

FONTANA RESORT AND COUNTRY CLUB, INC. AND RN DEVELOPMENT CORP., PETITIONERS, VS. SPOUSES ROY S. TAN AND SUSAN C. TAN, RESPONDENTS.

G.R. No. 154670. January 30, 2012

Ponente: LEONARDO-DE CASTRO, J.

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LEONARDO-DE CASTRO, J.:

For review under Rule 45 of the Rules of Court is the Decision[1] dated May 30, 2002 and Resolution[2] dated August 12, 2002 of the Court Appeals in CA-G.R. SP No. 67816. The appellate court affirmed with modification the Decision[3] dated July 6, 2001 of the Securities and Exchange Commission (SEC) En Banc in SEC AC Case No. 788 which, in turn, affirmed the Decision[4] dated April 28, 2000 of Hearing Officer Marciano S. Bacalla, Jr. (Bacalla) of the SEC Securities Investigation and Clearing Department (SICD) in SEC Case No. 04-99-6264.

Sometime in March 1997, respondent spouses Roy S. Tan and Susana C. Tan bought from petitioner RN Development Corporation (RNDP) two class “D” shares of stock in petitioner Fontana Resort and Country Club, Inc. (FRCCI), worth P387,300.00, enticed by the promises of petitioners’ sales agents that petitioner FRCCI would construct a park with first-class leisure facilities in Clark Field, Pampanga, to be called Fontana Leisure Park (FLP); that FLP would be fully developed and operational by the first quarter of 1998; and that FRCCI class “D” shareholders would be admitted to one membership in the country club, which entitled them to use park facilities and stay at a two-bedroom villa for “five (5) ordinary weekdays and two (2) weekends every year for free.”[5]

Two years later, in March 1999, respondents filed before the SEC a Complaint[6] for refund of the P387,300.00 they spent to purchase FRCCI shares of stock from petitioners. Respondents alleged that they had been deceived into buying FRCCI shares because of petitioners’ fraudulent misrepresentations. Construction of FLP turned out to be still unfinished and the policies, rules, and regulations of the country club were obscure.

Respondents narrated that they were able to book and avail themselves of free accommodations at an FLP villa on September 5, 1998, a Saturday. They requested that an FLP villa again be reserved for their free use on October 17, 1998, another Saturday, for the celebration of their daughter’s 18th birthday, but were refused by petitioners. Petitioners clarified that respondents were only entitled to free accommodations at FLP for “one week annually consisting of five (5) ordinary days, one (1) Saturday and one (1) Sunday[.]” and that respondents had already exhausted their free Saturday pass for the year. According to respondents, they were not informed of said rule regarding their free accommodations at FLP, and had they known about it, they would not have availed themselves of the free accommodations on September 5, 1998. In January 1999, respondents attempted once more to book and reserve an FLP villa for their free use on April 1, 1999, a Thursday. Their reservation was confirmed by a certain Murphy Magtoto. However, on March 3, 1999, another country club employee named Shaye called respondents to say that their reservation for April 1, 1999 was cancelled because the FLP was already fully booked.

Petitioners filed their Answer^[7] in which they asserted that respondents had been duly informed of the privileges given to them as shareholders of FRCCI class “D” shares of stock since these were all explicitly provided in the promotional materials for the country club, the Articles of Incorporation, and the By-Laws of FRCCI. Petitioners called attention to the following paragraph in their ads:

GUEST ROOMS

As a member of the Fontana Resort and Country Club, you are entitled to 7 days stay consisting of 5 weekdays, one Saturday and one Sunday. A total of 544 elegantly furnished villas available in two and three bedroom units.^[8]

Petitioners also cited provisions of the FRCCI Articles of Incorporation and the By-Laws on class “D” shares of stock, to wit:

Class D shares may be sold to any person, irrespective of nationality or Citizenship. Every registered owner of a class D share may be admitted to one (1) Membership in the Club and subject to the Club’s rules and regulations, shall be entitled to use a Two (2) Bedroom Multiplex Model Unit in the residential villas provided by the Club for one week annually consisting of five (5) ordinary days, one (1) Saturday and one (1) Sunday. (Article Seventh, Articles of Incorporation)

