

STA. LUCIA REALTY DEVELOPMENT INC., PETITIONER, VS. ROMEO UYECIO, AMARIS UYECIO, REYNALDO UYECIO AND MANUEL UYECIO, RESPONDENTS.

G.R. No. 176217. August 13, 2008

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

Sta. Lucia Realty Development, Inc. (petitioner), developer of "The Royale Tagaytay Estates" which is a subdivision project located in Alfonso, Cavite, offered lots for sale payable on installments, proffering that the development of the project would be completed by September 1999. The sales brochures of the project detailed the following improvements and amenities:

- Church
- Grand Clubhouse
- Landscaped gardens and promenade
- Basketball court
- Adult pool
- Kiddie swimming pool
- Multipurpose hall
- Function room system
- Billiards
- Grand Entrance (Ph. I)
- Perimeter fence for security and privacy
- Cemented roads, curbs and gutters
- Cemented sidewalk
- Storm drainage system
- Electrical facilities
- Mercury street lamps
- Centralized interrelated water system with deepwell and overhead water tank
- Concrete electrical posts

- Tennis court[1]

Respondents Romeo, Amaris, Reynaldo and Manuel, all surnamed Uyecio, entered into contracts to sell with petitioner covering seven lots in petitioner's Phase II project. Under the contracts to sell which were all dated May 21, 1999, each of the respondents would and did in fact pay a downpayment of P240,000, and the balance of P960,000 would be paid in 10 years at 21% interest per annum. Respondents paid their monthly amortizations until April 2001 when they suspended further payments, the promised delivery date of the project not having been met, and the improvements and amenities reflected in the sales brochures were yet to be introduced or completed.[2]

Respondents thus sent petitioner a letter demanding the completion of the entire project and informing it that they were suspending the payment of monthly amortizations on account of "contractual breach." [3]

Petitioner for its part also sent letters to respondents advising them of their default in the payment of their monthly amortizations covering the period March 2001 up to the third quarter of 2002.[4]

On August 22, 2002, respondents lodged a complaint[5] against petitioner at the Housing and Land Use Regulatory Board (HLURB) Regional Field Office No. IV, praying for the completion of the project within six months or, in the alternative, for the refund of their total payments to bear interest at 21% per annum reckoned from February 1999 until said payments are finally paid, and for the award of moral and exemplary damages and attorney's fees.

In an ocular inspection of the subdivision conducted on December 3, 2002, the HLURB Regional Office found that, indeed, the project remained unfinished. In his Report,[6] Engineer Rey E. Musa of the said office reflected the following findings:

x x x x

1.

The following features and amenities for the whole Phase II indicated in the brochure are yet to be provided/constructed, to wit

a.

Church

b.

Electrical facilities including concrete posts mercury street lamps

c.

Clubhouse

1.

Basketball court

2.

Tennis court

3.

Swimming pool

4.

Multi-purpose Hall

d.

Property perimeter wall for security and privacy

e.

Landscaped garden promenade

2.

There is an existing water tanks [sic] in Phase II, however, not yet operational.

3.

There is no sewerage water treatment plant within the whole project. (Emphasis supplied)

By petitioner's claim, "the basic components of [the] subdivision development are almost 100% complete,"[7] in support of which it submitted the report of its project engineer Gregorio Evangelio[8] stating that all constructions relating to earthworks, concrete works and drainage system had been done with, while the water distribution system was 98% finished. The report went on to state, however, that works on the electrical distribution system and perimeter fence remained at 5% and 50%, respectively, as of September 2002.[9]

Petitioner disclaimed having had any participation in the preparation of the advertising materials distributed by the marketing firm Asian Pacific Realty Brokerage, Inc., a separate and distinct entity.[10]

To further shore up its case, petitioner reiterated that it is not precluded from asking from the HLURB for extension of time to complete the project, citing License to Sell No. R4-98-12-0203[11] which provides, among other things, that it could

x x x x

- Apply for an extension of time to complete the development in case the project cannot be completed within the prescribed period before its expiration;

x x x x (Underscoring supplied)

HLURB, by letter dated November 5, 2003,[12] in fact granted petitioner an extension until September 2004 to complete Phase II-B of the project.

