

**JAYSON DANDAN, PETITIONER, VS. ARFEL REALTY &
MANAGEMENT CORP., RAFAEL FELIX AND SPS. EMERITA AND
CARLITO SAURO, RESPONDENTS.***G.R. No. 173114. September 08, 2008*Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-173114/>**TINGA, J.:**

This Petition for Review[1] assails the Court of Appeals' Decision[2] dated 22 December 2005 as well as its Resolution[3] dated 13 June 2006 sustaining the validity of the memorandum of agreement executed between petitioner Jayson Dandan (Dandan) and respondent Arfel Realty & Management Corp. (Arfel Realty), and holding the former liable thereunder.

The antecedents follow.

On 7 March 1992, Arfel Realty, represented by its president and general manager Rafael Felix, sold to Dandan a parcel of land covered by Transfer Certificate of Title No. T-10527 and designated as Lot 3 Block 16 situated in Barrio Pamplona, Las Piñas, Metro Manila for the price of P320,000.00. The sale is evidenced by a Deed of Absolute Sale.[4]

The lot was previously the subject of a Contract to Sell[5] executed between Arfel Realty and the spouses Emerita and Carlito Sauro (the Sauros). Under this contract, the Sauros undertook to pay the purchase price of P690,000.00, with a 50% down payment of P345,000.00 and the balance payable in sixty (60) equal installments of P9,528.52 including interest of 22% per annum.[6] While the Sauros claimed to have fully paid for the subject lot in the total amount of P799,601.59 and demanded the delivery of title, [7] Arfel Realty asserted that the several checks drawn by the Sauros to effect payment were either dishonored by the bank due to insufficiency of funds or were drawn against a closed account. Thus, the Sauros allegedly still had an unpaid balance of P299,614.23. [8]

According to Arfel Realty, Dandan was made aware of its previous transaction with the Sauros.[9] On 10 April 1992, a Memorandum of Agreement (the Agreement)[10] was executed between Arfel Realty and Dandan with the consideration representing the balance due to Arfel Realty from the previous sale to the Sauros. The Agreement, bound Dandan to assume all liabilities arising from the Deed of Absolute Sale and held Arfel Realty free from any suit or judgment by reason of said sale.[11]

On 2 June 1992, the Sauros filed a complaint for specific performance against Arfel Realty before the Housing and Land Use Regulatory Board (HLURB).[12] Arfel Realty filed its answer with a counterclaim for moral damages and attorney's fees.[13] Arfel Realty followed this on 23 September 1992 with a third-party complaint against Dandan, praying indemnification from Dandan for whatever is adjudged against it in favor of the Sauros.[14]

Dandan filed his Position Paper,[15] contending that the HLURB had no jurisdiction over the third-party complaint as the case did not involve the sale of a house and lot but rather a personal action for indemnification and payment of attorney's fees. He also questioned the validity of the Agreement in that it was not supported by

any valuable consideration. He argued that he affixed his signature to the Agreement unaware of its legal import and without any intention to be bound by it.[16]

On 22 April 1993, the Office of Appeals, Adjudication and Legal Affairs (OAALA) of the HLURB rendered a decision,[17] the dispositive portion of which reads:

WHEREFORE, PREMISES CONSIDERED, judgment is hereby rendered directing respondents Arfel and Felix to refund to complainant the amount of P566,515.76 at 12% interest per annum from the time of the filing of complaint on June 4, 1992.

In the third party claim, third party respondent Dandan is hereby directed to pay respondents Arfel and Felix the sum of P566,515.76 at 12% interest per annum from the time of the filing of the complaint on September 23, 1992.

All other claims are hereby DISMISSED.

IT IS SO ORDERED.[18]

The OAALA held that Arfel Realty committed a serious breach of contract when despite the subsistence of its Contract to Sell with the Sauros it still sold the subject property to Dandan. It declared that such breach entitled the Sauros to rescind the contract and demand the refund of all their payments.[19]

Anent the third-party claim, the OAALA sustained the validity of the Agreement and held that the same did not have the effect of novating the contract between Arfel Realty and the Sauros. It accordingly held Dandan liable thereunder.

On separate appeals by Arfel Realty and Dandan, the HLURB, through its Board of Commissioners, made the following modifications:[20]

Respondents ARFEL REALTY AND MANAGEMENT CORPORATION and RAFAEL A. FELIX are hereby ordered to refund to the complainants, SPS. EMERITA AND CARLITO SAURO, the total amounts paid (including amortization interests but excluding penalty interests) at twelve percent (12%) interest per annum, computed from 04 June 1992, the date of the filing of the complaint, until fully paid.