Class D shares – which may be sold to any person, irrespective of nationality or Citizenship. Every registered owner of a class D share may be admitted to one (1) Membership in the Club and subject to the Club’s rules and regulations, shall be entitled to use a Two (2) Bedroom Multiplex Model Unit in the residential villas provided by the Club for one week annually consisting of five (5) ordinary days, one (1) Saturday and one (1) Sunday. [Section 2(a), Article II of the By-Laws.]^[9]

Petitioners further denied that they unjustly cancelled respondents’ reservation for an FLP villa on April 1, 1999, explaining that:

6. There is also no truth to the claim of [herein respondents] that they were given and had confirmed reservations for April 1, 1998. There was no reservation to cancel since there was no confirmed reservations to speak of for the reason that April 1, 1999, being Holy Thursday, all reservations for the Holy Week were fully booked as early as the start of the current year. The Holy Week being a peak season for accommodations, all reservations had to be made on a priority basis; and as admitted by [respondents], they tried to make their reservation only on January 4, 1999, a time when all reservations have been fully booked. The fact of [respondents’] non-reservation can be attested by the fact that no confirmation number was issued in their favor.

If at all, [respondents] were “wait-listed” as of January 4, 1999, meaning, they would be given preference in the reservation in the event that any of the confirmed members/guests were to cancel. The diligence on the part of the [herein petitioners] to inform [respondents] of the status of their reservation can be manifested by the act of the Club’s personnel when it advised [respondents] on March 3, 1999 that there were still no available villas for their use because of full bookings.^[10]

Lastly, petitioners averred that when respondents were first accommodated at FLP, only minor or finishing construction works were left to be done and that facilities of the country club were already operational.

SEC-SICD Hearing Officer Bacalla conducted preliminary hearings and trial proper in the case. Respondents filed separate sworn Question and Answer depositions.^[11] Esther U. Lacuna, a witness for respondents, also filed a sworn Question and Answer deposition.^[12] When petitioners twice defaulted, without any valid excuse, to present evidence on the scheduled hearing dates, Hearing Officer Bacalla deemed petitioners to have waived their right to present evidence and considered the case submitted for resolution.^[13]

Based on the evidence presented by respondents, Hearing Officer Bacalla made the following findings in his Decision dated April 28, 2000:

To prove the merits of their case, both [herein respondents] testified. Ms. Esther U. Lacuna likewise testified in favor of [respondents].

As established by the testimonies of [respondents'] witnesses, Ms. Esther U. Lacuna, a duly accredited sales agent of [herein petitioners] who went to see [respondents] for the purpose of inducing them to buy membership shares of Fontana Resort and Country Club, Inc. with promises that the park will provide its shareholders with first class leisure facilities, showing them brochures (Exhibits "V", "V-1" and "V-2") of the future development of the park.

Indeed [respondents] bought two (2) class "D" shares in Fontana Resort and Country Club, Inc. paying P387,000.00 to [petitioners] as evidenced by provisional and official receipts (Exhibits "A" to "S"), and signing two (2) documents designated as Agreement to Sell and Purchase Shares of Stock (Exhibits "T" to "U-2").

It is undisputed that many of the facilities promised were not completed within the specified date. Ms. Lacuna even testified that less than 50% of what was promised were actually delivered.

What was really frustrating on the part of [respondents] was when they made reservations for the use of the Club's facilities on the occasion of their daughter's 18th birthday on October 17, 1998 where they were deprived of the club's premises alleging that the two (2) weekend stay which class "D" shareholders are entitled should be on a Saturday and on a Sunday. Since [respondents] have already availed of one (1) weekend stay which was a Saturday, they could no longer have the second weekend stay also on a Saturday.

Another occasion was when [respondents] were again denied the use of the club's facilities because they did not have a confirmation number although their reservation was confirmed.

All these rules were never communicated to [respondents] when they bought their membership shares.

It would seem that [petitioners], through their officers, would make up rules as they go along. A clever ploy for [petitioners] to hide the lack of club facilities to accommodate the needs of their members.

[Petitioners'] failure to finish the development works at the Fontana Leisure Park within the period they promised and their failure or refusal to accommodate [respondents] for a reservation on October 17, 1998 and April 1, 1999, constitute gross misrepresentation detrimental not only to the [respondents] but to the general public as well.

