

ROBERTO R. DAVID, PETITIONER, VS. EDUARDO C. DAVID, RESPONDENT.

G.R. No. 162365. January 15, 2014

Ponente: BERSAMIN, J.

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BERSAMIN, J.:

In a sale with right to repurchase, title and ownership of the property sold are immediately vested in the vendee, subject to the resolutive condition of repurchase by the vendor within the stipulated period.

The Case

Under review at the defendant's instance is the decision promulgated on October 10, 2003,[1] whereby the Court of Appeals (CA) affirmed the judgment rendered on December 5, 2001 by the Regional Trial Court (RTC), Branch 61, in Baguio City ordering him to return to the plaintiff the motor vehicle and trailer subject of the complaint, or to pay their value of P500,000.00 should the return not be effected, and to pay the plaintiff P20,000.00 as litigation expenses, P50,000.00 as attorney's fees, and the costs of suit.[2]

Antecedents

Respondent Eduardo C. David (Eduardo) initiated this replevin suit against Roberto R. David (Roberto), his first cousin and former business partner, to recover the possession of one unit of International CO 9670 Truck Tractor and Mi-Bed Trailer.

It appears that on July 7, 1995, Eduardo and his brother Edwin C. David (Edwin), acting on their own and in behalf of their co-heirs, sold their inherited properties to Roberto, specifically: (a) a parcel of land with an area of 1,231 square meters, together with all the improvements existing thereon, located in Baguio City and covered by Transfer Certificate of Title No. T-22983 of the Registry of Deeds of Baguio City (Baguio City lot); and (b) two units International CO 9670 Truck Tractor with two Mi-Bed Trailers.[3] A deed of sale with assumption of mortgage (deed of sale)[4] embodied the terms of their agreement, stipulating that the consideration for the sale was P6,000,000.00, of which P2,000,000 was to be paid to Eduardo and Edwin, and the remaining P4,000,000.00 to be paid to Development Bank of the Philippines (DBP) in Baguio City to settle the outstanding obligation secured by a mortgage on such properties. The parties further agreed to give Eduardo and Edwin the right to repurchase the properties within a period of three years from the execution of the deed of sale based on the purchase price agreed upon, plus 12% interest per annum.

In April 1997, Roberto and Edwin executed a memorandum of agreement (MOA)[5] with the Spouses Marquez and Soledad Go (Spouses Go), by which they agreed to sell the Baguio City lot to the latter for a consideration of P10,000,000.00. The MOA stipulated that "in order to save payment of high and multiple taxes considering that the x x x subject matter of this sale is mortgaged with DBP, Baguio City, and sold [to Roberto], Edwin will execute the necessary Deed of Absolute Sale in favor of [the Spouses Go], in lieu of [Roberto]."[6] The Spouses Go then deposited the amount of P10,000,000.00 to Roberto's account.[7]

After the execution of the MOA, Roberto gave Eduardo P2,800,000.00 and returned to him one of the truck tractors and trailers subject of the deed of sale. Eduardo demanded for the return of the other truck tractor and trailer, but Roberto refused to heed the demand.

Thus, Eduardo initiated this replevin suit against Roberto, alleging that he was exercising the right to repurchase under the deed of sale; and that he was entitled to the possession of the other motor vehicle and trailer.

In his answer, Roberto denied that Eduardo could repurchase the properties in question; and insisted that the MOA had extinguished their deed of sale by novation.

Judgment of the RTC

On December 5, 2001,[8] the RTC rendered judgment in favor of Eduardo, holding that the stipulation giving Eduardo the right to repurchase had made the deed of sale a conditional sale; that Eduardo had fulfilled the conditions for the exercise of the right to repurchase; that the ownership of the properties in question had reverted to Eduardo; that Roberto's defense of novation had no merit; and that due to Roberto's bad faith in refusing to satisfy Eduardo's claim, Eduardo should be awarded litigation expenses and attorney's fees. The dispositive portion of the judgment reads:

WHEREFORE, premises considered, judgment is hereby rendered for the plaintiff and against the defendant ORDERING the latter to return to the former the motor vehicle and trailer subject matter of the case or to pay its value in the amount of P500,000 in case manual delivery can not be effected; to pay plaintiff the amount of P20,000 as litigation expenses; the amount of P50,000 as attorney's fees and the costs of this suit.

SO ORDERED.[9]

Roberto appealed to the CA.

