

**ENRIQUE C. ABAD, JOSEPH C. ABAD, MA. SABINA C. ABAD, ADELAIDA C. ABAD, CECILIA C. ABAD, VICTORIA C. ABAD, VICTOR C. ABAD, CENON C. ABAD, JR., AND JUANITA C. ABAD, PETITIONERS, V...**

*G.R. NO. 168108. April 13, 2007*

Ponente: CALLEJO, SR., J.

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**CALLEJO, SR., J.:**

Before the Court is a Petition for Review on Certiorari under Rule 45 of the Rules of Court, assailing the Decision[1] of the Court of Appeals (CA) in CA-G.R. CV No. 77559. The ruling of the appellate court affirmed in toto the decision of the Regional Trial Court (RTC), Pasig City, Branch 167, in Civil Case No. 67192.

Petitioners Enrique C. Abad, Joseph C. Abad, Ma. Sabina C. Abad, Adelaida C. Abad, Cecilia C. Abad, Victoria C. Abad, Victor C. Abad, Cenon C. Abad, Jr., and Juanita C. Abad were the owners of 13 parcels of titled agricultural land[2] covering a total of 53,562 square meters. The lots were situated in the S.C. Malabon Estate in Tanza, Cavite.

On August 29, 1997, respondent Goldloop Properties Inc., through its President, Emmanuel R. Zapanta, entered into a Deed of Conditional Sale[3] with petitioners at the price of P650.00 per square meter, or a total of P34,815,300.00 for the entire land area. The parties agreed on the following terms of payment:

**- EARNEST MONEY**

An earnest money of ONE MILLION PESOS (Php1,000,000.00) [EARNEST MONEY] has been given by the BUYER to the SELLER on June 30, 1997, as evidenced by MBTC Check No. 2930037 dated July 02, 1997, receipt of which is hereby acknowledged.

**- FIRST PAYMENT**

SIX MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND SIX HUNDRED SIXTY PESOS (PHP6,765,660.00) [FIRST PAYMENT] shall be paid by the BUYER to the SELLER on August 17, 1997 covered by MBTC Check No. 2930037198, upon signing of this DEED OF CONDITIONAL SALE.

**- FULL PAYMENT**

The remaining balance, representing full and final payment of the total contract price, in the amount of TWENTY-SEVEN MILLION FORTY-NINE THOUSAND SIX HUNDRED FORTY PESOS (PHP27,049,640.00) shall be paid by the BUYER to the SELLER on or before 31 December 1997 and upon the fulfillment of the following conditions:

c.1 The balance of the total contract price shall be paid by the BUYER to the SELLER after verification of the total land area

through a site relocation survey, to be confirmed by the BUYER and the SELLERS.

c.2 The remaining balance of the total contract price shall be adjusted, based on the total land area verified

through a site relocation survey, as per confirmation made by both parties.[4]

Paragraph 8 of the Deed also provided for the consequence of respondent's failure to fulfill its obligation to pay the balance of the total consideration agreed upon:

8. In the event that the BUYER cannot comply, to fulfill his obligation to this contract, for the balance of the total consideration, one week before December 31, 1997, the BUYER shall forward a formal request for an extension of the contract not to exceed 30 days (on or before January 28, 1998). This grant of extension is afforded to the BUYER on a one-time basis and no subsequent extensions will be granted. In the event that the BUYER fails to comply [with] his part of the obligation within the specified extension period, the earnest money of ONE MILLION PESOS (PHP1,000,000.00), given by the BUYER to the SELLER by way of MBTC Check No. 2930037 dated July 02, 1997, shall be forfeited in favor of the SELLER but the first payment check of SIX MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND SIX HUNDRED SIXTY PESOS (PHP6,765,660.00) shall be returned to the BUYER without any additional charges to the SELLER.[5]

In a letter[6] dated August 28, 1998, Zapanta informed Henry Abad that he would not object to the planned sale of the properties to other parties, provided that 50% of the forfeitable amount of P1,000,000.00 would be returned in addition to the P6,765,660.00 as provided in paragraph 8 of the Deed of Conditional Sale. He also declared that the intended date of purchase had been adversely affected by economic conditions which were never foreseen as a possible contingency.

