

**REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE
PRIVATIZATION AND MANAGEMENT OFFICE (PMO), PETITIONER,
VS. ANTONIO V. BAÑEZ, LUISITA BAÑEZ VALERA, NENA BAÑEZ
HOJILLA, AND EDGARD...**

G.R. No. 169442. October 14, 2015

Ponente: PEREZ, J.

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PEREZ, J.:

Assailed and sought to be annulled in this Petition for Review on Certiorari under Rule 45 of the 1997 Rules of Civil Procedure is the Decision[1] of the Court of Appeals dated 23 August 2005 in CA-G.R. CV No. 70137, entitled "Cellophil Resources Corporation v. Antonio V. Bañez, Luisita Bañez Valera, Nena Bañez Hojilla and Edgar do B. Hojilla, Jr.," which affirmed the Order[2] of the Regional Trial Court (RTC), Branch 1, Bangued, Abra, dated 16 August 2000, that dismissed the complaint of petitioner Republic of the Philippines, represented by Privatization and Management Office (PMO), for specific performance, recovery of possession, and damages against respondents Antonio V. Bañez, Luisita Bañez Valera, Nena Bañez Hojilla and Edgardo B. Hojilla, Jr., docketed as Civil Case No. 1853.

The facts as culled from the records are as follows:

In 1976, Antonio V. Bañez, Luisita Bañez Valera, and Nena Bañez Hojilla (collectively, respondents) offered for sale a parcel of land (subject property), with an area of 20,000 sq m in Barangay Calaba, Bangued, Abra to Cellophil Resources Corporation (CRC). Pursuant to the offer to sell on 7 December 1981, respondents executed a Letter Agreement irrevocably giving CRC the option to purchase the subject property, which CRC accepted. The pertinent portion of the Letter Agreement (hereinafter referred to as Contract), to wit:

1. The purchase price shall be Twenty Pesos xxx per square meter or a total amount of Four Hundred Thousand Pesos (P400,000.00).

2. The co-owners shall take all necessary steps to cause the CRC Portion to be brought under the operation of Republic Act No. 496, as amended, and to cause the issuance in their name of the corresponding original certificate of title, all of the foregoing to be accomplished within a reasonable time from date hereof. xxx

X X X X

7. The co-owners hereby confirm their agreement and permission to CRC's entry into, construction of building[s] and improvements, and occupancy of, any portion of the Property, and xxx waive any right of action they may have against CRC respecting such entry, construction, or occupancy by the latter of any Portion of the Property.

8. An absolute deed of sale containing the above provisions and standard warranties on conveyances of real property shall be executed by the co-owners in favor of CRC or its assignee/s and the same delivered to the latter together with the original certificate of title upon payment of the purchase price less the advances made

by CRC in accordance with Paragraphs 2 and 3 above; provided, that payment shall be made by CRC only upon presentation by the co-owners to CRC of certificate/s and/or clearances, with corresponding receipts, issued by the appropriate government office/s or agency/ies to the effect that capital gains tax, real estate taxes on the Property and local transfer tax and other taxes, fees or charges due on the transaction and/or on the Property have been paid.

9. This option shall be effective from [the] date of your acceptance as indicated by your conformity below and for a period of one (1) month from and after CRC shall have been notified in writing by the co-owners that an original certificate of title has been issued in their names and that they are ready to execute the xxx deed of sale.[3]

Respondents asked for several cash advances which reached the total amount of, more or less, Two Hundred Seventeen Thousand Pesos (P217,000.00), to be deducted from the purchase price of Four Hundred Thousand Pesos (P400,000.00). After paying cash advances to respondents, CRC constructed staff houses and introduced improvements on the subject property. As respondents would be staying abroad for a time, they executed a Special Power of Attorney (SPA) in favor of Edgardo B. Hojilla (Hojilla). The SPA authorized Hojilla to perform the following:

1. To take all steps necessary to cause a portion of the lot covered by Tax Declaration No. 40185 in the name of Urbano Bañez which is the subject of our "Offer to Sell" to Cellophil Resources Corporation containing an area xxx to be brought under the operation of Republic Act No. 496, as amended, and to cause the issuance in our name of the corresponding original certificate of title.

