

**SPOUSES HOWARD T. CO CHIEN AND SUSAN Y. CO CHIEN,
PETITIONERS, VS. STA. LUCIA REALTY & DEVELOPMENT, INC.,
AND ALSONS LAND CORPORATION, RESPONDENTS.**

G.R. NO. 162090. January 31, 2007

Ponente: PUNO, CJ.

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PUNO, CJ.:

This case is a Petition for Certiorari under Rule 45 of the Revised Rules of Court appealing the decision of the Court of Appeals in CA G.R. SP No. 78161 entitled “Spouses Howard T. Co Chien & Susan Y. Co Chien v. Sta. Lucia Realty & Development, Inc. and Alsons Land Corporation.”

The facts are undisputed.

Sometime in December 1995, private respondents Sta. Lucia Realty & Development, Inc. (Sta. Lucia) and Alsons Land Corporation (Alsons) offered for sale to the general public parcels of land and golf shares to the Eagle Ridge Golf and Residential Estates (Eagle Ridge) in General Trias, Cavite.[1] Sta. Lucia, as the developer, owns 60% of Eagle Ridge while Alsons, the owner of the land, owns the remaining 40% by virtue of a joint venture agreement. Fil-Estate Realty Corporation (Fil-Estate) was commissioned to sell the subdivision lots and/or golf shares under an Exclusive Marketing Agreement executed on December 5, 1995.[2]

On December 20, 1995, Sta. Lucia and Alsons entered into a Contract to Sell, including an addendum to the same, with the petitioners, spouses Howard T. Co Chien and Susan Y. Co Chien (Spouses Co Chien). According to the Contract to Sell, Spouses Co Chien shall purchase Lot No. 16, Block No. 1, Phase I of Eagle Ridge with an area of three hundred one (301) square meters for a lump sum price of one million two hundred ninety three thousand three hundred pesos (P1,293,300.00), with one half of the purchase price as down payment to be paid upon signing the contract and the balance upon delivery of the title to the land to Spouses Co Chien. The petitioners were also given a 10% discount on the purchase price and thereafter they paid a down payment of five hundred eighty one thousand five hundred thirty five pesos (P581,535.00), after the discount. It was also agreed in the addendum to the Contract to Sell that the 10% discount deducted from the down payment shall be forfeited and added to the balance, should Spouses Co Chien fail to pay the said balance within seven (7) days from notice that the title to the subject property is ready for delivery.[3]

At the time the Contract to Sell was executed, the private respondents did not possess a License to Sell and a Certificate of Registration from the Housing and Land Use Regulatory Board (HLURB) as required under Sections 4 and 5 of Presidential Decree No. 957 (P.D. 957). The License and Certificate were issued only in July 1997, one year and six months after the execution of the Contract to Sell between the petitioners and the private respondents.[4]

On January 19, 1998, Sta. Lucia informed the petitioners that the title to the property was ready for delivery and demanded the payment of the balance of the purchase price. Instead of paying the balance, Spouses Co Chien tried to negotiate for a further discount or, in the alternative, to exchange the property for a better lot in Eagle

Ridge. When Spouses Co Chien failed to pay within seven days from notice of the availability of the title, the private respondents forfeited the 10% discount previously given to the petitioners in accordance with the contract and its addendum.[5]

On June 16, 1999, Spouses Co Chien sent a written demand to Sta. Lucia for the refund of their down payment on the ground that the Contract to Sell was void for the reason that at the time of its execution, December 20, 1995, the private respondents had no Certificate of Registration and License to Sell as required by Sections 4 and 5 of P.D. 957.[6] On July 6, 1999, failing to receive a favorable response from the private respondents, Spouses Co Chien filed a complaint with the HLURB.[7]

On May 30, 2001, the HLURB Arbiter ruled in favor of Spouses Co Chien ordering Sta. Lucia and Alsons to refund the down payment with legal interest from July 6, 1999 and to further pay the petitioners P10,000.00 as attorney's fees. The HLURB Arbiter ruled that the lack of Certificate of Registration and License to Sell at the time of execution of the Contract to Sell resulted in the nullification of the contract.[8]