However, in another letter[7] dated October 8, 1998, Zapanta informed Enrique C. Abad that the negotiations with the banks had failed due to "the continuing economic downturn" and consequently, the transaction would not be consummated. He then requested that the first payment be returned within five days, in accordance with paragraph 8 of the deed.[8] Respondent reiterated its demand to petitioners in a Letter[9] dated November 5, 1998.

Respondent then filed a Complaint[10] for Collection with Prayer for Writ of Attachment against petitioners. The complaint contained the following prayer:

- Upon filing hereof, to issue ex-parte, a temporary restraining order directing the defendants to jointly and severally stop from executing any deed or instrument intended to encumber or convey the ownership of the properties enumerated under par. 1 hereof, to other parties; and after notice and hearing, to issue an injunction containing the same tenor as that of the temporary restraining order;
- Upon filing hereof, to issue ex-parte, a writ of attachment on such properties of defendants sufficient to secure the satisfaction whatever favorable judgment that plaintiff may obtain in this case;
- After notice and hearing, to render judgment, ordering the defendants, to jointly and severally pay plaintiff the following sums:
  - (a) P6,765,660.00 representing the principal amount due to plaintiff plus interest of 24% per annum, the computation of which to commence from the date of filing of the instant case until the said amount is fully paid;
  - (b) Attorney's fees equivalent to twenty-five (25%) of the principal amount sought to be collected;
  - (c) P50,000.00 representing the premium of the attachment and/or injunction bond;
  - (d) P50,000.00 litigation expenses;
  - (e) Cost of suit.

Plaintiff, further prays for such other reliefs and remedies consistent with law, justice and equity.[11]

Trial ensued, and the parties presented their respective evidence.

On June 10, 2002, the RTC ruled in favor of respondent. In his Decision,[12] Presiding Judge Alfredo C. Flores

limited the issue to "whether or not [petitioners are] entitled to the refund or return of Php6,765,660.00 paid to [respondent] pursuant to the Deed of Conditional Sale." According to the trial court, the purpose of the P1,000,000.00 earnest money was separate and distinct from the P6,765,660.00 first payment:

A careful and thorough study of [paragraph 8 of the Deed of Conditional Sale] undeniably reveals that whether the contract was extended or not, the first payment in the amount of Php6,765,660.00 shall be returned to the plaintiff. The statement "but the first payment check of six million seven hundred sixty five thousand six hundred sixty pesos shall be returned to the buyer" indubitably presupposes that the parties, although using the words "earnest money" had truly considered the same as an option on the part of the plaintiff to rescind the contract in lieu of the forfeiture of Php1,000,000.00 if, for whatever reasons, it chooses not to pursue the contract by not paying the remaining balance thereon either one week before 31 December 1997 if not extended or, until 28 January 1998 if extended. Put otherwise, the requirement of forwarding a formal request for extension of the contract was provided for no other purpose than solely for the plaintiff to save the amount of Php1,000,000.00 from being forfeited in the event it chooses to instead exercise its option of paying the balance on or before the said stipulated periods. In short, the purpose of paying the amount of Php6,765,660.00 is distinct and separate from that of Php1,000,000.00.[13]

Citing Article 1370 of the Civil Code, the RTC also declared that "in the event the contract of conditional sale falters," the return of the first payment of P6,765,660.00 would be an unconditional obligation on the part of petitioners. Moreover, the provisions of the contract should be enforced as they are read, and should not be given an unusual significance even if to do so would appear to be in the interest of justice or necessary to prevent hardship. The dispositive portion reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff and against the defendants ordering the latter, in solidum, to pay the former the following sums, namely:

- Php6,765,660.00 in addition to the payment of the 6% interest per annum from the filing of the complaint until it is fully paid;
- 10% of the principal obligation, for and as reasonable attorney's fees; and
- Costs of suit.

For lack of sufficient factual basis, the counterclaim is dismissed.