2. To do all acts and things and to execute all papers and documents of whatever nature or kind required for the accomplishments of the aforesaid purpose.

HEREBY GRANTING AND GIVING unto our said attorney full power and authority whatsoever requisite or necessary or proper to be done in or about the premises as fully to all intents and purposes as we might or could lawfully do if personally present (with power of substitution and revocation), and hereby ratifying and confirming all that our said attorney shall do or cause to be done under and by virtue of these presents.[4]

However, CRC stopped its operation. The Development Bank of the Philippines and National Development Company took over CRC's operation and turned over CRC's equity to Asset Privatization Trust (APT), which is a government agency created by virtue of Proclamation No. 50, as amended. The APT's function is to take title to and possession of, provisionally manage and dispose of nonperforming assets of government financial institutions. Upon the expiration of APT's term on 31 December 2000, the government issued Executive Order (E.O.) No. 323, which created the Privatization and Management Office (PMO). By virtue of E.O. No. 323, the powers, functions, and duties of APT were transferred to the PMO. Thus, the original party, CRC, is now represented by the Republic of the Philippines through the PMO (hereinafter referred to as petitioner), the successor of the defunct APT.

As alleged by petitioner, respondents declared afterwards the subject property as Urbano Bañez property, rented out to third parties the staff houses petitioner constructed, and ordered its guards to prohibit the petitioner from entering the compound, which impelled petitioner to file a complaint for specific performance, recovery of possession, and damages against respondents, including Hojilla, on 10 April 2000. Among others, the complaint prayed for respondents to surrender and deliver the title of the subject property, and execute a deed of absolute sale in favor of petitioner upon full payment. It mentioned three letters sent to respondents on 29 May 1991, 24 October 1991, and 6 July 1999.

In the Complaint, it was alleged that:

"[t]here is no justification, legal or otherwise for the [respondents] to dispossess (sic) the [petitioner] from the subject property. [Petitioner] is more than willing and able to pay the [respondents] the balance of the purchase price of the subject parcel of land but its inability to do so was due to the [respondents'] failure to produce the original certificate of title of the subject parcel of land and to execute the pertinent deed of sale, as well as the unjustified occupation by the [respondents] of the property and [of] the staff houses built by [petitioner and that] such actions of the [respondents] are contrary to their undertaking under condition no. 7 of the subject letter agreement, that is, for [respondents] to permit [petitioner's] entry into and occupancy of any portion of the subject property and their waiver of any right of action they may have against [petitioner] respecting such entry and occupancy of any portion of the property. And despite repeated demands made by [petitioner] upon the [respondents] for them to vacate and turnover the subject parcel of land and the staff houses to [petitioner], the last of which was in a letter dated July 6, 1999, the said [respondents] have failed and neglected and still fail and neglect to do so up to the present time."[5]

Ruling of the RTC

On 23 June 2000, Hojilla filed a Motion to Dismiss on the grounds that he was not a real party-in-interest and that the action was barred by the Statute of Limitations, which Motion the RTC granted in an Order dated 16 August 2000 based on Article 1144(1) of the Civil Code, which bars actions filed beyond ten (10) years upon the execution of the written contract. According to the RTC, the letters petitioner sent to respondents were not demands for respondents to comply with their obligation to deliver the title as to interrupt the running of the prescriptive period. The pertinent portion of the RTC Order reads:

In the instant case, the defendants were given [enough] time from December 7, 1981 to comply with their obligation, hence, after a reasonable period of time, the plaintiff should have demanded compliance of defendants' undertakings or initiated any other action to protect its interest without waiting for the statute of limitations to bar their claim.[6]

The RTC resolved that because the written contract was executed on 7 December 1981, then the complaint that was filed more than eighteen (18) years since the contract was executed was beyond the 10-year prescriptive period. Within that 18-year period, there was no act on the part of petitioner, whether judicial or extrajudicial, to interrupt prescription.