On appeal, the HLURB Board of Commissioners (the HLURB Board) reversed the HLURB Arbiter's decision and held that the Contract to Sell was valid and ordered Spouses Co Chien to pay the private respondents the balance of P646,150.00 without penalty interest. The HLURB Board also ordered Sta. Lucia and Alsons to pay jointly and severally an administrative fine of P20,000.00 for two counts of violation of Section 4 of P.D. 957 and another P20,000.00 for two counts of violation of Section 5 of the same decree.[9]

Spouses Co Chien then appealed to the Office of the President. In a decision dated June 10, 2003, the Office of the President affirmed the decision of the HLURB Board in toto. Not satisfied with the aforementioned ruling, Spouses Co Chien filed a Petition for Review with the Court of Appeals.[10]

On February 10, 2004, the Court of Appeals denied the petition and affirmed the decision of the Office of the President.[11]

Hence, this petition.

The primary issues in this case are as follows: (1) whether the absence of the Certificate of Registration and License to Sell at the time of execution rendered the Contract to Sell and its addendum null and void; and (2) whether the petitioners are guilty of laches or estoppel.

We will discuss the issues seriatim.

It is the contention of the petitioners that the lack of Certificate of Registration (the Certificate) and License to Sell (the License) on the part of the private respondents at the time the contract was executed rendered the Contract to Sell null and void, thus, entitling them to a refund of their down payment. Spouses Co Chien aver that the use of the words "shall not" and the phrase "unless he shall have first obtained a license to sell within two weeks from the registration of such project" in Section 5 of P.D. 957 indicate that the absence of the Certificate and License render the contract null and void.[12] The private respondents, on the other hand, state that the provision of law invoked by Spouses Co Chien does not provide that the absence of the Certificate and License at the time the contract was executed would automatically invalidate the contract.[13] The private respondents assert that the Sec. 5, P.D. 957 is merely directory as it does not affect substantial rights, does not relate to the essence of a sale and compliance therewith is simply a matter of administrative convenience.[14]

Sections 4 and 5 of P.D. 957 state:

Sec. 4. Registration of Projects

....

The owner or the real estate dealer interested in the sale of lots or units, respectively, in such subdivision project or condominium project shall register the project with the Authority by filing therewith a sworn registration statement containing the following information:

....

The subdivision project of the condominium project shall be deemed registered upon completion of the above publication requirement. The fact of such registration shall be evidenced by a registration certificate to be issued to the applicant-owner or dealer.

Sec. 5. License to Sell. - Such owner or dealer to whom has been issued a registration certificate shall not, however, be authorized to sell any subdivision lot or condominium unit in the registered project unless he shall have first obtained a license to sell the project within two weeks from the registration of such project.

The Authority, upon proper application therefor, shall issue to such owner or dealer of a registered project a license to sell the project if, after an examination of the registration statement filed by said owner or dealer and all the pertinent documents attached thereto, he is convinced that the owner or dealer is of good repute, that his business is financially stable, and that the proposed sale of the subdivision lots or condominium units to the public would not be fraudulent.[15]

The same decree further states:

Sec. 38. Administrative Fines. - The Authority may prescribe and impose fines not exceeding ten thousand pesos for violations of the provisions of this Decree or of any rule or regulation thereunder. Fines shall be payable to the Authority and enforceable through writs of execution in accordance with the provisions of the Rules of Court.

Sec. 39. Penalties. - Any person who shall violate any of the provisions of this Decree and/or any rule or regulation that may be issued pursuant to this Decree shall, upon conviction, be punished by a fine of not more than twenty thousand (P20,000.00) pesos and/or imprisonment of not more than ten years: Provided, That in the case of corporations, partnership, cooperatives, or associations, the President, Manager or Administrator or the person who has charge of the administration of the business shall be criminally responsible for any violation of this Decree and/or the rules and regulations promulgated pursuant thereto.[16]

P.D. 957 is a law that seeks to regulate the sale of subdivision lots and condominiums in view of the increasing number of incidents wherein “real estate subdivision owners, developers, operators, and/or sellers have reneged on their representations and obligations to provide and maintain properly”[17] the basic requirements and amenities, as well as “reports of alarming magnitude...of swindling and fraudulent manipulations perpetrated by unscrupulous subdivision and condominium sellers and operators.”[18] As such, P.D. 957 requires the registration not just of the developers, sellers, brokers and/or owners of the project but also of the project itself.[19] Upon registration of the project, a license to sell must be obtained prior to the sale of the subdivision lots or condominium units therein.[20] The law also provides for the suspension and revocation of the registration and license in certain instances, as well as the procedure to be observed in the event thereof.[21] Finally, the law provides for administrative fines and other penalties in case of violation of, or non-compliance with its provisions.[22]