SO ORDERED. [14]

Petitioners filed a motion for reconsideration, alleging that the trial court erroneously interpreted paragraph 8 of the contract. Petitioners insisted that a close reading of the provision revealed that respondent as buyer had to comply with three conditions precedent before the first payment could be returned to it:

- (a) One week before December 31, 1997, the BUYER shall forward a formal request for an extension of the contract." x x x
- (b) The extension shall not exceed 30 days (on or before 28 January 1998) x x x.
- (c) The extension shall be on a "one-time basis and no further extension will be granted." [15]

Petitioners alleged that these conditions were not fulfilled, and that respondent did not request for an extension within the stipulated period. They further alleged that "whether or not plaintiff makes that extension notice is the uncertain event or contingency upon which plaintiff's validity of its claim or return of first payment depends," without which no right of action accrues. Thus, since respondent, as buyer, failed to comply with the "condition precedents" in paragraph 8, its claim for refund did not ripen into a demandable right. Contrary to the trial court's

ruling, no such right to rescind the contract had been granted to respondent.

For its part, respondent filed a Motion for Grant of Writ of Attachment, relying on Section 1(d) and (e), Rule 57 of the Revised Rules of Court.

On September 16, 2002, the RTC issued an Omnibus Order denying both motions. It held that when the sale did not materialize, the obligation of petitioners to return the first payment became unqualified and unconditional. In accordance with the contract, only the earnest money would be forfeited in favor of petitioners in case respondent failed to remit the balance of the purchase price. On petitioners' application of a writ of attachment, the trial court held that respondent was not guilty of fraud in the non-performance of its obligation, grounded as it was on the interpretation of the contract.

Petitioners appealed the case to the CA on the following grounds:

1.1 THE LOWER COURT ERRED IN FINDING THAT THE RETURN OF THE FIRST PAYMENT OF P6,765,660.00 IS AN UNCONDITIONAL OBLIGATION ON THE PART OF THE DEFENDANTS;

1.2 THE LOWER COURT ERRED IN NOT FINDING AND DECLARING THAT THE OBLIGATION TO RETURN THE FIRST PAYMENT OF P6,765,660.00 IS A CONDITIONAL OBLIGATION OR IF NOT, IS AT LEAST AN OBLIGATION WITH A PERIOD;

1.3 THE LOWER COURT ERRED IN ORDERING DEFENDANTS, IN SOLIDUM, TO PAY PLAINTIFF P6,765,660.00 IN ADDITION TO THE PAYMENT OF 6% INTEREST PER ANNUM FROM THE FILING OF THE COMPLAINT UNTIL IT IS FULLY PAID, WITHOUT FIXING THE DURATION OF THE PERIOD WITHIN WHICH DEFENDANTS HAVE TO COMPLY WITH THEIR OBLIGATION;

1.4 THE LOWER COURT ERRED IN CONCLUDING THAT PLAINTIFF IS ENTITLED TO RECOVER ATTORNEY'S FEES; and

1.5 THE LOWER COURT ERRED IN ORDERING DEFENDANTS, IN SOLIDUM, TO PAY PLAINTIFF 10% OF THE PRINCIPAL OBLIGATION FOR AND AS REASONABLE ATTORNEY'S FEES.

The CA dismissed the appeal and affirmed in toto the ruling of the trial court.[16] Citing Article 1370 of the Civil Code and related cases,[17] it declared that if the terms of a contract are clear with no doubt as to the intentions of the contracting parties, then the literal meaning of the stipulations shall control. It held that the disputed paragraph 8 of the deed is plain and unambiguous: in case respondent failed to pay the balance, the earnest money would be forfeited, but the first payment shall be returned to respondent. The appellate court declared that petitioner's obligation to return the first payment was an unconditional one.[18]

Petitioners filed a motion for reconsideration. In its Resolution[19] dated May 4, 2005, the CA partly granted the motion and declared that the liability of petitioners is only joint and not in solidum. The pertinent portion of the resolution reads:

Our declaration in our Decision dated January 5, 2005, that it was an unconditional obligation on the part of the appellants to return to the appellee the first payment check of P6,765,660.00, [w]e meant that such obligation to return the subject payment is a pure obligation without a condition or a term or a period, hence demandable at once pursuant to Article 1179 of the New Civil Code.

Nonetheless, after a re-examination of the records, [w]e failed to see any basis that appellants' monetary obligations in [o]ur decision be "in solidum." Verily, there is solidary liability only when the obligation expressly so states, or when the law or nature of the obligation requires solidarity. None of such elements exists in this case. The subject sale agreement nor the nature of appellant's obligation gave no sign that appellants' liability in the case at bar is solidary. Apropos, the decision rendered in this case must be modified,

in such a way that appellants' liability to return the amount of P6,765,660.00 and pay attorney's fees, is only joint.

