

**STA. LUCIA REALTY & DEVELOPMENT, INC., PETITIONER, VS.
SPOUSES FRANCISCO & EMELIA BUENAVENTURA, AS
REPRESENTED BY RICARDO SEGISMUNDO, RESPONDENTS.**

G.R. No. 177113. October 02, 2009

Ponente: YNARES-SANTIAGO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-177113/>

YNARES-SANTIAGO, J.:

Assailed is the December 21, 2006 Decision[1] of the Court of Appeals in CA-G.R. SP No. 81732, affirming the July 18, 2003 Decision[2] of the Office of the President in O.P. Case No. 20-A-8937. Also assailed is the March 21, 2007 Resolution[3] denying the Motion for Reconsideration.[4]

The facts are as follows:

On January 16, 1996, respondent-spouses Francisco Segismundo and Emilia Buenaventura, represented by Ricardo Segismundo, filed before the Housing and Land Use Regulatory Board (HLRUB) a Complaint against petitioner Sta. Lucia Realty & Development, Inc. for Specific Performance, Damages and Attorney's Fees.[5] Respondents alleged that they bought a lot known as Lot 3, Block 4, Phase II at Greenwood Executive Village, Cainta, Rizal from Loida Gonzales Alfonso (Alfonso) on August 16, 1989; that the said lot is part of a subdivision project owned and being developed by petitioner; that in the course of the construction of their house, respondents discovered that their lot had been subdivided and occupied by Marilou Panlaque (Panlaque) and Ma. Veronica Banez (Banez); and that like respondents, the two occupants were also issued a construction permit by petitioner. Respondents thus demanded from petitioner the rightful possession of their lot; but to no avail.

In its Answer,[6] petitioner averred that respondents had no cause of action against it because it has no transaction record regarding Lot 3, Block 4, Phase II; that the said lot actually belonged to ACL Development Corporation, its joint-venture partner; that it was RCD Realty Corporation which caused the subdivision of the lot and constructed separate residential buildings thereon; that RCD Realty Corporation's lot was actually Lot 3, Block 4, Phase II-A; and that respondents, in bad faith and in a retaliatory manner, erected their own house on Lot 4 which belonged to a different owner. Petitioner suggested that to remedy the situation, respondents, RCD Realty Corporation, and the real owner of Lot 4, should agree to a three-way exchange of their respective properties as it has been verified that the areas of their lots are the same.

On September 1, 1997, petitioner filed a third-party complaint against ACL Development Corporation and RCD Realty Corporation. Petitioner prayed that in the event that it be adjudged liable for any of the claims of respondents, ACL Development Corporation and RCD Realty Corporation should be held jointly and severally liable for said claims or an amount equivalent thereto.

ACL Development Corporation alleged that petitioner was responsible for the issuance of all construction permits on the subdivision project; hence, it was the one that caused the confusion among all parties. On the other hand, RCD Realty Corporation alleged that it was a builder in good faith; that it constructed the residential building on Lot 3, Block 4, Phase II upon issuance of a construction permit by petitioner.

On June 16, 1998, the HLURB's Arbiter[7] for the National Capital Region (NCR) Field Office issued a Decision the dispositive portion of which states:

Wherefore, premises considered, judgment is hereby rendered as follows:

1. Directing respondent Sta. Lucia Realty and Development Corporation, Inc. to cause to be vacated complainant's lot denominated as Lot No. 3, Block No. 4, Phase II, Greenwood Executive Village, Cainta, Rizal;
2. In the alternative, the aforesaid respondent is ordered to reimburse the complainant the current market value of the subdivision lot which shall in no case be less than P4,500.00 per square meter, the prevailing price in the area;
3. Directing the same respondent to pay complainant the following amount:
 - a. P100,000.00 as and by way of moral damages;
 - b. P50,000.00 as and by way of exemplary damages;
 - c. P50,000.00 as and by way of attorney's fees;
4. While the third party complaint is dismissed for lack of merit.

SO ORDERED.[8]

The HLURB Arbiter found that while RCD Realty Corporation constructed a residential building on the wrong lot, such construction was allowed by petitioner as evidenced by the permit it issued. As the owner-developer of the subdivision project, petitioner knew the location of all lots therein and was tasked to properly enforce the restrictions it caused to be annotated on their corresponding certificates of title. The HLURB Arbiter thus concluded that it was petitioner's neglect that ultimately led to the instant dispute.

