its enforcement by the respondents through the instant Complaint. A requisite for the judicial enforcement of an obligation is that the same is due and demandable. The absence of a stipulated period by which the purchase price should be paid indicates that at the time of the filing of the complaint, the obligation to pay was not yet due and demandable.

Respondents, during trial, did claim the existence of a period. Respondent Carmencita Ramos, during cross-examination, claimed that the supposed balance shall be paid on 30 June 1996.[21] But how do respondents explain why the Complaint was filed on 3 June 1996? Assuming that the 30 June 1996 period was duly agreed upon by the parties, the filing of the Complaint was evidently premature, as no cause of action had accrued yet. There could not have been any breach of obligation because on the date the action was filed, the alleged maturity date for the payment of the balance had not yet arrived.

In order that respondents could have a valid cause of action, it is essential that there must have been a stipulated period within which the payment would have become due and demandable. If the parties themselves could not come into agreement, the courts may be asked to fix the period of the obligation, under Article 1197 of the Civil Code.[22] The respondents did not avail of such relief prior to the filing of the instant Complaint; thus, the action should fail owing to its obvious prematurity.

Returning to the true nature of the document, we neither could conclude that a "contract to sell" had been established. A contract to sell is defined as a bilateral contract whereby the prospective seller, while expressly reserving the ownership of the subject property despite delivery thereof to the prospective buyer, binds himself to sell the said property exclusively to the prospective buyer upon fulfillment of the condition agreed upon, that is, full payment of the purchase price.[23]

A contract is perfected when there is concurrence of the wills of the contracting parties with respect to the object and the cause of the contract. In this case, the agreement merely acknowledges that a purchase price had been agreed on by the parties. There was no mutual promise to buy on the part of petitioners and to sell on the part of respondents. Again, the aforestated proviso in the agreement that documents pertaining to the sale and agreement of payments between the parties will follow clearly manifests lack of agreement between the parties as to the terms of the contract to sell, particularly the object and cause of the contract.

The agreement in question does not create any obligatory force either for the transfer of title of the vessels, or the rendition of payments as part of the purchase price. At most, this agreement bares only their intention to enter into either a contract to sell or a contract of sale.

Consequently, the courts below erred in ordering the enforcement of a contract of sale that had yet to come into existence. Instead, the instant Complaint should be dismissed. It prays for three reliefs arising from the enforcement of the document: execution by the petitioners of the necessary deed of sale over the vessels, the payment of the balance of the purchase price, and damages. The lower courts have already ruled that damages are unavailing. Our finding that there is no perfected contract of sale precludes the finding of any cause of action that would warrant the granting of the first two reliefs. No cause of action arises until there is a breach or violation thereof by either party.[24] Considering that the documents create no obligation to execute or even pursue a contract of sale, but only manifest an intention to eventually contract one, we find no rights breached or violated that would warrant any of the reliefs sought in the Complaint.

WHEREFORE, the petition is GRANTED. The assailed Decision and Resolution of the Court of Appeals are REVERSED and SET ASIDE. The case before the Regional Trial Court is ordered DISMISSED. No pronouncement as to costs.

SO ORDERED.

Puno, (Chairman), Austria-Martinez, Callejo, Sr., and Chico-Nazario, JJ., concur.

[1] Rollo, pp. 13-28.

[2] Penned by Associate Justice Cancio C. Garcia (now Supreme Court Associate Justice), and concurred in by Associate Justices Marina L. Buzon and Eliezer R. Delos Santos. Id. at 83-93.

[3] Id. at 100.

[4] Presided by Judge Felix S. Caballes.

[5] Rollo, pp. 56-79.

[6] Id. at 38.

[7] Id. at 29-33.

[8] Id. at 40-44.

[9] Id. at 49-54.

[10] Id. at 54.

[11] Id. at 81.

[12] Id. at 83- 93.

[13] Rollo, p. 19.

[14] One of the recognized exceptions to the rule that findings of fact of the lower courts are binding on this Court is if the judgment is based on a misapprehension of facts. See, e.g., *Maglucot-aw v. Maglucot*, G.R. No. 132518, 28 March 2000, 329 SCRA 78, citing *Sta. Maria v. Court of Appeals*, G.R. No. 127549, 28 January 1998, 285 SCRA 351; *Medina v. Asistio*, G.R. No. 75450, 8 November 1990, 191 SCRA 218.

[15] See *Heirs of Enrique Zambales v. Court of Appeals*, G.R. No. L-54070, 28 February 1983, 120 SCRA 897; citing *Saura Import & Export Co., Inc. v. Phil. International Surety Co., Inc.*, 8 SCRA 143 (1963).

[16] *Soriano v. Compania General de Barbados de Filipinas*, 125 Phil. 80 (1966).

[17] Article 1458, Civil Code.

[18] Art. 1475, Civil Code.

[19] *Velasco v. Court of Appeals*, G.R. No. L-31018, 29 June 1973, 51 SCRA 439, citing *Navarro v. Sugar Producers Cooperative Marketing Association*, G.R. No. L-12888, 29 April 1961, 1 SCRA 1180; *Toyota Shaw, Inc. v. Court of Appeals*, 314 Phil. 201 (1995); *Limketkai Sons Milling, Inc. v. Court of Appeals*, 330 Phil. 171 (1996); *Uraca v. Court of Appeals*, 228 SCRA 702 (1997); *Co v. Court of Appeals*, 349 Phil 745 (1998); *San Miguel Properties, Inc. v. Huang*, 391 Phil. 636 (2000); *Montecillo v. Reynes*, 434 Phil. 456 (2002).

[20] G.R. No. 128120, 20 October 2004, 441 SCRA 1.

[21] Rollo, p. 24.

[22]" If the obligation does not fix a period, but from its nature and the circumstances it can be inferred that a period was intended, the courts may fix the duration thereof." We can reasonably conclude that the parties in this case intended a period, considering that respondents did claim during trial that there was one, and that the petitioners had started making installment payments.

[23] *Coronel v. Court of Appeals*, 331 Phil. 294 (1996).

[24]Cole v. Vda. de Gregorio, 202 Phil. 226 (1982).

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