All these empty promises of [petitioners] may well be part of a scheme to attract, and induce [respondents] to buy shares because surely if [petitioners] had told the truth about these matters, [respondents] would never have bought shares in their project in the first place.[14]

Consequently, Hearing Officer Bacalla adjudged:

WHEREFORE, premises considered, judgment is hereby rendered directing [herein petitioners] to jointly and severally pay [herein respondents]:

1) The amount of P387,000.00 plus interest at the rate of 21% per annum computed from August 28, 1998 when demand was first made, until such time as payment is actually made.[15]

Petitioners appealed the above-quoted ruling of Hearing Officer Bacalla before the SEC en banc. In its Decision dated July 6, 2001, the SEC en banc held:

WHEREFORE, the instant appeal is hereby DENIED and the Decision of Hearing Officer Marciano S.

Bacalla, Jr. dated April 28, 2000 is hereby AFFIRMED.[16]

In an Order[17] dated September 19, 2001, the SEC en banc denied petitioners' Motion for Reconsideration for being a prohibited pleading under the SEC Rules of Procedure.

Petitioners filed before the Court of Appeals a Petition for Review under Rule 43 of the Rules of Court. Petitioners contend that even on the sole basis of respondents' evidence, the appealed decisions of Hearing Officer Bacalla and the SEC en banc are contrary to law and jurisprudence.

The Court of Appeals rendered a Decision on March 30, 2002, finding petitioners' appeal to be partly meritorious.

The Court of Appeals brushed aside the finding of the SEC that petitioners were guilty of fraudulent misrepresentation in inducing respondents to buy FRCCI shares of stock. Instead, the appellate court declared that:

What seems clear rather is that in "inducing" the respondents to buy the Fontana shares, RN Development Corporation merely repeated to the spouses the benefits promised to all holders of Fontana Class "D" shares. These inducements were in fact contained in Fontana's promotion brochures to prospective subscribers which the spouses must obviously have read.[18]

Nonetheless, the Court of Appeals agreed with the SEC that the sale of the two FRCCI class "D" shares of stock by petitioners to respondents should be rescinded. Petitioners defaulted on their promises to respondents that FLP would be fully developed and operational by the first quarter of 1998 and that as shareholders of said shares, respondents were entitled to the free use of first-class leisure facilities at FLP and free accommodations at a two-bedroom villa for "five (5) ordinary weekdays and two (2) weekends every year."

The Court of Appeals modified the appealed SEC judgment by ordering respondents to return their certificates of shares of stock to petitioners upon the latter's refund of the price of said shares since "[t]he essence of the questioned [SEC] judgment was really to declare as rescinded or annulled the sale or transfer of the shares to the respondents." [19] The appellate court additionally clarified that the sale of the FRCCI shares of stock by petitioners to respondents partakes the nature of a forbearance of money, since the amount paid by respondents for the shares was used by petitioners to defray the construction of FLP; hence, the interest rate of 12% per annum should be imposed on said amount from the date of extrajudicial demand until its return to respondents. The dispositive portion of the Court of Appeals judgment reads:

WHEREFORE, premises considered, the appealed judgment is MODIFIED: a) petitioner Fontana Resort and Country Club is hereby ordered to refund and pay to the respondents Spouses Roy S. Tan and Susana C. Tan the amount of P387,000.00, Philippine Currency, representing the price of two of its Class "D" shares of stock, plus simple interest at the rate of 12% per annum computed from August 28, 1998 when demand was first made, until payment is completed; b) the respondent spouses are ordered to surrender to petitioner Fontana Resort and Country Club their two (2) Class "D" shares issued by said petitioner upon receipt of the full refund with interest as herein ordered.[20]

Petitioners filed a Motion for Reconsideration, but it was denied by the Court of Appeals in its Resolution dated August 12, 2002.

Hence, the instant Petition for Review.

Petitioners, in their Memorandum,[21] submit for our consideration the following issues:

- a. Was the essence of the judgment of the SEC – which ordered the return of the purchase price but not of the thing sold – a declaration of rescission or annulment of the contract of sale between RNDC and respondents?

