SPS. JORGE NAVARRA AND CARMELITA BERNARDO NAVARRA AND RRRC DEVELOPMENT CORPORATION, PETITIONERS, VS. PLANTERS DEVELOPMENT BANK AND ROBERTO GATCHALIAN REALTY, INC., RESPONDENTS.

G.R. NO. 172674. July 12, 2007

Ponente: GARCIA, J.

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GARCIA, J.:

Assailed and sought to be set aside in this petition for review under Rule 45 of the Rules of Court is the decision[1] dated September 27, 2004 of the Court of Appeals (CA) in CA-G.R. CV No. 50002, as reiterated in its resolution[2] dated May 8, 2006, denying reconsideration thereof. The challenged decision reversed that of the Regional Trial Court (RTC) of Makati City, Branch 66, in its Civil Case No. 16917, an action for Specific Performance and Injunction thereat commenced by the herein petitioners against the respondents. The Makati RTC ruled that a perfected contract of sale existed in favor of Jorge Navarra and Carmelita Bernardo Navarra (Navarras) over the properties involved in the suit and accordingly ordered Planters Development Bank (Planters Bank) to execute the necessary deed of sale therefor. The CA reversed that ruling. Hence, this recourse by the petitioners.

The facts:

The Navarras are the owners of five (5) parcels of land located at B.F. Homes, Parañaque and covered by Transfer Certificates of Title (TCT) Nos. S-58017, S-58011, S-51732, S-51733 and A-14574. All these five (5) parcels of land are the subject of this controversy.

On July 5, 1982, the Navarras obtained a loan of P1,200,000.00 from Planters Bank and, by way of security therefor, executed a deed of mortgage over their aforementioned five (5) parcels of land. Unfortunately, the couple failed to pay their loan obligation. Hence, Planters Bank foreclosed on the mortgage and the mortgaged assets were sold to it for P1,341,850.00, it being the highest bidder in the auction sale conducted on May 16, 1984. The one-year redemption period expired without the Navarras having redeemed the foreclosed properties.

On the other hand, co-petitioner RRRC Development Corporation (RRRC) is a real estate company owned by the parents of Carmelita Bernardo Navarra. RRRC itself obtained a loan from Planters Bank secured by a mortgage over another set of properties owned by RRRC. The loan having been likewise unpaid, Planters Bank similarly foreclosed the mortgaged assets of RRRC. Unlike the Navarras, however, RRRC was able to negotiate with the Bank for the redemption of its foreclosed properties by way of a concession whereby the Bank allowed RRRC to refer to it would-be buyers of the foreclosed RRRC properties who would remit their payments directly to the Bank, which payments would then be considered as redemption price for RRRC. Eventually, the foreclosed properties of RRRC were sold to third persons whose payments therefor, directly made to the Bank, were in excess by P300,000.00 for the redemption price.

In the meantime, Jorge Navarra sent a letter to Planters Bank, proposing to repurchase the five (5) lots earlier auctioned to the Bank, with a request that he be given until August 31, 1985 to pay the down payment of P300,000.00. Dated July 18, 1985 and addressed to then Planters Bank President Jesus Tambunting, the letter reads in full:

> This will formalize my request for your kind consideration in allowing my brother and me to buy back my house and lot and my restaurant building and lot together with the adjacent road lot.
>
> Since my brother, who is working in Saudi Arabia, has accepted this arrangement only recently as a result of my urgent offer to him, perhaps it will be safe for us to set August 31, 1985 as the last day for the payment of a P300,000.00 downpayment. I hope you will grant us the opportunity to raise the funds within this period, which includes an allowance for delays.
>
> The purchase price, I understand, will be based on the redemption value plus accrued interest at the prevailing rate up to the date of our sales contract. Maybe you can give us a long term payment scheme on the basis of my brother's annual savings of roughly US$30,000.00 everytime he comes home for his home leave.
>
> I realize that this is not a regular transaction but I am seeking your favor to give me a chance to reserve whatever values I can still recover from the properties and to avoid any legal complications that may arise as a consequence of the total loss of the Balangay lot. I hope that you will extend to me your favorable action on this grave matter.