While petitioner paid cash advances to respondents for the processing of the registration of the title, "which totaled to more or less P217,000.00 as of September 7, 1984 xxx to the filing of this suit, [petitioner] has not demanded compliance by [respondents] of their obligation, that is, the execution of the absolute deed of sale and the delivery of the Original Certificate of Title to the property to [petitioner] upon payment of the purchase price stipulated. There were letters addressed to [respondents] but these were not demands for compliance of [respondents'] obligation and which is not sufficient under the law to interrupt the prescriptive period."[7]

The RTC further stated that:

"[t]he parties could not have contemplated that the delivery of the property and the payment thereof could be made indefinitely and render uncertain the status of the land. The failure of either [of the] parties to demand performance of the obligation of the other for an unreasonable length of time renders the contract ineffective."[8]

The motion for reconsideration was likewise denied in an Order dated 5 January 2001.

On appeal, petitioner argued that the RTC erred when it dismissed the complaint. Petitioner averred that: (1) its claim was not yet barred by prescription; (2) the period of prescription had been interrupted by extrajudicial demand; (3) the Statute of Limitation did not run against the State; (4) petitioner's claim not having prescribed, laches could not have set in; (5) the laches of one nullified the laches of the other; and (6) laches cannot be used to

defeat justice or to perpetuate fraud and injustice.

Ruling of the Court of Appeals

The Court of Appeals affirmed the ruling of the RTC in a Decision dated 23 August 2005 on the ground that the complaint was barred by the Statute of Limitations. Contrary to petitioner's arguments, the Court of Appeals found that the extrajudicial demand to respondents did not serve to toll the running of the prescriptive period. The Court of Appeals ruled that the record is bereft of evidence that would attest that written extrajudicial demands were sent to respondents. While petitioner sent demand letters dated 29 May 1991 and 24 October 1991, these demand letters were not considered as demand letters because the letters simply called the attention of Hojilla to return the properties and unlock the gates. As regards the letter dated 6 July 1999, the Court of Appeals ruled that because the letter was addressed to Hojilla, who was only an attorney-in-fact authorized to register the property, it was not binding upon the respondents. The Court of Appeals also gave no probative value to the 6 July 1999 letter for having no proof of service.

With regard to the issue of running of prescriptive period against the State, the Court of Appeals opined that because the subject property is a patrimonial property of the State when APT became the controlling stockholder of CRC, prescription may run against the State. Thus, the reasonable period within which to register the property is three (3) years. According to the Court of Appeals, the cause of action of petitioner accrued three (3) years from the time the Contract was executed on 7 December 1981 or, to say the least, on 15 August 1984 when Hojilla sent the acknowledgment letter dated 15 August 1984, at which time it became clear that respondents could no longer fulfill their obligation.

Hence, petitioner is before us raising the following arguments:

- The Court of Appeals erred in ruling that the running of the prescriptive period was not interrupted when respondents acknowledged their still unfulfilled obligation to initiate proceedings for the registration of title of the subject property and at the same time committed that they will only claim the full payment of the property upon presentation of a clean title and execution of a Deed of Sale signed by the heirs as stated in the letter dated August 15, 1984.
- The Court of Appeals erred in affirming the outright dismissal of petitioner's suit for specific performance, recovery of possession and damages on the basis of prescription even as it is evident that there is a need to fix a period considering that the performance of the condition or obligation is dependent upon the will of respondents.
- The Court of Appeals erred in ignoring certain manifest equitable considerations which militate against a resort to a purely mathematical computation of the prescriptive period and in disregarding the provision of the irrevocable offer that the option remains effective for a period of one month from and after notice that a certificate of title has been issued.[9]

The main issue is whether or not the complaint for specific performance was filed beyond the prescriptive period.

Petitioner's Arguments

The petitioner argues that although there is a 10-year limitation within which to file a case based on a written contract, the period was interrupted due to a written acknowledgment of respondents' obligation and demand by petitioner. The argument is based on Article 1155 of the Civil Code, which provides that the running of the prescriptive period is interrupted when there is a written extrajudicial demand by the creditors, and when there is any written acknowledgment of the debt by the debtor.