ACCORDINGLY, appellants' Motion for Reconsideration is partly granted in that their liability in this case is declared only as joint, and not "in solidum." In all other respect[s], [o]ur Decision dated January 5, 2005 stands.

SO ORDERED.[20]

In the instant petition for review on certiorari, petitioners present the following issues to be resolved by the Court:

6.1.a. Whether the obligation of petitioners to return the first payment of P6,765,660.00 is an unconditional obligation or not;

6.1.b. Whether the obligation to return the first payment of P6,765,660.00, assuming it to be unconditional, is a pure obligation or an obligation with a period; and

6.1.c. Whether or not the court must first fix the duration of the period within which petitioners have to comply with their obligation before respondent can demand from petitioners the fulfillment of said obligation.[21]

Petitioners argue that respondent failed to satisfy the three suspensive "conditions" under the disputed provision. Thus, they are not obliged to return the first payment (and respondent's correlative right to demand the performance of the obligation) never arose. Even assuming that the CA was correct in its holding, the obligation should nevertheless be deemed one with a period. Petitioners claim that even if no period was indicated in the contract it does not follow that no such period was intended; "such an obligation was with an indefinite period, or the parties simply forgot to state in their contract the definite period for the return of said payment check." Petitioners pointed out that the parties likewise did not stipulate that the obligation was a pure obligation, demandable at once. Thus, the remedy available to respondent is not to demand the performance of the obligation, but to ask the court to fix the period within which to return the first payment, pursuant to Article 1197 of the Civil Code. According to petitioner, respondent's action for collection/specific performance must be dismissed since the complaint states no cause of action. It was thus error for the CA to order them to pay respondent P6,765,660.00 with interest at 6% per annum without first fixing the period within which petitioners have to comply.

For its part, respondent insists that the trial and appellate courts did not commit any error in ordering petitioners to return to it the sum of P6,765,660.00.

The petition is denied.

Paragraph 8 of the contract is clear and unambiguous. As the trial and appellate courts ruled, unlike the P1,000,000.00 earnest money which would be forfeited in favor of petitioners in case of respondent's failure to deliver the balance of the total consideration, the first payment would be returned to respondent. This obligation to return the first payment can be gleaned from the second part of the disputed provision, which states: "but the first payment check of SIX MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND SIX HUNDRED SIXTY PESOS (PHP6,765,660.00) shall be returned to the BUYER without any additional charges to the SELLER."

The Court cannot sustain petitioners' contention that their obligation to return the first payment should be deemed one with a period, and that the Court should fix the period within which they should comply with the obligation. In the first place, there is no occasion to apply the first paragraph of Article 1197[22] since there is no showing that the parties had intended such a period. This matter was not raised in the Answer, the Amended Answer or the Second Amended Answer which petitioners filed in the trial court; no evidence was likewise offered to prove such intent. Indeed, the parties to a contract are bound by their agreement,[23] considering that obligations arising from contracts have the force of law between the contracting parties and should be complied with in good

faith.[24]

The cardinal rule in the interpretation of contracts is embodied in the first paragraph of Article 1370 of the Civil Code: "[i]f the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control." This provision is akin to the "plain meaning rule" applied by Pennsylvania courts, which assumes that the intent of the parties to an instrument is "embodied in the writing itself, and when the words are clear and unambiguous the intent is to be discovered only from the express language of the agreement." [25] It also resembles the "four corners" rule, a principle which allows courts in some cases to search beneath the semantic surface for clues to meaning. [26] A court's purpose in examining a contract is to interpret the intent of the contracting parties, as objectively manifested by them. The process of interpreting a contract requires the court to make a preliminary inquiry as to whether the contract before it is ambiguous. A contract provision is ambiguous if it is susceptible of two reasonable alternative interpretations. Where the written terms of the contract are not ambiguous and can only be read one way, the court will interpret the contract as a matter of law. If the contract is determined to be ambiguous, then the interpretation of the contract is left to the court, to resolve the ambiguity in the light of the intrinsic evidence. [27]