In response, Planters Bank, thru its Vice-President Ma. Flordeliza Aguenza, wrote back Navarra via a letter dated August 16, 1985, thus:

> Regarding your letter dated July 18, 1985, requesting that we give up to August 31, 1985 to buy back your house and lot and restaurant and building subject to a P300,000.00 downpayment on the purchase price, please be advised that the Collection Committee has agreed to your request.
>
> Please see Mr. Rene Castillo, Head, Acquired Assets Unit, as soon as possible for the details of the transaction so that they may work on the necessary documentation.

Accordingly, Jorge Navarra went to the Office of Mr. Rene Castillo on August 20, 1985, bringing with him a letter requesting that the excess payment of P300,000.00 in connection with the redemption made by the RRRC be applied as down payment for the Navarras' repurchase of their foreclosed properties.

Because the amount of P300,000.00 was sourced from a different transaction between RRRC and Planters Bank and involved different debtors, the Bank required Navarra to submit a board resolution from RRRC authorizing him to negotiate for and its behalf and empowering him to apply the excess amount of P300,000.00 in RRRC's redemption payment as down payment for the repurchase of the Navarras' foreclosed properties.

Meanwhile, titles to said properties were consolidated in the name of Planters Bank, and on August 27, 1985, new certificates of title were issued in its name, to wit: TCT Nos. 97073, 97074, 97075, 97076 and 97077.

Then, on January 21, 1987, Planters Bank sent a letter to Jorge Navarra informing him that it could not proceed with the documentation of the proposed repurchase of the foreclosed properties on account of his non- compliance with the Bank's request for the submission of the needed board resolution of RRRC.

In his reply-letter of January 28, 1987, Navarra claimed having already delivered copies of the required board resolution to the Bank. The Bank, however, did not receive said copies. Thus, on February 19, 1987, the Bank sent a notice to the Navarrras demanding that they surrender and vacate the properties in question for their failure to exercise their right of redemption.

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Such was the state of things when, on June 31, 1987, in the RTC of Makati City, the Navarras filed their complaint for Specific Performance with Injunction against Planters Bank. In their complaint docketed in said court as Civil Case No. 16917 and raffled to Branch 66 thereof, the Navarras, as plaintiffs, alleged that a perfected contract of sale was made between them and Planters Bank whereby they would repurchase the subject properties for P1,800,000.00 with a down payment of P300,000.00.

In its Answer, Planters Bank asserted that there was no perfected contract of sale because the terms and conditions for the repurchase have not yet been agreed upon.

On September 9, 1988, a portion of the lot covered by TCT No. 97077 (formerly TCT No. A-14574) was sold by Planters Bank to herein co-respondent Roberto Gatchalian Realty, Inc. (Gatchalian Realty). Consequently, TCT No. 97077 was cancelled and TCT No. 12692 was issued in the name of Gatchalian Realty. This prompted the Navarras to amend their complaint by impleading Gatchalian Realty as additional defendant.

In a decision dated July 10, 1995, the trial court ruled that there was a perfected contract of sale between the Navarras and Planters Bank, and accordingly rendered judgment as follows:

> WHEREFORE, in view of the foregoing, judgment is hereby rendered ordering:
>
> a) the cancellation of the Deed of Absolute Sale (Exh. "2") over lot 4137-C between defendant Planters Development Bank and defendant Roberto Gatchalian Realty Corporation (RGRI) with the vendor bank refunding all the payments made by the vendee RGRI "without interest less the five percent (5%) broker's commission":
>
> b) the defendant Planters Development Bank to execute the Deed of Absolute Sale over the lots covered by TCT Nos. 97073, 97074, 97075, 97076, and 97077 in favor of all the plaintiffs for a consideration of ONE MILLION EIGHT HUNDRED THOUSAND (P1,800,000.00) less the downpayment of P300,000.00 plus interest at the rate of twenty five percent (25%) per year for five (5) years to be paid in full upon the execution of the contract;
>
> c) the defendant Planters Development Bank the amount of TEN THOUSAND PESOS (P10,000.00) by way of attorney's fees.
>
> d) No costs.
>
> SO ORDERED.