By Decision[13] of June 23, 2003, the HLURB ruled in favor of respondents, disposing as follows:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the complainants and against the respondent to read as follows:

- Ordering the rescission of the Contracts to Sell between the complainants and respondent;

- Ordering the respondent to refund complainant Romeo Uyecio the amount of P1,224,000.00 with interest at 12% per annum from the filing of the complaint until full payment;

- Ordering the respondent to refund the complainant Reynaldo Uyecio the amount of P816,000.00 with interest at 12 % per annum from the filing of the complaint until full payment;

- Ordering the respondent to refund complainants Amaris Uyecio and Manuel Uyecio the amount of P408,000.00 each with interest at 12 % per annum from the filing of the complaint until full payment;

- Ordering the respondent to pay complainant(s) the amount of P100,000.00 as moral damages, P100,000.00 as exemplary damages, P50,000.00 as attorney's fees to be divided among the complainants in proportion to their respective claims;

- Ordering the respondent to pay this Board P20,000.00 as administrative fine for violation of Sections 19 and 20 in relation to Section 38 of P.D. 957.

SO ORDERED. (Emphasis and underscoring supplied)

The HLURB Board of Commissioners (First Division) to which petitioner appealed the decision via petition for review denied its petition by Decision[14] of December 5, 2003 and Resolution[15] of March 31, 2004.

The Office of the President (OP) affirmed the HLURB decision. The Court of Appeals in turn affirmed[16] that of the HLURB.

Hence, the present petition for review, petitioner faulting the Court of Appeals in upholding the rescission of the contracts to sell, in granting respondents' prayer for refund with exorbitant interest, and in upholding the award of moral and exemplary damages and attorney's fees.[17]

The Court finds the issues raised by petitioner bearing on findings of facts to be mere rehash of those already passed upon by the HLURB, the OP and the appellate court.

In the absence of substantial showing that the findings of facts of administrative bodies charged with their specific field of expertise were arrived at from an erroneous estimation of the evidence presented, they are considered conclusive, and in the interest of stability of the governmental structure, are not to be disturbed.[18]

In the present case, petitioner has not shown any ground to merit a disturbance of the findings of the HLURB which have been sustained by the OP and the appellate court.

It bears noting that petitioners' project accomplishment report and the HLURB letter dated November 5, 2003 granting petitioner's request for the completion of the subdivision until September 2004, which request does not even appear to have been made "within the prescribed period before its expiration," corroborate the findings in the HLURB ocular inspection report and respondents' claim that petitioner did not finish the project within the announced time frame. Petitioner's counterclaim that it was respondents who were in default is immaterial to the issue of its failure to finish its project on time.

En passant, even assuming arguendo that respondents defaulted, albeit the evidence shows otherwise, that did not prevent petitioner from exercising its option to cancel the contracts to sell. It did not, however. It merely demanded in May 2002 the payment of overdue amortizations from respondents, after the lapse of 14 months of alleged default.

The, fact is that respondents suspended their payment of monthly amortizations pending compliance by petitioner with its contractual obligation, which is justified under Section 23 of Presidential Decree No. 957.[19] Petitioner's attempt at reversal of the Court of Appeals' decision thus fails.

A word on the application by the HLURB, the OP, and the appellate court of Article 1191[20] of the Civil Code on rescission.

The case involves contracts to sell, not a contract which absolutely conveys real property. Distinguishing the two contracts, the Court, in *Rillo v. Court of Appeals*,[21] held:

x x x In a contract to sell real property on installments, the full payment of the purchase price is a positive suspensive condition, the failure of which is not considered a breach, casual or serious, but simply an event

which prevented the obligation of the vendor to convey title from acquiring any obligatory force. The transfer of ownership and title would occur after full payment of the purchase price. We held in *Luzon Brokerage Co., Inc. v. Maritime Building Co., Inc.* that there can be no rescission of an obligation that is still non-existent, the suspensive condition not having happened. (Citations omitted; emphasis and underscoring supplied)

Articles 1191 of the Civil Code does not thus apply to a contract to sell since there can be no rescission of an obligation that is still non-existent, the suspensive condition not having occurred. In other words, the breach contemplated in Article 1191 is the obligor's failure to comply with an obligation already extant, like a contract of sale, not a failure of a condition to render binding that obligation.[22]

Cancellation, not rescission, of the contract to sell is thus the correct remedy in the premises.

On the issue of damages, the Court sustains the award of moral and exemplary damages given the testimonial evidence of respondents thereon.

As for the award of P50,000 attorney's fees, the Court sustains it too, respondents having been compelled to litigate with petitioner and incur expenses to enforce and protect their interests.[23]

On the issue of interest, the imposition of 12% per annum interest on the amount of refund must be reduced to 6%, conformably with this Court's ruling in *Eastern Shipping Lines, Inc. v. Court of Appeals*[24] and in *Fil-Estate Properties, Inc. v. Go*,[25] the amount to be refunded being neither a loan nor a forbearance of money, goods or credit.