- b. Was the order of the Court of Appeals to FRCCI – which was not the seller of the thing sold (the seller was RNDC) – to return the purchase price to the buyers (the respondents) in accordance with law?
- c. Was the imposition of 12% interest per annum from the date of extra-judicial demand on an obligation which is not a loan or forbearance of money in accordance with law?[22]

Petitioners averred that the ruling of the Court of Appeals that the essence of the SEC judgment is the rescission or annulment of the contract of sale of the FRCCI shares of stock between petitioners and respondents is inconsistent with Articles 1385 and 1398 of the Civil Code. The said SEC judgment did not contain an express declaration that it involved the rescission or annulment of contract or an explicit order for respondents to return the thing sold. Petitioners also assert that respondents' claim for refund based on fraud or misrepresentation should have been directed only against petitioner RNDC, the registered owner and seller of the FRCCI class "D" shares of stock. Petitioner FRCCI was merely the issuer of the shares sold to respondents. Petitioners lastly question the order of the Court of Appeals for petitioners to pay 12% interest per annum, the same being devoid of legal basis since their obligation does not constitute a loan or forbearance of money.

In their Memorandum,[23] respondents chiefly argue that petitioners have posited mere questions of fact and none of law, precluding this Court to take cognizance of the instant Petition under Rule 45 of the Rules of Court. Even so, respondents maintain that the Court of Appeals did not err in ordering them to return the certificates of shares of stock to petitioners upon the latter's refund of the price thereof as the essence of respondents' claim for refund is to rescind the sale of said shares. Furthermore, both petitioners should be held liable since they are the owners and developers of FLP. Petitioner FRCCI is primarily liable for respondents' claim for refund, and petitioner RNDC, at most, is only subsidiarily liable considering that petitioner RNDC is a mere agent of petitioner FRCCI. Respondents finally insist that the imposition of the interest rate at 12% per annum, computed from the date of the extrajudicial demand, is correct since the obligation of petitioners is in the nature of a forbearance of money.

We find merit in the Petition.

We address the preliminary matter of the nature of respondents' Complaint against petitioners. Well-settled is the rule that the allegations in the complaint determine the nature of the action instituted.[24]

Respondents alleged in their Complaint that:

16. [Herein petitioners'] failure to finish the development works at the Fontana Leisure Park within the time frame that they promised, and [petitioners'] failure/refusal to accom[m]odate [herein respondents'] request for reservations on 17 October 1998 and 1 April 1999, constitute gross misrepresentation and a form of deception, not only to the [respondents], but the general public as well.

17. [Petitioners'] deliberately and maliciously misrepresented that development works will be completed when they knew fully well that it was impossible to complete the development works by the deadline. [Petitioners] also deliberately and maliciously deceived [respondents] into believing that they have the privilege to utilize Club facilities, only for [respondents] to be later on denied such use of Club facilities. All these acts are part of [petitioners'] scheme to attract, induce and convince [respondents] to buy shares, knowing that had they told the truth about these matters, [respondents] would never have bought shares in their project.

18. On 28 August 1998, [respondents] requested their lawyer to write [petitioner] Fontana Resort and Country Club, Inc. a letter demanding for the return of their payment. x x x.

19. [Petitioner] Fontana Resort and Country Club, Inc. responded to this letter, with a letter of its own dated 10 September 1998, denying [respondents'] request for a refund. x x x.

20. [Respondents] replied to [petitioner] Fontana Resort and Country Club's letter with a letter dated 13

October 1998, x x x. But despite receipt of this letter, [petitioners] failed/refused and continue to fail /refuse to refund/return [respondents'] payments.

x x x x

22. [Petitioners] acted in bad faith when it sold membership shares to [respondents], promising development work will be completed by the first quarter of 1998 when [petitioners] knew fully well that they were in no position and had no intention to complete development work within the time they promised. [Petitioners] also were maliciously motivated when they promised [respondents] use of Club facilities only to deny [respondents] such use later on.

23. It is detrimental to the interest of [respondents] and quite unfair that they will be made to suffer from the delay in the completion of the development work, while [petitioners] are already enjoying the purchase price paid by [respondents].

x x x x

26. Apart from the refund of the amount of P387,300.00, [respondents] are also entitled to be paid reasonable interest from their money. Afterall, [petitioners] have already benefitted from this money, having been able to use it, if not for the Fontana Leisure Park project, for their other projects as well. And had [respondents] been able to deposit the money in the bank, or invested it in some worthwhile undertaking, they would have earned interest on the money at the rate of at least 21% per annum.[25]

The aforequoted allegations in respondents' Complaint sufficiently state a cause of action for the annulment of a voidable contract of sale based on fraud under Article 1390, in relation to Article 1398, of the Civil Code, and/or rescission of a reciprocal obligation under Article 1191, in relation to Article 1385, of the same Code. Said provisions of the Civil Code are reproduced below:

Article 1390. The following contracts are voidable or annulable, even though there may have been no damage to the contracting parties:

- Those where one of the parties is incapable of giving consent to a contract;
- Those where the consent is vitiated by mistake, violence, intimidation, undue influence or fraud.