The petitioner referred to the letter sent by Hojilla to the former dated 15 August 1984, and letters given by petitioner to Hojilla dated 29 May 1991, 24 October 1991, and 6 July 1999. In the letter dated 15 August 1984,

respondents affirmed their undertaking that they will claim full payment of the property upon presentation of a clean title and the execution of the Absolute Deed of Sale, which reads, "[t]he Bañez heirs will only claim for the full payment of the property upon presentation of a clean title and execution of a Deed of Sale signed by the heirs." [10]

Based on Hojilla's representation as stated in the letter dated 15 August 1984, petitioner argues that Hojilla is estopped by his own acts and for misleading petitioner because "respondents not only failed to comply with their commitment to deliver a certificate of title but where [sic] they also [misled] petitioner into believing that they were working on the title of subject property even as they had[,] at the back of their mind[s], the running of the statute of limitations as an arsenal once petitioner demands the fulfillment of their obligation." [11]

The petitioner further added that because there was no period fixed for the fulfillment or performance of the obligation to deliver the title, the least the court should have done was to fix the period pursuant to Article 1197 of the Civil Code.

Finally, the petitioner posits that pursuant to paragraph 9 of the Contract, its obligation is conditioned upon respondents' obligation, which is to deliver the title. Thus, because the respondents failed to deliver such, the obligation of petitioner never ripened.

Respondents' Arguments

The arguments of respondents, which are aligned with the reasons of the lower courts, rely on Article 1144 of the Civil Code, which provides that actions upon a written contract must be brought within ten (10) years from execution. Because the complaint was filed beyond the 10-year prescriptive period, the action was already barred by the Statute of Limitations. Further, during such period, petitioner failed to act either judicially or extrajudicially to effectively interrupt the running of the prescriptive period. Thus, the complaint must be dismissed for having been extinguished by the Statute of Limitations.

Our Ruling

We rule in favor of the petitioner.

We deem material, for the resolution of the issues in this case, the letters that were exchanged by the parties.

We shall discuss each letter in seriatim.

Hojilla 's letter dated 15 August 1984

In Hojilla's letter to petitioner dated 15 August 1984, Hojilla updated petitioner of the status of the subject property's title, in this wise:

The preparation of the advance survey plan, technical description and Engineer's Certificate pursuant to Land Administrative Order No. 10-4 has been submitted to the Regional Land Office, and approved by the Regional Director.

Atty. Valera is now in the process of preparing the petition papers of the Calaba property for submission to the local court. [12]

There is no other logical conclusion but that the 15 August 1984 letter is an acknowledgment of respondents' commitment under the Contract. The letter served to update petitioner of the status of the subject property's title, an obligation agreed upon by the parties in the Contract. It would be specious to argue that respondents did not acknowledge the existence of the Contract and yet, send correspondence to petitioner updating it of the status of the application for title on the subject property. Therefore, the letter dated 15 August 1984 served as a written acknowledgment of debt or obligation of respondents.

In *Philippine National Railways v. NLRC*,^[13] it was stated that a written acknowledgment of debt or obligation effectively interrupts the running of the prescriptive period and sets the same running anew.^[14] Hence, because Hojilla's letter dated 15 August 1984 served as a written acknowledgement of the respondents' debt or obligation, it interrupted the running of the prescriptive period and set the same running anew with a new expiry period of 15 August 1994.

Petitioner's letters dated 29 May 1991 and 24 October 1991

With regard to the letters petitioner sent to Hojilla dated 29 May 1991 and 24 October 1991, the RTC ruled that these letters were insufficient under the law to interrupt the prescriptive period because these were not demand letters. We lift the pertinent portion from the letter dated 29 May 1991, which demanded respondents to return the properties and to unlock the gates:

Under the agreement to purchase the lot, APT-CRC shall pay the whole of the purchase price thereof when the certificate of title and other documents enumerated therein are presented to it. Clearly, the consummation of the sale is within your control, x x x

In view of the foregoing, demand is hereby made upon you and your principals, the heirs of Urbano Bañez, to return the properties withdrawn and to unlock the gates leading to the staffhouses (sic), within fifteen (15) days from receipt thereof, otherwise we will be constrained to institute the necessary action to protect the interest of APT-CRC.^[15] (Emphasis and underscoring ours)

In the same vein, the letter dated 24 October 1991 demanded respondents to discontinue the construction, repair, demolition, and occupancy of several staff houses. A pertinent portion of the 24 October 1991 letter reads:

Considering that these action (sic) are unauthorized, they constitute violations of the irrevocable option to purchase dated December 7, 1981, which remains valid, binding and effective to this day. Demand is hereby made upon you to discontinue such unauthorized acts and vacate the premises within fifteen (15) days from receipt hereof.^[16] x x x (Emphasis and underscoring ours)

We do not agree with the lower courts. Clearly, the 29 May 1991 and 24 October 1991 letters demanded respondents to return the properties, discontinue the construction, repair, demolition and occupancy of several staff houses, and unlock the gates, which is to enforce respondents' obligations pursuant to paragraph 7 of the Contract which reads:

7. The co-owners hereby confirm their agreement and permission to CRC's entry into, construction of building and improvements, and occupancy of, any portion of the Property, and hereby accordingly waive any right of action they may have against CRC respecting such entry, construction, or occupancy by the latter of any Portion of the Property.^[17]

The letters dated 29 May 1991 and 24 October 1991 are deemed demand letters as contemplated under Article 1155. They are demand letters to enforce respondents' obligation under the Contract, which is to cede possession to petitioner. The letters interrupted the running of the prescriptive period which commenced to run anew.

Petitioner's letter dated 6 July 1999

Compared to the letters dated 29 May and 24 October 1991, which demanded Hojilla to surrender possession of the subject property, this time, in petitioner's letter to Hojilla dated 6 July 1999, petitioner demanded Hojilla to produce the title of the subject property. However, despite the fact that the letter was a clear demand of the nature contemplated by law that would interrupt the prescriptive period, the Court of Appeals found that (1) the letter did not effectively interrupt the prescriptive period because the complaint had long prescribed; (2) the letter was

addressed to the wrong party; and, finally, (3) the letter did not bear any proof of service or receipt.

We do not agree.

Hojilla's SPA

We refer to the SPA, which granted the authority of Hojilla.

When respondents went abroad pending the performance of their obligations in the Contract, they authorized Hojilla to register the subject property—a single obligation in the whole range of obligations in the Contract. The SPA appeared to have left no representative to fulfill respondents' obligations in the Contract on their behalf except for Hojilla's authority to register the subject property. The pertinent portion of the SPA reads:

1. To take all steps necessary to cause a portion of the lot covered by Tax Declaration No. 40185 in the name of Urbano Baflez which is the subject of our "Offer to Sell" to Cellophil Resources Corporation containing an area xxx to be brought under the operation of Republic Act No. 496, as amended, and to cause the issuance in our name of the corresponding original certificate of title.

2. To do all acts and things and to execute all papers and documents of whatever nature or kind required for the accomplishments of the aforesaid purpose.

HEREBY GRANTING AND GIVING unto our said attorney full power and authority whatsoever requisite or necessary or proper to be done in or about the premises as fully to all intents and purposes as we might or could lawfully do if personally present (with power of substitution and revocation), and hereby ratifying and confirming all that our said attorney shall do or cause to be done under and by virtue of these presents.[18] (Emphasis and underscoring ours)

This was read simply by the lower courts as limiting Hojilla's authority to the registration of the subject property under the name of his principal, and all the necessary acts for such purpose. It observed that nowhere in the SPA was Hojilla authorized as administrator or agent of respondents with respect to the execution of the Contract.

In the case at bar, the reliefs prayed for by petitioner include the execution of the Contract such as delivery of the subject title, recovery of possession of the subject property, execution of the deed of sale or transfer of absolute ownership upon full payment of the balance, and damages for alleged violation of respondents of the Contract for non-delivery of the title and refusal to vacate the subject property. Indeed, following the reading of the lower courts of the scope of Hojilla's authority, Hojilla is neither the proper party to execute the Contract nor the proper party to receive the demand letters on behalf of respondents.

This strict construction of the tenor of the SPA will render the obligatory force of the Contract ineffective. Construction is not a tool to prejudice or commit fraud or to obstruct, but to attain justice. *Ea Est Accipienda Interpretatio Quae Vitio Caret*. To favor the lower court's interpretation of the scope of Hojilla's power is to defeat the juridical tie of the Contract—the *vinculum juris* of the parties. As no one was authorized to represent respondents in the Contract, then petitioner cannot enforce the Contract, as it were. This is an absurd interpretation of the SPA. It renders the Contract ineffective for lack of a party to execute the Contract.