Third party respondent, JAYSON DANDAN, is hereby ordered to pay third party complainants, ARFEL REALTY AND MANAGEMENT CORPORATION and RAFAEL A. FELIX, the amount equivalent to the total payments made by the SPS. SAURO (including amortization interests but excluding penalty interests) with twelve percent (12%) interest per annum, computed from 23 September 1992, the date of the filing of the third party complaint, until fully paid.

All other claims and counterclaims are hereby dismissed.

SO ORDERED.[21]

The HLURB Board of Commissioners declared that the sale of the property to Dandan during the subsistence of the Contract to Sell was fraudulent. Thus, Arfel Realty is obligated to refund the payments made by the Sauros. Furthermore, it ruled that Dandan liable under the Agreement.[22]

Only Dandan interposed an appeal to the Office of the President (OP).[23] On 30 September 1997, the OP in O.P. Case No. 96-A-6362 reversed the HLURB's decision insofar as Dandan is concerned and nullified the questioned Agreement for lack of consideration, thus:

The above holding (HLURB Decision) would be unassailable had the Memorandum of Agreement dated April 10, 1992, been supported by valuable consideration. However this is not the case. There was no showing that

any valuable consideration emanated from one party to the other and vice-versa. On the part of the appellant, there was absolutely no reason for him to enter into such agreement. The absolute Deed of Sale was already executed a month before (March 7, 1992), and there was nothing lacking that would make his situation more secure and invulnerable. The house and lot were [was] already his on the date of the execution of the Deed of Sale. We, therefore, find reasonable and convincing appellant's claim that he lent his signature in the agreement as a favor to Rafael Felix, not knowing its legal import and implication. Contracts without cause or consideration produce no effect whatever.

Moreover, to affirm in toto the appealed decision is to penalize appellant for the breach of contract committed by respondents and third-party complainants in selling to him the controverted lot, there being absolutely no showing that he was in cahoots with the vendors in said transaction. On the contrary, the records show that he was a purchaser in good faith and for value. [24]

The OP however, maintained the liability of Arfel Realty in favor of the Sauros.

Aggrieved, Arfel Realty filed a Petition for Review[25] with the Court of Appeals seeking the reversal of the OP's decision.

During the pendency of the appeal, Arfel Realty and the Sauros entered into a compromise settlement whereby the former acknowledged its liability to the latter and committed to pay them the amount of P966,515.76.[26] Consequently, Arfel Realty filed a manifestation waiving its right to proceed against the Sauros but maintaining its suit against Dandan.[27]

With the case reduced to a controversy between Dandan and Arfel Realty, the appellate court ruled in favor of Arfel Realty. The appellate court sustained the validity of the Agreement and rejected the notion that no consideration was given to support to the same. It pointed out as consideration Dandan's advantage of paying only the remaining balance due under the previous Contract to Sell the subject property to the Sauros. It also relied on the presumption that every contract has sufficient consideration.[28]

The Court of Appeals denied Dandan's motion for reconsideration. Hence, the instant petition.

The issue to be resolved is whether Dandan is bound by the Agreement, the validity of which devolves on the concurrence of three requisites, namely: (1) consent of the contracting parties; (2) object certain which is the subject matter of the contract; and (3) cause of the obligation which is established.[29]

While there is no dispute as to the object of the contract, Dandan harps on vitiation of consent and lack of consideration to exculpate himself from the legal consequences of the Agreement. He claims that he was merely implored to sign the Agreement as an act of accommodation, not understanding its legal import and never intending to assume any further liability other than what he paid for under the Deed of Absolute Sale. [30]

Arfel Realty counters that Dandan voluntarily signed the Agreement and fully understood its contents. [31] It explains that during the negotiation of the sale of the property to Dandan, the latter was advised of the previous transaction with the Sauros. Based on such information, Dandan allegedly negotiated to pay only half of the true value of the property to which Arfel Realty obliged but on the condition that they would execute an Agreement providing that Dandan shall hold Arfel Realty free from any liability in the event that the Sauros file any suit against it.[32]

The determination of the existence of a valid consent principally rests on the provisions of the Agreement itself. Of course, the finding that Dandan was made aware of the previous transaction between Arfel Realty and the Sauros prior to the signing of the Agreement is a great boost. Arfel Realty's assertion that Dandan knew of the previous contract between it and the Sauros was not rebutted by the latter.

In upholding the existence of consent, both the HLURB and the Court of Appeals relied on the clear and plain language of the Agreement which expressly mentions that Dandan was aware of the transaction between Arfel Realty and the Sauros when he bought the subject property. The Agreement is hereby reproduced, thus:

MEMORANDUM OF AGREEMENT

With reference to the DEED OF ABSOLUTE SALE executed by and between ARFEL REALTY and Management Corporation and JAYSON M. DANDAN dated March 7, 1992, covering a House and Lot under TCT No. T-10527; it is understood that the consideration represents only the balance due ARFEL REALTY from the previous sale of this House and Lot to MRS. EMERITA SAURO.