In our jurisdiction, the rule is thoroughly discussed in *Bautista v. Court of Appeals*: [28]

The rule is that where the language of a contract is plain and unambiguous, its meaning should be determined without reference to extrinsic facts or aids. The intention of the parties must be gathered from that language, and from that language alone. Stated differently, where the language of a written contract is clear and unambiguous, the contract must be taken to mean that which, on its face, it purports to mean, unless some good reason can be assigned to show that the words should be understood in a different sense. Courts cannot make for the parties better or more equitable agreements than they themselves have been satisfied to make, or rewrite contracts because they operate harshly or inequitably as to one of the parties, or alter them for the benefit of one party and to the detriment of the other, or by construction, relieve one of the parties from the terms which he voluntarily consented to, or impose on him those which he did not.

CONSIDERING THE FOREGOING, the Court resolved to DENY the petition. The Decision and Resolution of the Court of Appeals in CA-G.R. CV No. 77559 are AFFIRMED.

**SO ORDERED.**

Ynares-Santiago, (Chairperson), Austria-Martinez, Chico-Nazario, and Nachura, JJ., concur.

[1] Penned by Associate Justice Conrado M. Vasquez, Jr., with Associate Justices Josefina Guevara-Salonga and Fernanda Lampas Peralta, concurring; rollo, pp. 34-41.

[2] The lots are as follows: Lot Nos. 1589. 1541 to 1545, 1586, 1587, 1588, 1590, 1635, 3063 and 3064, covered by Transfer Certificates of Title Nos. 395541 to 395551, 395553 and 395554, respectively.

[3] Records, pp. 10-16.

[4] Id. at 14.

[5] Id. at 15.

[6] Id. at 90.

[7] Id. at 314.

[8] The letter reads:

Dear Mr. Abad:

Anent to (sic) my letter to you dated 28 August, and reference to the above-captioned document, we regret to inform you that because of the continuing economic downturn, our current negotiations with our banks has (sic) failed and therefore we will not be able to consummate the sale transaction subject of Deed of Conditional Sale dated 29 August 1997.

Pursuant to Paragraph 8 of the said Deed, we are hereby requesting for the return of the amount of "SIX MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND SIX HUNDRED SIXTY PESOS (P6,765,660.00)" within five (5) days from the date of this letter.

We shall discuss later the matter of the interest earned from the deposit of the said amount.

We trust you will find our claim in order and look forward to your remittance of the said amount. Thank you very much.

[9] Records, pp. 315-316.

[10] Id. at 2-8.

[11] Id. at 6-7.

[12] Id. at 352-358.

[13] Id. at 357.

[14] Id. at 358.

[15] Id. at 383.

[16] Rollo, pp. 34-41.

[17] Barrera v. Lorenzo, G.R. No. 130994, September 18, 2002, 389 SCRA 329, 333; Ong Yong v. Tiu, G.R. No. 144476, February 1, 2002, 375 SCRA 614; Mortel v. KASSCO, Inc., G.R. No. 137823, December 15, 2000, 348 SCRA 391, 397; Palmares v. Court of Appeals, G.R. No. 126490, March 31, 1998, 288 SCRA 422, 434.

[18] Citing Riviera Filipina, Inc. v. Court of Appeals, G.R. No. 117355, April 5, 2002, 380 SCRA 245.

[19] Rollo, pp. 43-44.

[20] Id. at 44.

[21] Id. at 19.

[22] The provision reads:

ART. 1197. If the obligation does not fix a period, but from its nature and circumstances it can be inferred that a period was intended, the courts may fix the duration thereof. x x x

[23] Gaw v. Court of Appeals, G.R. No. 147748, April 19, 2006, 487 SCRA 423, 429.

[24] Civil Code, Art. 1159.

[25] County of Dauphin Pa v. Fidelity & Deposit Co. of Maryland, 770 Supp. 248, 251 (1991).

[26] Torrington Co. v. US, 44 F.3d 572 (1995).

[27] Hullet v. Towers, Perin, Forster & Crosby, Inc., 38 F.3d 107 (1994).

[28] Penned by Chief Justice Reynato C. Puno, 379 Phil. 386, 399 (2000) (emphasis supplied).

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