A review of the relevant provisions of P.D. 957 reveals that while the law penalizes the selling of subdivision lots and condominium units without prior issuance of a Certificate of Registration and License to Sell by the HLURB, it does not provide that the absence thereof will automatically render a contract, otherwise validly entered, void. The penalty imposed by the decree is the general penalty provided for the violation of any of its provisions.[23] It is well-settled in this jurisdiction that the clear language of the law shall prevail.[24] This principle particularly enjoins strict compliance with provisions of law which are penal in nature, or when a penalty is provided for the

violation thereof. With regard to P.D. 957, nothing therein provides for the nullification of a contract to sell in the event that the seller, at the time the contract was entered into, did not possess a certificate of registration and license to sell.[25] Absent any specific sanction pertaining to the violation of the questioned provisions (Secs. 4 and 5), the general penalties provided in the law shall be applied. The general penalties for the violation of any provisions in P.D. 957 are provided for in Sections 38 and 39. As can clearly be seen in the aforequoted provisions, the same do not include the nullification of contracts that are otherwise validly entered.

As found by the Court of Appeals, in the case at bar, the requirements of Sections 4 and 5 of P.D. 957 do not go into the validity of the contract, such that the absence thereof would automatically render the contract null and void. It is rather more of an administrative convenience in order to allow for a more effective regulation of the industry.[26] While it is the intent of the prohibition in Section 5 of P.D. 957 “to prevent cases of swindling and fraudulent manipulations perpetrated by unscrupulous subdivision and condominium sellers and operators”[27] and to ensure that “penalties be imposed on fraudulent practices and manipulations committed in connection therewith,”[28] such does not obtain in this case, as it is undisputed that the title to the subject property has been available for more than a year, and the Eagle Ridge project was almost 100% completed, before Spouses Co Chien decided to have the Contract declared void and to seek a refund of their down payment. Contrary to Spouses Co Chien’s bare allegations of bad faith on the part of the private respondents, the Court of Appeals found that at the time the Contract to Sell was executed, the applications for the Certificate and the License were already pending with the HLURB but were only issued several months thereafter.[29] More importantly, when Spouses Co Chien received notice of the availability of the title to the subject property, the private respondents had long since been issued the Certificate and License. It was in fact Spouses Co Chien who, instead of paying the balance as required in the contract, sought to renegotiate the same, and failing therein, sought to nullify the contract a year and a half after notice that the title to the subject property, free from any liens and encumbrance, was already available for delivery.

One of the purposes of P.D. 957 is to discourage and prevent unscrupulous owners, developers, agents and sellers from reneging on their obligations and representations to the detriment of innocent purchasers. The law mandates HLURB to closely regulate, supervise and monitor the real estate industry, particularly residential developments such as subdivisions and condominium projects. To this end, P.D. 957 provides for the issuance, suspension, revocation and even the outright denial of registration and license to developers, agents and the project itself, as well as penalties for the non-compliance with the requirements provided therein. It does not, however, provide for the nullification of a contract, due to the lack of registration and license at the moment of execution, which in this case was thereafter undisputedly issued by HLURB. As correctly averred by respondent Alsons, the requirement for registration and license is primarily directed at preventing fraudulent schemes from being perpetrated on the public who seek to have their own abode.[30] No fraud has been alleged, much less proven, by Spouses Co Chien in the present case. The lack of certificate and registration, without more, while penalized under the law, is not in and of itself sufficient to render a contract void. Such a deficiency, however, together with other relevant factors may be duly considered in nullifying a contract, should the circumstances so demand.

