

GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS), PETITIONER, VS. THE PROVINCE OF TARLAC, RESPONDENT.

G.R. No. 157860. December 01, 2003

Ponente: YNARES-SANTIAGO, J.

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YNARES-SANTIAGO, J.:

This is a petition for review under Rule 45 of the Rules of Court, seeking the reversal of the Decision of the Court of Appeals dated November 28, 2002[1] and Resolution dated April 8, 2003.[2]

The facts are undisputed.

On March 26, 1996, the Sangguniang Panlalawigan of Tarlac passed Resolution No. 068-96, which authorized and approved the conversion of Urquico Memorial Athletic Field into a Government Center, as well as the segregation and donation of portions of said land to different government agencies for the purpose of constructing or relocating their office buildings. After receiving two letters of invitation regarding the project, the Government Service Insurance System (GSIS) decided to put up an office at the site.[3]

Thus, Tarlac Governor Margarita Cojuangco issued a Notice of Construction on December 13, 1996, for the building of the GSIS office on the designated lot.[4]

The Province of Tarlac and the GSIS then executed a Memorandum of Agreement (MOA) on December 13, 1997, whereby the Province of Tarlac donated the said lot to the GSIS subject to the conditions stipulated therein. On the same date, the Province executed a Deed of Donation over the subject lot in favor of the GSIS, which was duly accepted by the latter. As stipulated in the MOA, the GSIS donated P2,000,000.00 to the Province of Tarlac as financial assistance.[5]

On September 17, 1997, the City of Tarlac issued a building permit to the GSIS for the construction of its office. The Sangguniang Panlalawigan then passed Resolution No. 013-97, which reiterated the authority granted to Gov. Cojuangco by Resolution No. 068-96.[6]

Subsequently, Gov. Jose Yap was elected as the new chief executive of Tarlac, and he officially entered upon his duties on July 1, 1998. He wrote a letter to the GSIS, inviting the latter to reevaluate their respective positions with respect to the MOA of December 13, 1997. Evidently, Gov. Yap was of the opinion that the provisions of the Deed of Donation were unfair to the Province. Later, the Provincial Administrator wrote the GSIS, demanding the payment of P33,590,000.00 representing the balance of the value of the lot donated, which the GSIS refused to pay.[7]

On March 11, 1999, the Province of Tarlac then filed a Complaint against the GSIS for declaration of nullity of donation and memorandum of agreement, recovery of possession and enforcement of Article 449 in relation to Articles 450 and 451 of the Civil Code, and damages, before the Regional Trial Court of Tarlac City, Branch 63.[8] During the pre-trial, the parties agreed to submit the case for decision on the basis of the pleadings and annexes submitted by the parties, since only legal issues were involved.

On August 25, 1999, the trial court rendered its decision in favor of the validity of the donation to the GSIS and dismissed the complaint for declaration of nullity of donation and memorandum of agreement, recovery of possession and enforcement of Article 449 in relation to Articles 450 and 451 of the Civil Code, and damages filed by the Province of Tarlac.

Respondent Province of Tarlac appealed to the Court of Appeals,[9] which rendered a decision on November 28, 2002, the dispositive portion of which states:

WHEREFORE, the assailed decision is hereby REVERSED and SET ASIDE. The deed of donation and Memorandum of Agreement both dated April 30, 1997 between the parties is hereby declared NULL and VOID. Petitioner is ORDERED to reimburse respondent all the necessary and useful expenses respondent incurred on the property.

SO ORDERED.[10]

Petitioner GSIS filed the instant petition raising a sole assignment of error:

WHETHER THE COURT OF APPEALS ERRED IN HOLDING THAT THE DEED OF DONATION AND MEMORANDUM OF AGREEMENT ARE NULL AND VOID.[11]

In deciding the instant case, the Court of Appeals relied on Section 381 of Republic Act No. 7160, better known as the Local Government Code of 1991, which provides:

SECTION 381. Transfer Without Cost. — Property which has become unserviceable or is no longer needed may be transferred without cost to another office, agency, subdivision or instrumentality of the national government or another local government unit at an appraised valuation determined by the local committee on awards. Such transfer shall be subject to the approval of the sanggunian concerned making the transfer and by the head of the office, agency, subdivision, instrumentality or local government unit receiving the property.

