UNITED MUSLIM AND CHRISTIAN URBAN POOR ASSOCIATION, INC. REPRESENTED BY ITS PRESIDENT, MANUEL V. BUEN, PETITIONER, VS.BRYC-V DEVELOPMENT CORPORATION REPRESENTED BY ITS PRESIDENT...

G.R. No. 179653. July 31, 2009

Ponente: NACHURA, J.

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NACHURA, J.:

This petition for review on certiorari seeks to set aside the Decision[1] of the Court of Appeals (CA) in CA G.R. CV No. 62557 which affirmed in toto the Decision[2] of the Regional Trial Court (RTC), Branch 16, Zamboanga City in Civil Case No. 467(4544).

The facts are simple.

Respondent Sea Foods Corporation (SFC) is the registered owner of Lot No. 300 located in Lower Calainan, Zamboanga City and covered by Transfer Certificate of Title (TCT) No. 3182 (T-576).

Sometime in 1991, petitioner United Muslim and Christian Urban Poor Association, Inc. (UMCUPAI), an organization of squatters occupying Lot No. 300, through its President, Carmen T. Diola, initiated negotiations with SFC for the purchase thereof. UMCUPAI expressed its intention to buy the subject property using the proceeds of its pending loan application with National Home Mortgage Finance Corporation (NHMF). Thereafter, the parties executed a Letter of Intent to Sell by [SFC] and Letter of Intent to Purchase by UMCUPAI, providing, in pertinent part:

> WHEREAS, [SFC] is the registered owner of a parcel [of] land designated as Lot No. 300 situated in Lower Calarian, Zamboanga City, consisting of 61,736 square meters, and more particularly described in Transfer Certificate of Title No. 576 of the Registry of Deeds of Zamboanga City;
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> WHEREAS, UMCUPAI, an association duly registered with the SEC (Registration No. 403410) and duly accredited with the Presidential Commission for the Urban Poor, has approached [SFC] and negotiated for the ACQUISITION of the above-described property of [SFC];
>
> WHEREAS, in pursuance to the negotiations between [SFC] and UMCUPAI, the latter has taken steps with the proper government authorities particularly the Mayor of Zamboanga City and its City Housing Board which will act as "Originator" in the acquisition of said property which will enable UMCUPAI to avail of its Community Mortgage Program;
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> WHEREAS, it appears that UMCUPAI will ultimately apply with the Home Mortgage and Finance Corporation for a loan to pay the acquisition price of said land;
>
> WHEREAS, as one of the steps required by the government authorities to initiate proceedings is to receive a formal manifestation of Intent to Sell from [SFC];

> NOW, THEREFORE, for and in consideration of the foregoing premises, the parties hereto agree as follows:
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> 1. [SFC] expressly declares its intention to sell Lot No. 300 with an area of 61,736 square meters situated in Lower Calarian, Zamboanga City and covered by TCT No. 576 of the Registry of Deeds of Zamboanga City to UMCUPAI at the price of P105.00 per square meter, free from all liens, charges and encumbrances;
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> 2. That UMCUPAI hereby expressly declares its intention to buy the aforesaid property and shall endeavor to raise the necessary funds to acquire same at the abovementioned price of P105.00 per square meter;
>
> 3. That the Absolute Deed of Sale shall be executed, signed and delivered together with the title and all other pertinent documents upon full payment of the purchase price;
>
> 4. That [SFC] shall pay the capital gains tax and documentary stamps, Registration, transfer tax and other expenses shall be paid by the UMCUPAI.[3]

However, the intended sale was derailed due to UMCUPAI's inability to secure the loan from NHMF as not all its members occupying Lot No. 300 were willing to join the undertaking. Intent on buying the subject property, UMCUPAI, in a series of conferences with SFC, proposed the subdivision of Lot No. 300 to allow the squatter-occupants to purchase a smaller portion thereof.

Consequently, sometime in December 1994, Lot No. 300 was subdivided into three (3) parts covered by separate titles:

1. Lot No. 300-A with an area of 41,460 square meters under TCT No. T-117,448;

2. Lot No. 300-B with an area of 1,405 square meters under TCT No. T-117,449; and

3. Lot No. 300-C with an area of 18,872 square meters under TCT No. T-117,450.

On January 11, 1995, UMCUPAI purchased Lot No. 300-A for P4,350,801.58. In turn, Lot No. 300-B was constituted as road right of way and donated by SFC to the local government.

UMCUPAI failed to acquire Lot No. 300-C for lack of funds. On March 5, 1995, UMCUPAI negotiated anew with SFC and was given by the latter another three months to purchase Lot No. 300-C. However, despite the extension, the three-month period lapsed with the sale not consummated because UMCUPAI still failed to obtain a loan from NHMF. Thus, on July 20, 1995, SFC sold Lot No. 300-C for P2,547,585.00 to respondent BRYC-V Development Corporation (BRYC).