Therefrom, Planters Bank and Gatchalian Realty separately went on appeal to the CA whereat their appellate recourse were consolidated and docketed as CA-G.R. CV No. 50002.

As stated at the threshold hereof, the appellate court, in its decision of September 27, 2004, reversed that of the trial court and ruled that there was no perfected contract of sale between the parties. Partly says the CA in its decision:

> The Court cannot go along with the deduction of the trial court that the response of Planters Bank was favorable to Jorge Navarra's proposal and that the P300,000.00 in its possession is a down payment and as such sufficient bases to conclude that there was a valid and perfected contract of sale. Based on the turn of events and the tenor of the communications between the offerors and the creditor bank, it appears that there was not even a perfected contract to sell, much less a perfected contract of sale.
>
> Article 1319 cited by the trial court provides that the acceptance to an offer must be absolute. Simply put, there must be unqualified acceptance and no condition must tag along. But Jorge Navarra in trying to convince the bank to agree, had himself laid out terms in offering (1) a downpayment of P300,000.00 and setting (2) as deadline August 31, 1985 for the payment thereof. Under these terms and conditions the bank indeed accepted

> his offer, and these are essentially the contents of Exhibits "J" and "K."
>
> But was there compliance? According to the evidence on file the P300,000.00, if at all, was given beyond the agreed period. The court a quo missed the fact that the said amount came from the excess of the proceeds of the sale to the Peña spouses which Jorge Navarra made to appear was made before the deadline he set of August 31, 1985. But this is athwart Exhibits "M-1" and "N", the Contract to Sell and the Deed of Sale between RRRC and the Peñas, for these were executed only on September 13, 1985 and October 7, 1985 respectively.
> xxx xxx xxx
>
> There were two separate and independent loans secured by distinct mortgages on different lots and their only commonality is the relationship of the Navarras and Bernardo families. It is thus difficult to conceive and to conclude that such Byzantine arrangement was acquiesced to and provided for in that single and simple letter of the bank.

With their motion for reconsideration having been denied by the CA in its resolution of May 8, 2006, petitioners are now with this Court via this recourse on their submission that the CA erred -

> I
>
> XXX IN CONCLUDING THAT THERE WAS NO PERFECTED CONTRACT TO REPURCHASE THE FORECLOSED PROPERTIES BETWEEN THE PETITIONERS AND THE PRIVATE RESPONDENT PLANTERS DEVELOPMENT BANK, AS CORRECTLY FOUND BY THE TRIAL COURT.
>
> II
>
> XXX IN HOLDING THAT THE PARTIES NEVER GOT PAST THE NEGOTIATION STAGE.

While the question raised is essentially one of fact, of which the Court normally eschews from, yet, given the conflicting factual findings of the trial and appellate courts, the Court shall go by the exception[3] to the general rule and proceed to make its own assessment of the evidence.

We DENY.

Petitioners contend that a perfected contract of sale came into being when respondent Bank, thru a letter dated August 16, 1985, formally accepted the offer of the Navarras to repurchase the subject properties.