JAYSON M. DANDAN, Buyer has in effect bought the House and Lot in question fully aware of the previous transaction with MRS. EMERITA R. SAURO, and as such assumes all liabilities caused by third party claims by reason of the above sale. Assumption of liabilities shall include but will not be limited to holding the SELLER, ARFEL REALTY and MANAGEMENT CORP., free and harmless from any suit or judgment that may be rendered by reason of the above sale.[33] [Emphasis supplied]

It can be clearly inferred from the Agreement that Dandan was aware of the previous contract to sell from which Arfel received partial payment from the Sauros. Thus, when said property was sold to Dandan, he had the benefit of paying only the remaining balance due from the said previous contract. It is for this consideration that Dandan agreed to expressly assume all the liabilities that might arise by reason of the sale to him.

Viewed from a different standpoint, the Agreement was contemporaneously executed with the Deed of Absolute Sale thereby making the former a supplement to the latter. Therefore, the Agreement should be construed as a mere continuation of the Deed of Absolute Sale with the same consideration supporting both contracts, that is, Dandan's advantage of paying only the remaining balance due under the previous contract to sell to the Sauros.

The naked claim that Dandan signed the Agreement without understanding its legal import will not exculpate him from its legal ramifications. Mistake may invalidate consent when it refers to the substance of the thing which is the object of the contract or to those conditions which have principally moved one or both parties to enter into the contract.[34] Mistake of law as a rule will not vitiate consent.[35]

Without doubt, Dandan is bound by the terms of the Agreement, as well as by all the necessary consequences thereof. Courts are not authorized to extricate parties from the necessary consequences of their acts, and the fact that the contractual stipulations may turn out to be financially disadvantageous will not relieve parties thereto of their obligations.[36]

Further, the Agreement was duly acknowledged before a notary public. As a notarized document, it has in its favor the presumption of regularity and carries the evidentiary weight conferred upon it with respect to its due execution. It is admissible in evidence without further proof of its authenticity and is entitled to full faith and credit upon its face.[37]

Further still, under Section 3(d), Rule 131 of the Rules of Court, it is presumed that a person takes ordinary care of his concerns. Hence, the natural presumption is that one does not sign a document without first informing himself of its contents and consequences.[38]

The foregoing disquisition on valid consent also supports the presence of the third element of a contract which is cause or consideration.

WHEREFORE, premises considered, the instant Petition is DENIED for lack of merit. The Decision of the Court of Appeals dated 31 July 2007 reinstating the judgment of the HLURB Board of Commissioners dated 18 July 1994, is AFFIRMED. Costs against petitioner.

SO ORDERED.

Quisumbing, (Chairperson), Carpio Morales, Velasco, Jr., and Brion, JJ., concur.

[1]Rollo, pp. 8-22.

[2]Id. at 24-34; penned by Associate Justice Mariflor P. Punzalan Castillo and concurred in by Associate Justices Elvi John S. Asuncion and Noel G. Tijam. Twelfth Division.

[3] Id. at 36-37.

[4] Id. at 336-338.

[5]Records, Vol. 1, pp. 1-5.

[6]Id. at 4.

[7] Id. at 39.

[8]Id. at 42.

[9] Rollo, p. 47.

[10]Id. at 339.

[11]Id. at 339.

[12]Id. at 38-45.

[13]Id. at 44.

[14] Id. at 49.

[15] Id. at 50-59.

[16]Id. at 56-57.

[17] Id. at 60-66.

[18] Id. at 66.

[19] Id. at 64-65.

[20] Id. at 67-77.

[21] Id. at 76-77.

[22] Id. at 165-171.

[23] Id. at 205-217.

[24] Id. at 215-216.

[25] Id. at 105-113.

[26] See id. at 282; P566,515.76 represents the principal and P400,000.00, the interest.

[27] Id. at 271.

[28] Id. at 31-33.

[29] NEW CIVIL CODE, Art. 1318.

[30] Rollo, p. 411.

[31] Id. at 184.

[32] Id. at 172.

[33] Id. at 339.

[34] NEW CIVIL CODE, Art. 1331.

[35] Art. 1334 provides for the exception and states that mutual error as to the legal effect of an agreement when the real purpose of the parties is frustrated may vitiate consent.

[36] Torres v. Court of Appeals, 378 Phil. 170, 179 (1999).

[37] De la Cruz v. De La Cruz, 464 Phil. 812, 822 (2004).

[38] Lee v. Court of Appeals, 426 Phil. 290, 316 (2002).

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