Ruling of the CA

On October 10, 2003, [10] the CA promulgated its decision affirming the RTC. It opined that although there was no express exercise of the right to repurchase, the sum of all the relevant circumstances indicated that there was an exercise of the right to repurchase pursuant to the deed of sale, that the findings of the RTC to the effect that the conditions for the exercise of the right to repurchase had been adequately satisfied by Eduardo, and that no novation as claimed by Roberto had intervened.

On February 16, 2004,[11] the CA denied Roberto's motion for reconsideration.[12]

Hence, this petition for review on certiorari.

Issues

Roberto seeks a reversal, claiming that the CA erred:

x x x IN HOLDING THAT THE RESPONDENT HAS EXERCISED THEIR RIGHT TO REPURCHASE;

x x x IN HOLDING THAT THERE WAS NO NOVATION OF THE DEED OF SALE WITH ASSUMPTION OF MORTGAGE WHEN THE PARTIES EXECUTED A MEMORANDUM OF AGREEMENT FOR THE SALE OF THE SUBJECT HOUSE AND LOT AND, THEREAFTER SOLD THE SAID PROPERTY TO THIRD PERSONS;

x x x IN RESOLVING THE INSTANT CASE IN FAVOR OF RESPO[N]DENT.[13]

Ruling of the Court

The petition for review has no merit.

A sale with right to repurchase is governed by Article 1601 of the Civil Code, which provides that: “Conventional redemption shall take place when the vendor reserves the right to repurchase the thing sold, with the obligation to comply with the provisions of Article 1616 and other stipulations which may have been agreed upon.” Conformably with Article 1616,[14] the seller given the right to repurchase may exercise his right of redemption by paying the buyer: (a) the price of the sale, (b) the expenses of the contract, (c) legitimate payments made by reason of the sale, and (d) the necessary and useful expenses made on the thing sold.

The deed of sale entered into by Eduardo and Roberto contained the following stipulation on the right to repurchase, to wit:

x x x the Vendors are given the right to repurchase the aforesaid described real property, together with the improvements thereon, and the two (2) motor vehicles, together with their respective trailers from the Vendee within a period of three (3) years from the execution of this document on the purchase price agreed upon by the parties after considering the amount previously paid to the Vendors in the amount of TWO MILLION PESOS (P2,000,000.00), Philippine Currency, with an interest of twelve percent (12%) per annum and the amount paid with the Development Bank of the Philippines with an interest of twelve percent (12%) per annum.[15]

The CA and the RTC both found and held that Eduardo had complied with the conditions stipulated in the deed of sale and prescribed by Article 1616 of the Civil Code. Pertinently, the CA stated:

It should be noted that the alleged repurchase was exercised within the stipulated period of three (3) years from the time the Deed of Sale with Assumption of Mortgage was executed. The only question now, therefore, which remains to be resolved is whether or not the conditions set forth in the Deed of Sale with Assumption of Mortgage, i.e. the tender of the purchase price previously agreed upon, which is Php2.0 Million, plus 12% interest per annum, and the amount paid by the defendant to DBP, had been satisfied.

From the testimony of the defendant himself, these preconditions for the exercise of plaintiff's right to repurchase were adequately satisfied by the latter. Thus, as stated, from the Php10 Million purchase price which was directly paid to the defendant, the latter deducted his expenses plus interests and the loan, and the remaining amount he turned over to the plaintiff. This testimony is an unequivocal acknowledgement from defendant that plaintiff and his co-heirs exercised their right to repurchase the property within the agreed period by satisfying all the conditions stipulated in the Deed of Sale with Assumption of Mortgage. Moreover, defendant returned to plaintiff the amount of Php2.8 Million from the total purchase price of Php10.0 Million. This only means that this is the excess amount pertaining to plaintiff and co-heirs after the defendant deducted the repurchase price of Php2.0 Million plus interests and his expenses. Add to that is the fact that defendant returned one of the trucks and trailers subject of the Deed of Sale with Assumption of Mortgage to the plaintiff. This is, at best, a tacit acknowledgement of the defendant that plaintiff and his co-heirs had in fact exercised their right to repurchase.[16] x x x

Considering that the factual findings of the trial court, when affirmed by the CA, are binding on the Court,[17] the Court affirms the judgment of the CA upholding Eduardo's exercise of the right of repurchase. Roberto could no longer assail the factual findings because his petition for review on certiorari was limited to the review and determination of questions of law only. A question of law exists when the doubt centers on what the law is on a certain set of undisputed facts, while a question of fact exists when the doubt centers on the truth or falsity of the alleged facts.[18] Whether the conditions for the right to repurchase were complied with, or whether there was a tender of payment, is a question of fact. With both the RTC and the CA finding and holding that Eduardo had fulfilled the conditions for the exercise of the right to repurchase, therefore, we conclude that Eduardo had effectively repurchased the properties subject of the deed of sale.