In general, contracts undergo three distinct stages, to wit: negotiation, perfection or birth, and consummation. Negotiation begins from the time the prospective contracting parties manifest their interest in the contract and ends at the moment of their agreement. Perfection or birth of the contract takes place when the parties agree upon the essential elements of the contract, i.e., consent, object and price. Consummation occurs when the parties fulfill or perform the terms agreed upon in the contract, culminating in the extinguishment thereof.[4]

A negotiation is formally initiated by an offer which should be certain with respect to both the object and the cause or consideration of the envisioned contract. In order to produce a contract, there must be acceptance, which may be express or implied, but it must not qualify the terms of the offer. The acceptance of an offer must be unqualified and absolute to perfect the contract. In other words, it must be identical in all respects with that of the offer so as to produce consent or meeting of the minds.[5]

Here, the Navarras assert that the following exchange of correspondence between them and Planters Bank constitutes the offer and acceptance, thus:

> Letter dated July 18, 1985 of Jorge Navarra:

> This will formalize my request for your kind consideration in allowing my brother and me to buy back my house and lot and my restaurant building and lot together with the adjacent road lot.
>
> Since my brother, who is working in Saudi Arabia, has accepted this arrangement only recently as a result of my urgent offer to him, perhaps it will be safe for us to set August 31, 1985 as the last day for the payment of a P300,000.00 downpayment. I hope you will grant us the opportunity to raise the funds within this period, which includes an allowance for delays.
>
> The purchase price, I understand, will be based on the redemption value plus accrued interest at the prevailing rate up to the date of our sales contract. Maybe you can give us a long term payment scheme on the basis of my brother's annual savings of roughly US$30,000.00 everytime he comes home for his home leave.
>
> I realize that this is not a regular transaction but I am seeking your favor to give me a chance to reserve whatever values I can still recover from the properties and to avoid any legal complications that may arise as a consequence of the total loss of the Balangay lot. I hope that you will extend to me your favorable action on this grave matter.
>
> Letter dated August 16, 1985 of Planters Bank
>
> Regarding your letter dated July 18, 1985, requesting that we give up to August 31, 1985 to buy back your house and lot and restaurant and building subject to a P300,000.00 downpayment on the purchase price, please be advised that the Collection Committee has agreed to your request.
>
> Please see Mr. Rene Castillo, Head, Acquired Assets Unit, as soon as possible for the details of the transaction so that they may work on the necessary documentation. (Emphasis ours)

Given the above, the basic question that comes to mind is: Was the offer certain and the acceptance absolute enough so as to engender a meeting of the minds between the parties? Definitely not.

While the foregoing letters indicate the amount of P300,000.00 as down payment, they are, however, completely silent as to how the succeeding installment payments shall be made. At most, the letters merely acknowledge that the down payment of P300,000.00 was agreed upon by the parties. However, this fact cannot lead to the conclusion that a contract of sale had been perfected. Quite recently, this Court held that before a valid and binding contract of sale can exist, the manner of payment of the purchase price must first be established since the agreement on the manner of payment goes into the price such that a disagreement on the manner of payment is tantamount to a failure to agree on the price.[6]

Too, the Navarras' letter/offer failed to specify a definite amount of the purchase price for the sale/repurchase of the subject properties. It merely stated that the "purchase price will be based on the redemption value plus accrued interest at the prevailing rate up to the date of the sales contract." The ambiguity of this statement only bolsters the uncertainty of the Navarras' so-called "offer" for it leaves much rooms for such questions, as: what is the redemption value? what prevailing rate of interest shall be followed: is it the rate stipulated in the loan agreement or the legal rate? when will the date of the contract of sale be based, shall it be upon the time of the execution of the deed of sale or upon the time when the last installment payment shall have been made? To our mind, these questions need first to be addressed, discussed and negotiated upon by the parties before a definite purchase price can be arrived at.

Significantly, the Navarras wrote in the same letter the following:

> Maybe you can give us a long-term payment scheme on the basis of my brother's annual savings of roughly US$30,000.00 every time he comes home for his home leave.

Again, the offer was not clear insofar as concerned the exact number of years that will comprise the long-term

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payment scheme. As we see it, the absence of a stipulated period within which the repurchase price shall be paid all the more adds to the indefiniteness of the Navarras' offer.