Contrary to the findings of the lower court, the present case is a case of an express agency, where, Hojilla, the agent, binds himself to represent another, the principal, who are herein respondents, with the latter's express consent or authority.[19] In a contract of agency, the agent acts for and in behalf of the principal on matters within the scope of the authority conferred upon him, such that, the acts of the agent have the same legal effect as if they were personally done by the principal.[20] Because there is an express authority granted upon Hojilla to represent the respondents as evidenced by the SPA, Hojilla's actions bind the respondents.

As agent, the representations and guarantees of Hojilla are considered representations and guarantees of the principal. This is the principle of agency by promissory estoppel. We refer to the evidence on record. It was Hojilla who administered and/or managed the subject property.[21] Based on Hojilla's letter dated 15 August 1984 to petitioner, Hojilla made the representation that besides being the attorney-in-fact of the respondents with limited authority to register the property, he was also their agent with regard to respondents' other obligations related to the Contract. The pertinent portion of the 15 August 1984 letter of Hojilla to petitioner reads:

Regarding our loan with the National Electrification Administration (NEA), Hon. Mel Mathay who is helping the Bafiez heirs has initiated negotiations with NEA for Abreco to purchase our lot in front of the Provincial Jail to offset our loan with NEA.[22]

Also, one glaring fact that cannot escape us is Hojilla's representation and guarantee that petitioner's obligation will only arise upon presentation of a clean title and execution of a Deed of Sale signed by the respondents' heirs, which reads, "[t]he Bañez heirs will only claim for the full payment of the property upon presentation of a clean title and execution of a Deed of Sale signed by the heirs." [23]

If Hojilla knew that he had no authority to execute the Contract and receive the letters on behalf of respondents, he should have opposed petitioner's demand letters. However, having received the several demand letters from petitioner, Hojilla continuously represented himself as the duly authorized agent of respondents, authorized not only to administer and/or manage the subject property, but also authorized to register the subject property and represent the respondents with regard to the latter's obligations in the Contract. Hojilla also assured petitioner that petitioner's obligation to pay will arise only upon presentation of the title.

Clearly, the respondents are estopped by the acts and representations of their agent. Falling squarely in the case at bar is our pronouncement in *Philippine National Bank v. IAC* (First Civil Cases Div.), [24] "[h]aving given that assurance, [Hojilla] may not turn around and do the exact opposite of what [he] said [he] would do. One may not take inconsistent positions. A party may not go back on his own acts and representations to the prejudice of the other party who relied upon them." [25]

Assuming further that Hojilla exceeded his authority, the respondents are still solidarity liable because they allowed Hojilla to act as though he had full powers by impliedly ratifying Hojilla's actions—through action by omission.[26] This is the import of the principle of agency by estoppel or the doctrine of apparent authority.

In an agency by estoppel or apparent authority, "[t]he principal is bound by the acts of his agent with the apparent authority which he knowingly permits the agent to assume, or which he holds the agent out to the public as possessing." [27]

The respondents' acquiescence of Hojilla's acts was made when they failed to repudiate the latter's acts. They knowingly permitted Hojilla to represent them and petitioners were clearly misled into believing Hojilla's authority. Thus, the respondents are now estopped from repudiating Hojilla's authority, and Hojilla's actions are binding upon the respondents.