In effect, the appellate court ruled that the donation of the subject property by the Province of Tarlac to the GSIS was void, because it was executed without first securing an appraised valuation of the property from the local committee on awards.[12]

On the other hand, petitioner insists that the donation is perfectly valid, stating that there is nothing in the Local Government Code which expressly states that the lack of an appraised valuation renders the subject transfer void. Further, it contends that at best, an appraised valuation is merely a formal and procedural requisite, the lack of which cannot overturn substantive and vested rights.[13]

Considering that the assailed donation is clearly onerous, the rules on contracts will apply.[14] Pertinently, the Civil Code expressly defines the different kinds of void and inexistent contracts, to wit:

ART. 1409. The following contracts are inexistent and void from the beginning:

(1) Those whose cause, object or purpose is contrary to law, morals, good customs, public order or public policy; (2) Those which are absolutely simulated or fictitious; (3) Those whose cause or object did not exist at the time of the transaction; (4) Those whose object is outside the commerce of men; (5) Those which contemplate an impossible service; (6) Those where the intention of the parties relative to the principal object of the contract cannot be ascertained; (7) Those expressly prohibited or declared void by law.

These contracts cannot be ratified. Neither can the right to set up the defense of illegality be waived.

A transfer of real property by a local government unit to an instrumentality of government without first securing an appraised valuation from the local committee on awards does not appear to be one of the void contracts enumerated in the afore-quoted Article 1409 of the Civil Code. Neither does Section 381 of the Local

Government Code expressly prohibit or declare void such transfers if an appraised valuation from the local committee on awards is not first obtained.

The freedom of contract is both a constitutional and statutory right and to uphold this right, courts should move with all the necessary caution and prudence in holding contracts void.[15] Furthermore, a duly executed contract carries with it the presumption of validity.[16] In the assailed decision, the Court of Appeals simply ruled that the absence of a prior appraised valuation by the local committee on awards rendered the donation null and void. This, to our mind, did not sufficiently overcome the presumption of validity of the contract, considering that there is no express provision in the law which requires that the said valuation is a condition sine qua non for the validity of a donation.

There being a perfected contract, the Province of Tarlac, through Gov. Yap, cannot revoke or renounce the same without the consent of the other party. From the moment of perfection, the parties are bound not only to the fulfillment of what has been expressly stipulated but also to all the consequences which, according to their nature, may be in keeping with good faith, usage, and law.[17] The contract has the force of law between the parties and they are expected to abide in good faith by their respective contractual commitments. Just as nobody can be forced to enter into a contract, in the same manner, once a contract is entered into, no party can renounce it unilaterally or without the consent of the other. It is a general principle of law that no one may be permitted to change his mind or disavow and go back upon his own acts, or to proceed contrary thereto, to the prejudice of the other party.[18]

WHEREFORE, in view of the foregoing, the petition is GRANTED. The Decision of the Court of Appeals dated November 28, 2002 and its Resolution dated April 8, 2003 are REVERSED and SET ASIDE. The Decision of the Regional Trial Court of Tarlac City, Branch 63, dated August 25, 1999 is REINSTATED. No costs.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Panganiban, Carpio, and Azcuna, JJ., concur.

[1] Rollo, p. 24; penned by Associate Justice Oswaldo D. Agcaoili, concurred in by Associate Justices Eliezer R. Delos Santos and Regalado E. Maambong.

[2] Id., p. 37.

[3] Id., p. 25.

[4] Id., p. 25.

[5] Id., p. 25.

[6] Id., p. 25.

[7] Id., pp. 25-26.

[8] Id., p. 24.

[9] Id., p. 26.

[10] Id., p. 35.

[11] Id., p. 8.

[12] Id., p. 34.

[13] Id., p. 17.

[14] CIVIL CODE, art. 733; *Ganuelas v. Cawed*, G. R. No. 123968, 24 April 2003.

[15] *Gabriel v. Monte de Piedad*, 71 Phil. 497 (1941), cited in IV TOLENTINO, COMMENTARIES AND JURISPRUDENCE ON THE CIVIL CODE OF THE PHILIPPINES 412 (1991).

[16] *Ramos v. Heirs of Honorio Ramos, Sr.*, G.R. No. 140848, 25 April 2002.

[17] CIVIL CODE, art. 1315, cited in *Metro Manila Development Corporation v. Jancom Environmental Corporation*, G.R. No. 147465, 30 January 2002.

[18] *Metro Manila Development Corporation v. Jancom Environmental Corporation*, G.R. No. 147465, 30 January 2002.

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