WHEREFORE, the October 16, 2006 Decision and January 10, 2007 Resolution of the Court of Appeals in CA-G.R. SP No. 87027 are AFFIRMED with MODIFICATION in light of the foregoing disquisitions.

As modified, the dispositive portion of the decision reads:

WHEREFORE, judgment is rendered in favor of the plaintiffs and against the defendant to read as follows:

- Ordering the cancellation of the Contracts to Sell between the plaintiffs and defendant;
- Ordering the defendant to refund the plaintiff Romeo Uyecio the amount of P1,224,000 with interest at 6% per annum from the filing of the complaint until full payment;
- Ordering the defendant to refund the plaintiff Reynaldo Uyecio the amount of P816,000 with interest at 6% per annum from the filing of the complaint until full payment;
- Ordering the defendant to refund plaintiffs Amaris Uyecio and Manuel Uyecio the amount of P408,000 each with interest at 6% per annum from the filing of the complaint until full payment;
- Ordering the defendant to pay plaintiffs the amount of P100,000 as moral damages, P100,000 as exemplary damages, P50,000 as attorney's fees to be divided among the plaintiffs in proportion to their respective claims;
- Ordering the defendant to pay [the Housing and Land Use Regulatory] Board P20,000 as administrative fine for violation of Sections 19 and 20 in relation to Section 38 of P.D. 957.

Costs against petitioner.

SO ORDERED.

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

* Additional member in lieu of Justice Dante O. Tinga per Special Order No. 512 dated July 16, 2008.

[1] Rollo, p. 57.

[2] Id. at 59-60.

[3] Id. at 60.

[4] Id. at 182-188.

[5] Id. at 56-62.

[6] HLURB Record, p. 58.

[7] Rollo, p.197.

[8] Id. at 203.

[9] Ibid.

[10] Id. at 65.

[11] Id. at 205.

[12] Id. at 204.

[13] Id. at 82-90.

[14] Id. at 91-94.

[15] Id. at 95-97.

[16] Decision dated October 16, 2006, penned by Justice Regalado E. Maambong with the concurrence of Justices Marina L. Buzon and Japar B. Dimaampao, CA rollo, pp. 170-188.

[17] Id. at 45.

[18] *Malonzo v. COMELEC*, G.R. No. 127066, March 11, 1997, 269 SCRA 380.

[19] "Section 23. Non-Forfeiture of Payments.--No installment payment made by a buyer in a subdivision or condominium project for the lot or unit he contracted to buy shall be forfeited in favor of the owner or developer when the buyer, after due notice to the owner or developer, desists from further payment due to the failure of the owner or developer to develop the subdivision or condominium project according to the approved plans and within the time limit for complying with the same. Such buyer, may at his option, be reimbursed the total amount paid including amortization interest but excluding delinquency interest, with interest thereon at the legal rate."

[20] Art. 1191. The power to rescind obligations is implied in reciprocal ones, in case one of the obligors should not comply with what is incumbent upon him.

The injured party may choose between the fulfillment and the rescission of the obligation, with the payment of damages in either case. He may also seek rescission, even after he has chosen fulfillment, if the latter should become impossible.

The court shall decree the rescission claimed, unless there be just cause authorizing the fixing of a period.

This is understood to be without prejudice to the rights of third persons who have acquired the thing, in accordance with Articles 1385 and 1388 and the Mortgage Law.

[21] G.R. No. 125347, June 19, 1997, 274 SCRA 461.

[22] Cheng v. Genato, 300 SCRA 722 (1998). Vide Gomez v. Court of Appeals, 340 SCRA 720 (2000); Padilla v. Spouses Paredes, 328 SCRA 434 (2000); Valarao v. Court of Appeals, 304 SCRA 155 (1999); Pangilinan v. Court of Appeals, 279 SCRA 590 (1997).

[23] Art. 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except: x x x x (2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest x x x x (New Civil Code).

[24] G.R. No. 97412, July 12, 1994, 234 SCRA 78.

[25] G.R. No. 165164, August 17, 2007, 530 SCRA 621. In this case, the Court decreed that the doctrine in Eastern Shipping Lines Inc. v. CA was to control despite HLURB Resolution No. R-421 (Series of 1998) pegging a uniform rate of interest of 12% per annum for HLURB decisions involving refunds.

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