These contracts are binding, unless they are annulled by a proper action in court. They are susceptible of ratification.

Article 1398. An obligation having been annulled, the contracting parties shall restore to each other the things which have been the subject matter of the contract, with their fruits, and the price with its interest, except in cases provided by law.

In obligations to render service, the value thereof shall be the basis for damages.

Article 1191. 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.

The court shall decree the rescission claimed, unless there be just cause authorizing the fixing of a period.

This is understood to be without prejudice to the rights of third persons who have acquired the thing, in accordance with Articles 1385 and 1388 and the Mortgage Law.

Article 1385. Rescission creates the obligation to return the things which were the object of the contract, together with their fruits, and the price with its interest; consequently, it can be carried out only when he who demands rescission can return whatever he may be obliged to return.

Neither shall rescission take place when the things which are the object of the contract are legally in the possession of third persons who did not act in bad faith.

In this case, indemnity for damages may be demanded from the person causing the loss.

It does not matter that respondents, in their Complaint, simply prayed for refund of the purchase price they had paid for their FRCCI shares,[26] without specifically mentioning the annulment or rescission of the sale of said shares. The Court of Appeals treated respondents' Complaint as one for annulment/rescission of contract and, accordingly, it did not simply order petitioners to refund to respondents the purchase price of the FRCCI shares, but also directed respondents to comply with their correlative obligation of surrendering their certificates of shares of stock to petitioners.

Now the only issue left for us to determine – whether or not petitioners committed fraud or defaulted on their promises as would justify the annulment or rescission of their contract of sale with respondents – requires us to reexamine evidence submitted by the parties and review the factual findings by the SEC and the Court of Appeals.

As a general rule, “the remedy of appeal by certiorari under Rule 45 of the Rules of Court contemplates only questions of law and not issues of fact. This rule, however, is inapplicable in cases x x x where the factual findings complained of are absolutely devoid of support in the records or the assailed judgment of the appellate court is based on a misapprehension of facts.”[27] Another well-recognized exception to the general rule is when the factual findings of the administrative agency and the Court of Appeals are contradictory.[28] The said exceptions are applicable to the case at bar.

There are contradictory findings below as to the existence of fraud: while Hearing Officer Bacalla and the SEC en banc found that there is fraud on the part of petitioners in selling the FRCCI shares to respondents, the Court of Appeals found none.

There is fraud when one party is induced by the other to enter into a contract, through and solely because of the latter's insidious words or machinations. But not all forms of fraud can vitiate consent. “Under Article 1330, fraud refers to *dolo causante* or causal fraud, in which, prior to or simultaneous with the execution of a contract, one party secures the consent of the other by using deception, without which such consent would not have been given.”[29] “Simply stated, the fraud must be the determining cause of the contract, or must have caused the consent to be given.”[30]

“[T]he general rule is that he who alleges fraud or mistake in a transaction must substantiate his allegation as the presumption is that a person takes ordinary care for his concerns and that private dealings have been entered into fairly and regularly.”[31] One who alleges defect or lack of valid consent to a contract by reason of fraud or undue influence must establish by full, clear and convincing evidence such specific acts that vitiated a party's consent, otherwise, the latter's presumed consent to the contract prevails.[32]

In this case, respondents have miserably failed to prove how petitioners employed fraud to induce respondents to buy FRCCI shares. It can only be expected that petitioners presented the FLP and the country club in the most positive light in order to attract investor-members. There is no showing that in their sales talk to respondents, petitioners actually used insidious words or machinations, without which, respondents would not have bought the FRCCI shares. Respondents appear to be literate and of above-average means, who may not be so easily deceived into parting with a substantial amount of money. What is apparent to us is that respondents knowingly and

willingly consented to buying FRCCI shares, but were later on disappointed with the actual FLP facilities and club membership benefits.