In *Metropolitan Bank and Trust Company v. Tan*,^[19] the Court ruled that a redemption within the period allowed by law is not a matter of intent but of payment or valid tender of the full redemption price within the period. Verily, the tender of payment is the seller's manifestation of his desire to repurchase the property with the offer of immediate performance.^[20] As we stated in *Legaspi v. Court of Appeals*,^[21] a sincere tender of payment is sufficient to show the exercise of the right to repurchase. Here, Eduardo paid the repurchase price to Roberto by depositing the proceeds of the sale of the Baguio City lot in the latter's account. Such payment was an effective exercise of the right to repurchase.

On the other hand, the Court dismisses as devoid of merit Roberto's insistence that the MOA had extinguished the obligations established under the deed of sale by novation.

The issue of novation involves a question of fact, as it necessarily requires the factual determination of the existence of the various requisites of novation, namely: (a) there must be a previous valid obligation; (b) the parties concerned must agree to a new contract; (c) the old contract must be extinguished; and (d) there must be a valid new contract.^[22] With both the RTC and the CA concluding that the MOA was consistent with the deed of sale, novation whereby the deed of sale was extinguished did not occur. In that regard, it is worth repeating that the factual findings of the lower courts are binding on the Court.

In sales with the right to repurchase, the title and ownership of the property sold are immediately vested in the vendee, subject to the resolutory condition of repurchase by the vendor within the stipulated period.^[23] Accordingly, the ownership of the affected properties reverted to Eduardo once he complied with the condition for the repurchase, thereby entitling him to the possession of the other motor vehicle with trailer.

WHEREFORE, the Court AFFIRMS the decision promulgated on October 10, 2003; and ORDERS the petitioner to pay the costs of suit.

SO ORDERED.

Sereno, C.J., Leonardo-De Castro, Villarama, Jr., and Reyes, JJ., concur.

[1] Rollo, pp. 26-34; penned by Associate Justice Rodrigo V. Cosico (retired), with Associate Justice Mariano C. Del Castillo (now a Member of the Court) and Associate Justice Rosalinda Asuncion-Vicente (retired) concurring.

[2] *Id.* at 55-59; penned by Judge Antonio C. Reyes.

[3] *Id.* at 11-12.

[4] *Id.* at 63-66.

[5] *Id.* at 60-62.

[6] *Id.* at 61.

[7] *Id.* at 12; 79.

[8] *Supra* note 2.

[9] Rollo, pp. 58-59.

[10] *Supra* note 1.

[11] Rollo, p. 50.

[12] Id. at 35-47.

[13] Id. at 13.

[14] Article 1616. The vendor cannot avail himself of the right of repurchase without returning to the vendee the price of the sale, and in addition: (1) The expenses of the contract, and any other legitimate payments made by reason of the sale; (2) The necessary and useful expenses made on the thing sold.

[15] Rollo, p. 65.

[16] Id. at. 32-33.

[17] Narvaez v. Alciso, G.R. No. 165907, July 27, 2009, 594 SCRA 60, 70, citing Pagsibigan v. People, G.R. No. 163868, June 4, 2009, 588 SCRA 249, 257.

[18] Id. at. 68.

[19] G. R. No. 178449, October 17, 2008, 569 SCRA 814, 832, citing BPI Family Savings Bank Inc. v. Veloso, G.R. No. 141974, August 9, 2004, 436 SCRA 1, 8.

[20] Narvaez v. Alciso, *supra* note 14, at 75.

[21] G.R. No. L-45510, May 27, 1986, 142 SCRA 82, 88.

[22] Magdiwang Realty Corp. v. The Manila Banking Corp., G.R. No. 195592, September 5, 2012, 680 SCRA 251, 263, citing Country Bankers Insurance Corporation v. Lagman, G.R. No. 165487, July 13, 2011, 653 SCRA 765, 777.

[23] Lumayag v. Heirs of Jacinto Nemeño, G. R. No. 162112, July 3, 2007, 526 SCRA 315, 324, citing Vda. De Rigonan v. Derecho, G.R. No. 159571, July 15, 2005, 463 SCRA 627, 636.

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