Receipt of the Letters

Time and time again, this Court has reiterated it is not a trier of facts and parties may raise only questions of law. The jurisdiction of the Court is limited to reviewing errors of law and findings of fact of the Court of Appeals are conclusive because it is not the Court's function to review, examine, and evaluate or weigh the evidence all over again.[28] The rule, however, is not without exceptions, viz.:

- (1) [W]hen the [conclusion is a finding] grounded entirely on speculations, surmises [and] conjectures;

- (2) [W]hen the inference made is manifestly mistaken, absurd or impossible;
- (3) [W]hen there is grave abuse of discretion;
- (4) [W]hen the judgment is based on a misapprehension of facts;
- (5) [W]hen the findings of fact are conflicting;
- (6) [W]hen xxx the Court of Appeals[, in making its findings,] went beyond the issues of the case [and the same is] contrary to the admissions of both the appellant and the appellee;
- (7) [W]hen the findings are contrary to [those] of the trial court;
- (8) [W]hen the findings [of fact] are conclusions without citation of specific evidence on which they are based;
- (9) [W]hen the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents;
- (10) [w]hen the findings of fact [of the Court of Appeals] are premised on the supposed absence of evidence and contradicted by the evidence on record and
- (11) [When] the Court of Appeals manifestly overlooked certain irrelevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.[29]

In the case at bar, the findings of the RTC and the Court of Appeals are contradictory: the RTC did not make any finding on the receipt of the demand letters by Hojilla, while the Court of Appeals resolved that assuming arguendo that the letters were demand letters contemplated under Article 1155 of the Civil Code, the same are unavailing because the letters do not bear any proof of service of receipt by respondents.

A perusal of the records reveals that only the 24 October 1991 letter has no proof of receipt.[30] The demand letters dated 29 May 1991[31] and 6 July 1999[32] contain proofs of receipt.

Thus, the core issue of whether or not the action has prescribed.

An action based on a written contract must be brought within ten (10) years from the time the right of action accrued. Accordingly, a cause of action on a written contract accrues only when an actual breach or violation thereof occurs.[33] A cause of action has three elements, to wit: (1) a right in favor of the plaintiff by whatever means and under whatever law it arises or is created; (2) an obligation on the part of the named defendant to respect or not to violate such right; and (3) an act or omission on the part of such defendant violative of the right of the plaintiff or constituting a breach of the obligation of the defendant to the plaintiff.[34]

By the contract between the herein parties, the cause of action accrued at the point when the reasonable time within which to present the title lapsed. The parties did not determine the date when the respondents must present the title and other documents to the petitioner. The parties only agreed that the respondents must present the same within a "reasonable time." Reasonable time means "so much time as is necessary under the circumstances for a reasonably prudent and diligent man to do, conveniently, what the contract or duty requires that should be done, having a regard for the rights and possibility of loss, if any, to the other party." [35] Such reasonable time was determined by the respondents through the letter dated 15 August 1984. The respondents acknowledged their obligation to deliver the title and asked for a new period to do so. It states:

The preparation of the advance survey plan, technical description and Engineer's Certificate pursuant to Land Administrative Order No. 10-4 has been submitted to the Regional Land Office, and approved by the Regional Director.

Arty. Valera is now in the process of preparing the petition papers of the Calaba property for submission to the local court.

x x x x

The Bañez heirs will only claim for the full payment of the property upon presentation of a clean title and execution of a Deed of Sale signed by the heirs.[36]

The accrual of the cause of action to demand the titling of the land cannot be earlier than 15 August 1984. So that, the petitioner can sue on the contract until 15 August 1994. Prior to the expiration of the aforesaid period, the petitioner sent a demand letter to Hojilla dated 29 May 1991. A few months thereafter, petitioner sent another demand letter to Hojilla dated 24 October 1991.[37] The prescriptive period was interrupted on 29 May 1991.

The consequence is stated in Article 1155 of the Civil Code. It states, "[t]he prescription of actions is interrupted when they are filed before the court, when there is a written extrajudicial demand by the creditors, and when there is any written acknowledgment of the debt by the debtor."

Following the law, the new ten-year period for the filing of a case by the petitioner should be counted from 29 May 1991, ending on 29 May 2001. The complaint at bar was filed on 10 April 2000, well within the required period.

Notably, before the expiration of the new prescriptive period, the petitioner again sent a new demand letter on 6 July 1999, which again caused the same to run anew, which will expire on 6 July 2009. The complaint filed on 10 April 2000 was timely.