The second issue in the instant petition is whether or not estoppel bars the claim of Spouses Co Chien. There are generally three kinds of estoppel: (1) estoppel in pais; (2) estoppel by deed; and (3) estoppel by laches. In the first classification, a person is considered in estoppel if by his conduct, representations or admissions or silence when he ought to speak out, whether intentionally or through culpable negligence, “causes another to believe certain facts to exist and such other rightfully relies and acts on such belief, as a consequence of which he would be prejudiced if the former is permitted to deny the existence of such facts.”[31] Estoppel by deed, on the other hand, occurs when a party to a deed and his privies are precluded from denying any material fact stated in the said deed as against the other party and his privies.[32] Estoppel by laches is considered an equitable estoppel wherein a

person who failed or neglected to assert a right for an unreasonable and unexplained length of time is presumed to have abandoned or otherwise declined to assert such right and cannot later on seek to enforce the same, to the prejudice of the other party, who has no notice or knowledge that the former would assert such rights and whose condition has so changed that the latter cannot, without injury or prejudice, be restored to his former state.[33]

In the present case, Spouses Co Chien only demanded a refund and alleged the nullity of the Contract due to lack of the Certificate and License after it failed to renegotiate for a better lot or a bigger discount, or three and a half (3-1/2) years after the execution of the contract, and one and a half (1-1/2) years from notice of the availability of the title and the demand for full payment. Due to the unexplained delay in the assertion of their rights despite the opportunity to do so, Spouses Co Chien are now estopped from raising the issue of lack of the Certificate and License, particularly since the same have long since been issued to the private respondents. In fact, there is nothing left for the fulfillment of the obligations set forth in the Contract to Sell and its addendum, except for the payment of the balance by Spouses Co Chien so that the title to the property can finally be transferred in their name. Further, the act of renegotiating the Contract to Sell may be considered a tacit ratification of whatever defect the contract allegedly suffers from.

It is well-settled that the terms of a contract have the force of law between the parties.[34] As such, the terms thereof shall govern their relationship, rights and obligations in connection with the same. Obligations arising from contracts should be complied with in good faith. Unless the stipulations in the contract are contrary to law, morals, good customs, public order or public policy, the same are binding as between the parties.[35] In the instant case, as previously discussed, the Contract to Sell between Spouses Co Chien and private respondents Sta. Lucia and Alsons has all the essential requisites of a valid and binding contract. While there is non-compliance with the requirements in Sections 4 and 5 of P.D. 957 due to the lack of the Certificate and License at the moment of execution, such defect does not affect the intrinsic validity of the contract, particularly in this case wherein the said Certificate and License have been issued prior to the demand for the payment of the balance of the purchase price and the project is almost 100% complete and operational.

IN VIEW WHEREOF, the petition is DENIED. The decision of the Court of Appeals in CA-G.R. SP No. 78161 is AFFIRMED in toto.

Costs against petitioners.

SO ORDERED.

Sandoval-Gutierrez, Corona, Azcuna, and Garcia, JJ., concur.

[1] Rollo, p. 9.

[2] Id. at pp. 241-242.

[3] Id.

[4] Id. at p. 6.

[5] Id. at pp. 242-243.

[6] Id. at p. 11.

[7] Id. at p. 12.

[8] Id. at pp. 12-13.

[9] Id. at pp. 79-92.

[10] Id. at pp. 93-115.

[11] Id. at pp. 38-44.

[12] Rollo, p. 224.

[13] Id. at p. 163.

[14] Id. at p. 244.

[15] Presidential Decree No. 957, July 12, 1976; emphasis supplied.

[16] Id.

[17] Id.

[18] Id.

[19] Id. at Secs. 4 and 11.

[20] Id. at Sec. 5.

[21] Id. at Secs. 8, 9, 12-16.

[22] Id. at Secs. 38-40.

[23] Id. at supra note 15.

[24] Government Service Insurance System v. Commission on Audit, G.R. Nos. 138381 and G.R. No. 141625, November 10, 2004.

[25] Presidential Decree No. 957, Sec. 5.

[26] Rollo, pp. 43-44.

[27] Id.

[28] Id. at Preamble par. 4.

[29] Id.

[30] Rollo, p. 255.

[31] 31 Corpus Juris Secundum 237.

[32] 31 Corpus Juris Secundum 155.

[33] Placowell International Services Corporation v. Ireneo B. Camote, G.R. No. 169973, June 26, 2006; Heirs of Eulalio Ragua v. Court of Appeals, G.R. Nos. 88521-22 and 89366-67, January 31, 2000.

[34] Spouses Ponciano Almeda and Eufemia P. Almeda v. The Court of Appeals and Philippine National Bank, G.R. No. 113412, April 17, 1996.

[35] Romeo G. Roxas, et al. v. Antonio de Zuzuarregui, et al., G.R. Nos. 152072 and 152104, January 31, 2006.

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