On June 24, 1999, the HLURB Board of Commissioners affirmed the Decision of the HLURB Arbiter with modification that the market value of the subject lot, stated in paragraph 2 of the dispositive portion, be reduced from P4,500.00 to P3,200.00 per square meter, plus 12% interest per annum from the time of the filing of the complaint.

On July 18, 2003, the Office of the President issued a Decision[9] affirming the June 24, 1999 Decision of the HLURB Board of Commissioners. Subsequently, it issued a Resolution[10] dated November 28, 2003 denying petitioner's Motion for Reconsideration.[11]

On December 21, 2006, the Court of Appeals affirmed the Decision of the Office of the President. The appellate court found that it was petitioner who caused the confusion in the identity of the lots by its issuance of a construction permit to RCD Realty Corporation; that petitioner was remiss and negligent in complying with its obligations towards its buyers, their heirs, assignees, and/or successors-in-interest when it failed to deliver the property described in respondents' title.

On March 21, 2007, the Court of Appeals denied petitioner's Motion for Reconsideration. Hence, this Petition for Review on Certiorari, raising the following issues:

THE HONORABLE COURT OF APPEALS x x x COMMITTED SERIOUS REVERSIBLE ERROR IN AFFIRMING THAT PETITIONER STA. LUCIA IS LIABLE IN A COMPLAINT FOR SPECIFIC PERFORMANCE.

THE HONORABLE COURT OF APPEALS COMMITTED SERIOUS REVERSIBLE ERROR IN

SUSTAINING THE AWARD OF REFUND WITH INTEREST, MORAL AND EXEMPLARY DAMAGES
AS WELL AS ATTORNEY'S FEES TO RESPONDENTS-SPOUSES BUENAVENTURA.[12]

Petitioner alleges that it has no privity of contract with respondents as it did not directly sell the subject property to them; that it was RCD Realty Corporation which erroneously erected structures on Lot 3, Block 4, Phase II; that respondents are in bad faith for constructing their residential house on Lot 4, Block 4, Phase II despite knowledge that it belongs to another person; that respondents' seller, Alfonso, should have been impleaded as an indispensable party to the instant case; that respondents should also have impleaded the present occupants of Lot 3, Block 4, Phase II as additional indispensable parties; and that the award of damages is without basis in fact and in law.

The petition is without merit.

Petitioner originally sold the subject lot to Alfonso, and the latter subsequently sold the same to herein respondents. As assignees or successors-in-interest of Alfonso to Lot 3, Block 4, Phase II in petitioner's subdivision project, respondents succeed to what rights the former had; and what is valid and binding against Alfonso is also valid and binding as against them. In effect, respondents stepped into the shoes of Alfonso and such transfer of rights also vests upon them the power to claim ownership and the authority to demand to build a residential house on the lot to the same extent as Alfonso could have enforced them against petitioner.

Article 1311 of the New Civil Code states that, "contracts take effect only between the parties, their assigns and heirs, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law." In this case, the rights and obligations between petitioner and Alfonso are transmissible. There was no mention of a contractual stipulation or provision of law that makes the rights and obligations under the original sales contract for Lot 3, Block 4, Phase II intransmissible. Hence, Alfonso can transfer her ownership over the said lot to respondents and petitioner is bound to honor its corresponding obligations to the transferee or new lot owner in its subdivision project.

Having transferred all rights and obligations over Lot 3, Block 4, Phase II to respondents, Alfonso could no longer be considered as an indispensable party. An indispensable party is one who has such an interest in the controversy or subject matter that a final adjudication cannot be made in his absence, without injuring or affecting that interest.[13] Contrary to petitioner's claim, Alfonso no longer has an interest on the subject matter or the present controversy, having already sold her rights and interests on Lot 3, Block 4, Phase II to herein respondents.

We agree with the appellate court's finding that petitioner was remiss and negligent in the performance of its obligations towards its buyers, their heirs, assignees, and/or successors-in-interest; and that it was petitioner's negligence which caused the confusion on the identity of the lot, which likewise resulted to the erroneous construction done by RCD Realty Corporation. Petitioner cannot pass the blame to RCD Realty Corporation because it is undisputed that it issued a construction permit for Lot 3, Block 4, Phase II - the property of respondents.