A year later, UMCUPAI filed with the RTC a complaint against respondents SFC and BRYC seeking to annul the sale of Lot No. 300-C, and the cancellation of TCT No. T-121,523. UMCUPAI alleged that the sale between the respondents violated its valid and subsisting agreement with SFC embodied in the Letter of Intent. According to UMCUPAI, the Letter of Intent granted it a prior, better, and preferred right over BRYC in the purchase of Lot No. 300-C.

In refutation, BRYC said that UMCUPAI's complaint did not state a cause of action since UMCUPAI had unequivocally recognized its ownership of Lot No. 300-C when UMCUPAI likewise sent BRYC a Letter of Intent dated August 18, 1995 imploring BRYC to re-sell the subject lot.

In a separate Answer, SFC countered that the Letter of Intent dated October 4, 1991 is not, and cannot be considered, a valid and subsisting contract of sale. On the contrary, SFC averred that the document was drawn and executed merely to accommodate UMCUPAI and enable it to comply with the loan documentation requirements of NHMF. In all, SFC maintained that the Letter of Intent dated October 4, 1991 was subject to a condition i.e., payment of the acquisition price, which UMCUPAI failed to do when it did not obtain the loan from NHMF.

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After trial, the RTC dismissed UMCUPAI's complaint. The lower court found that the Letter of Intent was executed to facilitate the approval of UMCUPAI's loan from NHMF for its intended purchase of Lot No. 300. According to the RTC, the Letter of Intent was simply SFC's declaration of intention to sell, and not a promise to sell, the subject lot. On the whole, the RTC concluded that the Letter of Intent was neither a promise, nor an option contract, nor an offer contemplated under Article 1319 of the Civil Code, or a bilateral contract to sell and buy.

As previously adverted to, the CA, on appeal, affirmed in toto the RTC's ruling.

Hence, this recourse by UMCUPAI positing a sole issue for our resolution:

> IS THE LETTER OF INTENT TO SELL AND LETTER OF INTENT TO BUY A BILATERAL RECIPROCAL CONTRACT WITHIN THE MEANING OR CONTEMPLATION OF ARTICLE 1479, FIRST PARAGRAPH, CIVIL CODE OF THE PHILIPPINES?[4]

The petition deserves scant consideration. We completely agree with the lower courts' rulings.

Well-entrenched in jurisprudence is the rule that factual findings of the trial court, especially when affirmed by the appellate court, are accorded the highest degree of respect and are considered conclusive between the parties.[5] A review of such findings by this Court is not warranted except upon a showing of highly meritorious circumstances, such as: (1) when the findings of a trial court are grounded entirely on speculation, surmises or conjectures; (2) when a lower court's inference from its factual findings is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion in the appreciation of facts; (4) when the findings of the appellate court go beyond the issues of the case, or fail to notice certain relevant facts which, if properly considered, would justify a different conclusion; (5) when there is a misappreciation of facts; (6) when the findings of fact are conclusions without mention of the specific evidence on which they are based, or are premised on the absence of evidence, or are contradicted by evidence on record.[6] None of the foregoing exceptions necessitating a reversal of the assailed decision obtain in this instance.

UMCUPAI is adamant, however, that the CA erred when it applied the second paragraph of Article 1479 of the Civil Code instead of the first paragraph thereof. UMCUPAI urges us that the first paragraph of Article 1479 contemplates a bilateral reciprocal contract which is binding on the parties. Yet, UMCUPAI is careful not to designate the Letter of Intent as a Contract to Sell. UMCUPAI simply insists that the Letter of Intent is not a unilateral promise to sell or buy which has to be supported by a consideration distinct from the price for it to be binding on the promissor. In short, UMCUPAI claims that the Letter of Intent did not merely grant the parties the option to respectively sell or buy the subject property. Although not stated plainly, UMCUPAI claims that the Letter of Intent is equivalent to a conditional contract of sale subject only to the suspensive condition of payment of the purchase price.

UMCUPAI appears to labor under a cloud of confusion. The first paragraph of Article 1479 contemplates the bilateral relationship of a contract to sell as distinguished from a contract of sale which may be absolute or conditional under Article 1458[7] of the same code. It reads:

> Art. 1479. A promise to buy and sell a determinate thing for a price certain is reciprocally demandable.
>
> An accepted unilateral promise to buy or to sell a determinate thing for a price certain is binding upon the promissor if the promise is supported by a consideration distinct from the price.