Similarly, we find no evidence on record that petitioners defaulted on any of their obligations that would have called for the rescission of the sale of the FRCCI shares to respondents.

“The right to rescind a contract arises once the other party defaults in the performance of his obligation.”[33] “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.”[34] In the same case as fraud, the burden of establishing the default of petitioners lies upon respondents, but respondents once more failed to discharge the same.

Respondents decry the alleged arbitrary and unreasonable denial of their request for reservation at FLP and the obscure and ever-changing rules of the country club as regards free accommodations for FRCCI class “D” shareholders.

Yet, petitioners were able to satisfactorily explain, based on clear policies, rules, and regulations governing FLP club memberships, why they rejected respondents’ request for reservation on October 17, 1998. Respondents do not dispute that the Articles of Incorporation and the By-Laws of FRCCI, as well as the promotional materials distributed by petitioners to the public (copies of which respondents admitted receiving), expressly stated that the subscribers of FRCCI class “D” shares of stock are entitled free accommodation at an FLP two-bedroom villa only for “one week annually consisting of five (5) ordinary days, one (1) Saturday and one (1) Sunday.” Thus, respondents cannot claim that they were totally ignorant of such rule or that petitioners have been changing the rules as they go along. Respondents had already availed themselves of free accommodations at an FLP villa on September 5, 1998, a Saturday, so that there was basis for petitioners to deny respondents’ subsequent request for reservation of an FLP villa for their free use on October 17, 1998, another Saturday.

Neither can we rescind the contract because construction of FLP facilities were still unfinished by 1998. Indeed, respondents’ allegation of unfinished FLP facilities was not disputed by petitioners, but respondents themselves were not able to present competent proof of the extent of such incompleteness. Without any idea of how much of FLP and which particular FLP facilities remain unfinished, there is no way for us to determine whether petitioners were actually unable to deliver on their promise of a first class leisure park and whether there is sufficient reason for us to grant rescission or annulment of the sale of FRCCI shares. Apparently, respondents were still able to enjoy their stay at FLP despite the still ongoing construction works, enough for them to wish to return and again reserve accommodations at the park.

Respondents additionally alleged the unreasonable cancellation of their confirmed reservation for the free use of an FLP villa on April 1, 1999. According to respondents, their reservation was confirmed by a Mr. Murphy Magtoto, only to be cancelled later on by a certain Shaye. Petitioners countered that April 1, 1999 was a Holy Thursday and FLP was already fully-booked. Petitioners, however, do not deny that Murphy Magtoto and Shaye are FLP employees who dealt with respondents. The absence of any confirmation number issued to respondents does not also discount the possibility that the latter’s reservation was mistakenly confirmed by Murphy Magtoto despite FLP being fully-booked. At most, we perceive a mix-up in the reservation process of petitioners. This demonstrates a mere negligence on the part of petitioners, but not willful intention to deprive respondents of their membership benefits. It does not constitute default that would call for rescission of the sale of FRCCI shares by petitioners to respondents. For the negligence of petitioners as regards respondents’ reservation for April 1, 1999, respondents are at least entitled to nominal damages in accordance with Articles 2221 and 2222 of the Civil Code.[35]

In *Almeda v. Cariño*,^[36] we have expounded on the propriety of granting nominal damages as follows:

[N]ominal damages may be awarded to a plaintiff whose right has been violated or invaded by the defendant, for the purpose of vindicating or recognizing that right, and not for indemnifying the plaintiff for any loss suffered by him. Its award is thus not for the purpose of indemnification for a loss but for the recognition and vindication of a right. Indeed, nominal damages are damages in name only and not in fact. When granted by the courts, they are not treated as an equivalent of a wrong inflicted but simply a recognition of the existence of a technical injury. A violation of the plaintiff's right, even if only technical, is sufficient to support an award of nominal damages. Conversely, so long as there is a showing of a violation of the right of the plaintiff, an award of nominal damages is proper.^[37]

It is also settled that “the amount of such damages is addressed to the sound discretion of the court, taking into account the relevant circumstances.”^[38]

In this case, we deem that the respondents are entitled to an award of P5,000.00 as nominal damages in recognition of their confirmed reservation for the free use of an FLP villa on April 1, 1999 which was inexcusably cancelled by petitioner on March 3, 1999.