Clearly, then, the lack of a definite offer on the part of the spouses could not possibly serve as the basis of their claim that the sale/repurchase of their foreclosed properties was perfected. The reason is obvious: one essential element of a contract of sale is wanting: the price certain. There can be no contract of sale unless the following elements concur: (a) consent or meeting of the minds; (b) determinate subject matter; and (c) price certain in money or its equivalent. Such contract is born or perfected from the moment there is a meeting of minds upon the thing which is the object of the contract and upon the price.[7] Here, what is dramatically clear is that there was no meeting of minds vis-a-vis the price, expressly or impliedly, directly or indirectly.

Further, the tenor of Planters Bank's letter-reply negates the contention of the Navarras that the Bank fully accepted their offer. The letter specifically stated that there is a need to negotiate on the other details of the transaction[8] before the sale may be formalized. Such statement in the Bank's letter clearly manifests lack of agreement between the parties as to the terms of the purported contract of sale/repurchase, particularly the mode of payment of the purchase price and the period for its payment. The law requires acceptance to be absolute and unqualified. As it is, the Bank's letter is not the kind which would constitute acceptance as contemplated by law for it does not evince any categorical and unequivocal undertaking on the part of the Bank to sell the subject properties to the Navarras.

The Navarras' attempt to prove the existence of a perfected contract of sale all the more becomes futile in the light of the evidence that there was in the first place no acceptance of their offer. It should be noted that aside from their first letter dated July 18, 1985, the Navarras wrote another letter dated August 20, 1985, this time requesting the Bank that the down payment of P300,000.00 be instead taken from the excess payment made by the RRRC in redeeming its own foreclosed properties. The very circumstance that the Navarras had to make this new request is a clear indication that no definite agreement has yet been reached at that point. As we see it, this request constitutes a new offer on the part of the Navarras, which offer was again conditionally accepted by the Bank as in fact it even required the Navarras to submit a board resolution of RRRC before it could proceed with the proposed sale/repurchase. The eventual failure of the spouses to submit the required board resolution precludes the perfection of a contract of sale/repurchase between the parties. As earlier mentioned, contracts are perfected when there is concurrence of the parties' wills, manifested by the acceptance by one of the offer made by the other.[9] Here, there was no concurrence of the offer and acceptance as would result in a perfected contract of sale.

Evidently, what transpired between the parties was only a prolonged negotiation to buy and to sell, and, at the most, an offer and a counter-offer with no definite agreement having been reached by them. With the hard reality that no perfected contract of sale/repurchase exists in this case, any independent transaction between the Planters Bank and a third-party, like the one involving the Gatchalian Realty, cannot be affected.

WHEREFORE, the petition is DENIED and the assailed decision and resolution of the Court of Appeals are AFFIRMED.

No pronouncement as to costs.

SO ORDERED.

Puno, C.J., (Chairperson), Corona, and Azcuna, JJ., concur.
Sandoval-Gutierrez, J., on leave.

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[1] Penned by then Associate Justice Roberto A. Barrios (deceased) with Associate Justices Amelita G. Tolentino and Vicente S.E. Veloso, concurring; rollo, pp. 44-58.

[2] Id. at 66-68.

[3] Francisco v. Court of Appeals, G.R. No. 11849, April 25, 2003, 401 SCRA 594.

[4] Bugatti v. Court of Appeals, G.R. No. 138113, October 17, 2000, 343 SCRA 335.

[5] Swedish Match, AB v. Court of Appeals, G.R. No. 128120, October 20, 2004, 441 SCRA 1.

[6] Edrada v. Ramos, G.R. No. 154413, August 31, 2005, 468 SCRA 597.

[7] Landres v. Court of Appeals, G.R. No. 136427, December 17, 2002, 394 SCRA 133.

[8] Rollo, p. 49.

[9] Firme v. Bukal Enterprises and Development Corporation, G.R. No. 146608, October 23, 2003, 414 SCRA 190.

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