The case of Coronel v. Court of Appeals[8] is illuminating and explains the distinction between a conditional contract of sale under Article 1458 of the Civil Code and a bilateral contract to sell under Article 1479 of the same code:

> A contract to sell may thus be defined as a bilateral contract whereby the prospective seller, while expressly reserving the ownership of the subject property despite delivery thereof to the prospective buyer, binds himself to sell the said property exclusively to the prospective buyer upon fulfillment of the condition agreed upon, that is, full payment of the purchase price.
>
> A contract to sell as defined hereinabove, may not even be considered as a conditional contract of sale where the seller may likewise reserve title to the property subject of the sale until the fulfillment of a suspensive condition, because in a conditional contract of sale, the first element of consent is present, although it is conditioned upon the happening of a contingent event which may or may not occur. If the suspensive condition is not fulfilled, the perfection of the contract of sale is completely abated. However, if the suspensive condition is fulfilled, the contract of sale is thereby perfected, such that if there had already been previous delivery of the property subject of the sale to the buyer, ownership thereto automatically transfers to the buyer by operation of law without any further act having to be performed by the seller.
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> In a contract to sell, upon the fulfillment of the suspensive condition which is the full payment of the purchase price, ownership will not automatically transfer to the buyer although the property may have been previously delivered to him. The prospective seller still has to convey title to the prospective buyer by entering into a contract of absolute sale.
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> It is essential to distinguish between a contract to sell and a conditional contract of sale specially in cases where the subject property is sold by the owner not to the party the seller contracted with, but to a third person, as in the case at bench. In a contract to sell, there being no previous sale of the property, a third person buying such property despite the fulfillment of the suspensive condition such as the full payment of the purchase price, for instance, cannot be deemed a buyer in bad faith and the prospective buyer cannot seek the relief of reconveyance of the property. There is no double sale in such case. Title to the property will transfer to the buyer after registration because there is no defect in the owner-seller's title per se, but the latter, of course, may be sued for damages by the intending buyer.
>
> In a conditional contract of sale, however, upon the fulfillment of the suspensive condition, the sale becomes absolute and this will definitely affect the seller's title thereto. In fact, if there had been previous delivery of the subject property, the seller's ownership or title to the property is automatically transferred to the buyer such that, the seller will no longer have any title to transfer to any third person. Applying Article 1544 of the Civil Code, such second buyer of the property who may have had actual or constructive knowledge of such defect in the seller's title, or at least was charged with the obligation to discover such defect, cannot be a registrant in good faith. Such second buyer cannot defeat the first buyer's title. In case a title is issued to the second buyer, the first buyer may seek reconveyance of the property subject of the sale.

In the instant case, however, the parties executed a Letter of Intent, which is neither a contract to sell nor a conditional contract of sale. As found by the RTC, and upheld by the CA, the Letter of Intent was executed to accommodate UMCUPAI and facilitate its loan application with NHMF. The 4[th] and 5[th] paragraphs of the recitals (whereas clauses) specifically provide:

> WHEREAS, it appears that UMCUPAI will ultimately apply with the Home Mortgage and Finance Corporation for a loan to pay the acquisition price of said land;
>
> WHEREAS, as one of the steps required by the government authorities to initiate proceedings is to receive a formal manifestation of Intent to Sell from [SFC].

Nowhere in the Letter of Intent does it state that SFC relinquishes its title over the subject property, subject only to the condition of complete payment of the purchase price; nor, at the least, that SFC, although expressly retaining ownership thereof, binds itself to sell the property exclusively to UMCUPAI. The Letter of Intent to Buy and Sell is just that - a manifestation of SFC's intention to sell the property and UMCUPAI's intention to acquire

the same. This is quite obvious from the reference to the execution of an Absolute Deed of Sale in paragraph three[9] of the Letter of Intent.

As the CA did, we quote with favor the RTC's disquisition:

> The Decision in this case hinges on the legal interpretation of the Agreement entered into by SFC and UMCUPAI denominated as "Letter of Intent to Sell by Landowner and Letter of Intent to Purchase by United Muslim and Christian Urban Poor Association, Inc."
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> Black's Law Dictionary says that a Letter of Intent is customarily employed to reduce to writing a preliminary understanding of parties who intend to enter into contract. It is a phrase ordinarily used to denote a brief memorandum of the preliminary understanding of parties who intend to enter into a contract. It is a written statement expressing the intention of the parties to enter into a formal agreement especially a business arrangement or transaction.
>
> In their Agreement, SFC expressly declared its "intention" to sell and UMCUPAI expressly declared its "intention" to buy subject property. An intention is a mere idea, goal, or plan. It simply signifies a course of action that one proposes to follow. It simply indicates what one proposes to do or accomplish. A mere "intention" cannot give rise to an obligation to give, to do or not to do (Article 1156, Civil Code). One cannot be bound by what he proposes or plans to do or accomplish. A Letter of Intent is not a contract between the parties thereto because it does not bind one party, with respect to the other, to give something, or to render some service (Art. 1305, Civil Code).
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> x x x x x x x x x
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> The Letter of Intent/Agreement between SFC and UMCUPAI is merely a written preliminary understanding of the parties wherein they declared their intention to enter into a contract of sale. It is subject to the condition that UMCUPAI will "apply with the Home Mortgage and Finance Corporation for a loan to pay the acquisition price of said land." One of the requirements for such loan is "a formal manifestation of Intent to Sell" from SFC. Thus, the Letter of Intent to Sell fell short of an "offer" contemplated in Article 1319 of the Civil Code because it is not a certain and definite proposal to make a contract but merely a declaration of SFC's intention to enter into a contract. UMCUPAI's declaration of intention to buy is also not certain and definite as it is subject to the condition that UMCUPAI shall endeavor to raise funds to acquire subject land. The acceptance of the offer must be absolute; it must be plain and unconditional. Moreover, the Letter of Intent/Agreement does not contain a promise or commitment to enter into a contract of sale as it merely declared the intention of the parties to enter into a contract of sale upon fulfillment of a condition that UMCUPAI could secure a loan to pay for the price of a land.
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> The Letter of Intent/Agreement is not an "option contract" because aside from the fact that it is merely a declaration of intention to sell and to buy subject to the condition that UMCUPAI shall raise the necessary funds to pay the price of the land, and does not contain a binding promise to sell and buy, it is not supported by a distinct consideration distinct from the price of the land intended to be sold and to be bought x x x No option was granted to UMCUPAI under the Letter of Intent/Agreement to buy subject land to the exclusion of all others within a fixed period nor was SFC bound under said Agreement to Sell exclusively to UMCUPAI only the said land within the fixed period.
>
> Neither can the Letter of Intent/Agreement be considered a bilateral reciprocal contract to sell and to buy contemplated under Article 1479 of the Civil Code which is reciprocally demandable. The Letter of Intent/Agreement does not contain a PROMISE to sell and to buy subject property. There was no promise or commitment on the part of SFC to sell subject land to UMCUPAI, but merely a declaration of its intention to buy the land, subject to the condition that UMCUPAI could raise the necessary funds to acquire the same at the price of P105.00 per square meter x x x

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> While UMCUPAI succeeded in raising funds to acquire a portion of Lot No. 300-A, it failed to raise funds to pay for Lot No. 300-C. From October 4, 1991 when the Letter of Intent was signed to June, 1995, UMCUPAI had about three (3) years and eight (8) months within which to pursue its intention to buy subject land from SFC. Within that period, UMCUPAI had ample time within which to acquire Lot No. 300-C, as in fact it had acquired Lot No. 300-A which is much bigger than Lot No. 300-C and occupied by more members of UMCUPAI. The failure of UMCUPAI to acquire Lot No. 300-C before it was sold to BRYC-V cannot be blamed on SFC because all that UMCUPAI had to do was to raise funds to pay for Lot No. 300-C which it did with respect to Lot No. 300-A. SFC had nothing to do with SFC's unilateral action through Mrs. Antonina Graciano to "postpone" the processing of the acquisition of Lot No. 300-C, which it referred to as Phase II, until after the payment to SFC of the acquisition price for Lot No. 300-A or Phase I x x x

WHEREFORE, premises considered, the petition is hereby DENIED. The Decision of the Court of Appeals in CA G.R. CV No. 62557 and the Regional Trial Court in Civil Case No. 467(4544) are AFFIRMED. Costs against the petitioner.

SO ORDERED.

Ynares-Santiago, (Chairperson), Chico-Nazario, Velasco, Jr., and Peralta, JJ., concur.

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[1] Penned by Associate Justice Ramon R. Garcia with Associate Justices Romulo V. Bora and Antonio Villamor, concurring; rollo, pp. 13-29.

[2] Penned by Judge Jesus C. Carbon, Jr.; rollo, 55-68.

[3] Rollo, pp. 15-16.

[4] Id. at 44.

[5] Titan Construction Corporation v. Uni-Field Enterprises, Inc., G.R. No. 153874, March 7, 2007, 517 SCRA 180; Sigaya v. Mayuga, G.R. No. 143254, August 18, 2005, 467 SCRA 341.

[6] Ilao-Quianay v. Mapile, G.R. No. 154087, October 25, 2005, 474 SCRA 246, 247. See Child Learning Center, Inc. v. Tagorio, G.R. No. 150920, November 25, 2005, 476 SCRA 236, 236-237.

[7] Art. 1458. By the contract of sale one of the contracting parties obligates himself to transfer the ownership of and to deliver a determinate thing, and the other to pay therefor a price certain in money or its equivalent.

A contract of sale may be absolute or conditional.

[8] G.R. No. 103577, October 7, 1996, 331 Phil. 294.

[9] 3. That the Absolute Deed of Sale shall be executed, signed and delivered together with the title and all other pertinent documents upon full payment of the purchase price.

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