In sum, the respondents' Complaint sufficiently alleged a cause of action for the annulment or rescission of the contract of sale of FRCCI class “D” shares by petitioners to respondents; however, respondents were unable to establish by preponderance of evidence that they are entitled to said annulment or rescission.

WHEREFORE, in view of the foregoing, the Petition is hereby GRANTED. The Decision dated May 30, 2002 and Resolution dated August 12, 2002 of the Court Appeals in CA-G.R. SP No. 67816 are REVERSED and SET ASIDE. Petitioners are ORDERED to pay respondents the amount of P5,000.00 as nominal damages for their negligence as regards respondents' cancelled reservation for April 1, 1999, but respondents' Complaint, in so far as the annulment or rescission of the contract of sale of the FRCCI class “D” shares of stock is concerned, is DISMISSED for lack of merit.

SO ORDERED.

Corona, C.J., (Chairperson), Bersamin, Del Castillo, and Villarama, Jr., JJ., concur.

[1] Rollo, pp. 28-36; penned by Associate Justice Eliezer R. de los Santos with Associate Justices Cancio C. Garcia and Marina L. Buzon, concurring.

[2] Id. at 38.

[3] Id. at 83-85.

[4] Id. at 66-69.

[5] Records, SEC Case No. 04-99-6264, p. 16.

[6] Id. at 1-17.

[7] Id. at 32-41.

[8] Id. at 37.

[9] Id. at 37-38.

[10] Id. at 36.

[11] Id. at 102-109, 117-124.

[12] Id. at 111-115.

[13] Id. at 127.

[14] Rollo, pp. 68-69.

[15] Id. at 69.

[16] Id. at 85.

[17] Id. at 87-88.

[18] Id. at 34.

[19] Id. at 35.

[20] Id. at 35-36.

[21] Id. at 191-212.

[22] Id. at 200.

[23] Id. at 178-190.

[24] *Bulao v. Court of Appeals*, G.R. No. 101983, February 1, 1993, 218 SCRA 321.

[25] Records, SEC Case No. 04-99-6264, pp. 12-14.

[26] The Prayer in respondents' Complaint reads:

WHEREFORE, premises considered, it is respectfully prayed that after trial and hearing, judgment be rendered in favor of the [herein respondents] and against the [herein petitioners], ordering the latter, jointly and severally, to pay the former:

1. The amount of P387,300.00 as refund for the money which [respondents] paid to [petitioners] for its Fontana Leisure Park project;
2. Reasonable interest for the money to be refunded, at the rate of at least 21% per annum, computed beginning the time formal demand was received by [petitioners] on 4 September 1998 until such time as the amount is actually paid;
3. The amount of P100,000.00 by way of attorney's fees;
4. The costs of the suit.

[Respondents] pray for such other reliefs and remedies just and equitable under the premises. (Id. at 11.)

[27] *Leonardo v. Court of Appeals*, G.R. No. 125485, September 13, 2004, 438 SCRA 201, 213.

[28] *Tiu v. Pasaol, Sr.*, 450 Phil. 370, 379 (2003).

[29] *Archipelago Management and Marketing Corporation v. Court of Appeals*, 359 Phil. 363, 374 (1998).

[30] *Rural Bank of Sta. Maria Pangasinan v. Court of Appeals*, 373 Phil. 27, 42 (1999).

[31] *Perpetua Vda. de Ape v. Court of Appeals*, 496 Phil. 97, 116 (2005).

[32] *Heirs of William Sevilla v. Sevilla*, 450 Phil. 598, 612 (2003).

[33] *Solar Harvest, Inc. v. Davao Corrugated Carton Corporation*, G.R. No. 176868, July 26, 2010, 625 SCRA 448, 455.

[34] *Development Bank of the Philippines v. Court of Appeals*, 398 Phil. 413, 430 (2000).

[35] Article 2221. Nominal damages are adjudicated in order that a right of the plaintiff, which has been violated or invaded by the defendant, may be vindicated or recognized, and not for the purpose of indemnifying the plaintiff for any loss suffered by him.

Article 2222. The court may award nominal damages in every obligation arising from any source enumerated in Article 1157, or in every case where any property right has been invaded.

[36] 443 Phil. 182 (2003).

[37] *Id.* at 191.

[38] *Savellano v. Northwest Airlines*, 453 Phil. 342, 360 (2003).

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