The Contract and True Intent of the Parties

Based on the stipulation in the Contract, the parties agreed that payment shall be made only upon presentation of the title and other documents of the subject property to petitioner. Paragraph 8 of the Contract reads:

8. An absolute deed of sale containing the above provisions and standard warranties on conveyances of real property shall be executed by the co-owners in favor of CRC or its assignee/s and the same delivered to the latter together with the original certificate of title upon payment of the purchase price less the advances made by CRC in accordance with Paragraphs 2 and 3 above; provided, that payment shall be made by CRC only upon presentation by the co-owners to CRC of certificate/s and/or clearances, with corresponding receipts, issued by the appropriate government office/s or agency/ies to the effect that capital gains tax, real estate taxes on the Property and local transfer tax and other taxes, fees or charges due on the transaction and/or on the Property have been paid.[38] (Emphasis and underscoring ours)

The true intent of the parties is further enunciated in Hojilla's letter to petitioner dated 15 August 1984, which stated, "[t]he Bañez heirs will only claim for the full payment of the property upon presentation of a clean title and execution of a Deed of Sale signed by the heirs." [39]

To rule in favor of respondents despite their failure to perform their obligations is the height of injustice. Respondents cannot benefit from their own inaction and failure to comply with their obligations in the Contract and let the petitioner suffer from respondents' own default.

WHEREFORE, the petition is GRANTED. The Decision of the Court of Appeals dated 23 August 2005 in CA-G.R. CV No. 70137, affirming the Order of the Regional Trial Court, which ruled that the action has prescribed, is reversed and set aside. Let the records of this case be REMANDED to the court of origin, which is DIRECTED to admit the Answer with Counterclaim of the petitioner for further trial on the merits. The respondents are further ordered to return possession of the subject property to petitioner. No pronouncement as to

costs.

SO ORDERED.

Sereno, C.J., (Chairperson), Velasco, Jr.,[*] Leonardo-De Castro, and Perlas-Bernabe, JJ., concur.

[*] Designated as Additional Member in lieu of Associate Justice Lucas P. Bersamin per Raffle dated 10 August 2015.

[1] Penned by Presiding Justice Romeo A. Brawner, with Associate Justices Mario L. Guarina III and Jose C. Mendoza (now a member of this Court) concurring; rollo, pp. 7-17.

[2] Penned by Judge Charito B. Gonzales; records, pp. 370-373.

[3] Id. at 11-13. (Emphases and underscoring ours.)

[4] Id. at 14.

[5] Rollo, pp. 77-78.

[6] Id. at 101.

[7] Id.

[8] Id.

[9] Petition for Review; id. at 39-40.

[10] Id. at 43.

[11] Id. at 46.

[12] Records, p. 383.

[13] 258 Phil. 552(1989).

[14] Id. at 553.

[15] Records, p. 105.

[16] Id. at 385.

[17] Id. at 12.

[18] Id. at 14.

[19] Country Bankers Insurance Corporation v. Keppel Cebu Shipyard, G.R. No. 166044, 18 June 2012, 673 SCRA 427, 444-445.

[20] Id. at 445.

[21] Rollo, p. 96.

[22] Records, p. 383.

[23] Petition for Review; rollo, p. 43.

[24] 267 Phil. 720 (1990).

[25] Id. at 728. (Citations omitted.)

[26] *Filipinos Life Assurance Company v. Pedroso*, 567 Phil. 514, 519 (2008).

[27] *Professional Services, Inc., v Agana*, 542 Phil. 464, 490 (2007), citing *Irving v. Doctors Hospital of Lake Worth, Inc.*, 415 So. 2d 55 (1982).

[28] *Adriano v. Lasala*, G.R. No. 197842, 9 October 2013, 707 SCRA 346, 355.

[29] Id.

[30] Records, p. 106.

[31] Id. at 105.

[32] Id. at 16.

[33] *China Banking Corporation v. Court of Appeals*, 499 Phil. 770, 775 (2005).

[34] Id.

[35] *Pascual v. Pascual*, 622 Phil. 307, 320 (2009).

[36] Records, p. 383.

[37] The 24 October 1991 letter was not duly received by the sellers. Such fact is irrelevant because the expiration of the prescriptive period may be reckoned on 29 May 1991, giving a new prescriptive period until 29 May 2001.

[38] Records, p. 12.

[39] Petition for Review; rollo, p. 43.

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