In its letter to petitioner, RCD Realty Corporation explained that it constructed a house on Lot 3, Block 4, Phase II based on the following:

- a. Construction Permit and Certificate of Relocation issued by petitioner's engineering department;
- b. The agent who sold the property pointed the lot in Phase II and not in Phase II-A.

RCD Realty Corporation further stated that it had no reason to doubt its claim over the lot in Phase II, especially since petitioner never warned them of any inadvertent switching of lots.

For its gross negligence which resulted to the erroneous construction on Lot 3, Block 4, Phase II and caused respondents undue damage and prejudice, petitioner is rightfully adjudged by the HLURB Arbiter liable for P100,000.00 moral damages, P50,000.00 exemplary damages, and P50,000.00 attorney's fees.

Although respondents prayed for specific performance to place them in possession of Lot 3, Block 4, Phase II, the actual occupants therein were not impleaded. As correctly pointed out by the HLURB Arbiter, the situation created an impossibility to grant the prayer of respondents despite their ownership of the subject property and the finding that petitioner was the cause of the inadvertent switching of lots.

We agree with the ruling of the HLURB Arbiter that it will be more equitable and practicable to rescind^[14] the obligation of petitioner to deliver possession of Lot 3, Block 4, Phase II to respondents; and in exchange, pay the value of the lot by way of reimbursement in accordance with the price modification stated by the HLURB Board of Commissioners. Moreover, this ruling comes within the purview of respondents' final prayer for "other reliefs, just or equitable under the premises" and they are evidently in accord with such outcome as they did not appeal the case or insist on claiming back their lot.

However, we find that the applicable interest rate for the amount to be reimbursed to respondents is 6% per annum, reckoned from the time of the filing of the complaint, because the case at bar involves a breach of obligation and not a loan or forbearance of money. In *Eastern Shipping Lines Inc. v. Court of Appeals*,^[15] we explained that:

1. When the obligation is breached, and it consists in the payment of a sum of money, i.e., a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 12% per annum to be computed from default, i.e., from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.
2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages except when or until the demand can be established with reasonable certainty. Accordingly, where the demand can be established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code) but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.
3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 12% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.^[16]

Moreover, pursuant to the above rules, in case the judgment remains unsatisfied after it becomes final and executory, the interest rate shall be 12% per annum from the finality of the judgment until the amount awarded is fully paid.

As regards respondents' alleged construction of a house on Lot 4, Block 4, Phase II, the records of the case are bereft of evidence for this Court to make a judgment on the matter. Nevertheless, our ruling in the present case will not affect in any way whatever action petitioner and/or the owner of the said lot would file against respondents.

WHEREFORE, the Petition for Review on Certiorari is **PARTIALLY GRANTED**. The assailed Decision of the Court of Appeals in CA-G.R. SP No. 81732, affirming the July 18, 2003 Decision of the Office of the President in O.P. Case No. 20-A-8937, and the Resolution denying the motion for reconsideration are **AFFIRMED** with **MODIFICATION** that the applicable interest rate for the amount to be reimbursed to respondents is 6% per annum, computed from the time of the filing of respondents' complaint, and 12% per annum from the finality of the judgment until the amount awarded is fully paid.

SO ORDERED.

Chico-Nazario, Velasco, Jr., Nachura, and Peralta, JJ., concur.

[*] Sometimes referred to as Emilia.

[1] Rollo, pp. 8-15, penned by Associate Justice Roberto A. Barrios and concurred in by Associate Justices Mario L. Guariña, III and Lucenito N. Tagle.

[2] Id. at 59-60.

[3] Id. at 17.

[4] Id. at 71-74.

[5] CA rollo, pp. 94-98.

[6] Rollo, pp. 41-44.

[7] Atty. Emmanuel Y. Pontejos.

[8] Rollo, pp. 52-53.

[9] Id. at 59-60.

[10] Id. at 61-62.

[11] Records, pp. 195-198.

[12] Rollo, pp. 26 and 28.

[13] *Moldes v. Villanueva*, G.R. No. 161955, August 31, 2005, 468 SCRA 697, 707.

[14] CIVIL CODE, 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.

x x x x

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

[16] Id. at 95-97.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.