

**SPOUSES TEODULO BAYUDAN AND FILIPINA BAYUDAN,
PETITIONER, VS. RODEL H. DACAYAN RESPONDENT.***G.R. No. 246836. October 07, 2020*

Ponente: CARANDANG, J.

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Before this Court is a Petition for Review on Certiorari[1] under Rule 45 of the Rules of Court, assailing the Decision[2] dated November 22, 2018 and the Resolution[3] dated April 25, 2019 of the Court of Appeals (CA) in CA-G.R. SP No. 153541. The CA reinstated the Decision[4] of the Metropolitan Trial Court (MeTC) of Valenzuela City, Branch 81, in an Unlawful Detainer case rendered in favor of Rodel Dacayan (Dacayan) and ordered Teodulo Bayudan and Filipina Bayudan (Sps. Bayudan) to vacate the subject property, pay the rentals, attorney's fees, and costs of suit.

Facts of the Case

On May 6, 2015, Dacayan filed a complaint for unlawful detainer against Sps. Bayudan. According to Dacayan, he is a co-owner of a parcel of land located at 329 Rocio Street, Wawang Pulo, Valenzuela City on which a store was constructed. Based on an oral contract of lease, Dacayan leased the store to Sps. Bayudan for P3,000.00 rental payment per month.[5] However, Sps. Bayudan failed to pay the monthly rental since September 2012. On November 29, 2014, Dacayan sent a demand letter to Sps. Bayudan for the unpaid rents but Sps. Bayudan refused to pay alleging that they are already the owners of the subject property by virtue of the "Kasunduang Magbilhan ng Bahagi ng Lupa"[6] they executed with Dacayan as the seller, for his 40-square meter portion thereof. Due to this issue, Dacayan referred the matter to Barangay conciliation but no agreement was reached by the parties. Dacayan sent a final demand letter dated March 31, 2015 ordering Sps. Bayudan to pay and vacate the property within 15 days from receipt thereof.[7]

In their Answer, Sps. Bayudan claimed that initially, they were renting the subject property from Dacayan. However, on January 9, 2013, the parties entered into a Contract to Sell. Pursuant to the Contract to Sell, Sps. Bayudan agreed to buy the subject property in the amount of P300,000.00 payable in the following manner: (a) P91,000.00 upon signing of the Contract to Sell; and (b) the balance of P209,000.00 to be paid within two years or until January 2015.[8]

According to Sps. Bayudan, they already paid a total of P190,000.00 as of June 8, 2014 and as early as November 2014, they informed Dacayan that they are ready to pay the balance of P110,000.00. It was in fact Dacayan who has not yet secured the title in his name of the undivided share of the property, contrary to their agreement.[9] On December 29, 2014, Sps. Bayudan tendered the P190,000.00 balance of the purchase price to Dacayan but Dacayan refused to accept the same. Hence, on March 26, 2015, two months before the filing of the unlawful detainer case against them, Sps. Bayudan filed a complaint for specific performance against Dacayan to enforce their right over the property pursuant to the Contract to Sell.[10]

On November 28, 2016, the MeTC of Valenzuela City, Branch 81, rendered its Decision[11] in favor of Dacayan.

The MeTC held that all the requisites constituting a cause of action for unlawful detainer are present in the case. According to the MeTC, while Sps. Bayudan's possession of the subject property was initially lawful, nevertheless, it became unlawful when they failed to pay the installments due pursuant to the Contract to Sell.[12] Since Dacayan served the final demand to Sps. Bayudan on March 31, 2015 and the complaint for unlawful detainer case was filed on May 6, 2015, then the case was properly and timely filed.[13]

Sps. Bayudan elevated the case to the RTC. In its Decision[14] dated August 14, 2017, the RTC of Valenzuela City, Branch 282 reversed the ruling of the MeTC. The RTC held that the center of the controversy lies on whether the Contract to Sell involving the parties was validly cancelled, which will determine whether the possession of Sps. Bayudan of the subject property became unlawful. The RTC discussed that a sale of real estate on installment payments is governed by Republic Act No. (R.A.) 6552, otherwise known as the "Realty Installment Buyer Protection Act." [15] Section 4 of R.A. 6552 provides for the requisites before the contract to sell may be validly cancelled, such as the granting of grace period of not less than 60 days and the sending of notarized notice of cancellation or demand for rescission. Here, the RTC found that the conditions under R.A. 6552 were not complied with. Thus, the contract to sell was not validly cancelled and the possession of Sps. Bayudan never became unlawful.[16]

Dacayan's motion for reconsideration was denied in a Resolution[17] dated November 3, 2017. Dacayan filed a Petition for Review to the CA. In its Decision[18] dated November 22, 2018, the CA reversed the ruling of the RTC and reinstated that of the MeTC. As explained by the CA, the only issue to be resolved in an unlawful detainer case is physical or material possession. The Contract to Sell, which is the basis of Sps. Bayudan's possession, does not show any right in their favor because there is no stipulation giving them the right to keep the property pending the full payment of the purchase price.[19] The CA concluded that since the purchase price under the Contract to Sell was not fully paid and Sps. Bayudan stopped paying the monthly rent, their possession of the subject property was by mere tolerance. Hence, when Dacayan asked them to vacate the property and they refused, their possession became unlawful.[20]

Sps. Bayudan moved for reconsideration but the same was denied in a Resolution[21] dated April 25, 2019. On June 20, 2019, Sps. Bayudan filed this Petition for Review on Certiorari.[22] Sps. Bayudan insists that contrary to the finding of the CA, their stay in the subject property was on the basis of the Contract to Sell they executed with Dacayan.[23] Sps. Bayudan argues that they have no obligation to pay the monthly rent because upon the execution of the Contract to Sell, the parties became buyers and sellers to each other and their obligation is to pay the balance of the purchase price within two years.[24] Further, Sps. Bayudan reiterates that in November 2014, when Dacayan cancelled the Contract to Sell, they still have time to pay the balance of the purchase price since under the contract, they had until January 2015 to complete the payment. Hence, the Contract to Sell was invalidly cancelled.[25]

In his Comment,[26] Dacayan counters that Sps. Bayudan are permitted to occupy the subject property not on the basis of the Contract to Sell but by virtue of the earlier oral contract of lease. Hence, when Sps. Bayudan failed to pay the monthly rentals since September 2012, their possession of the subject property became unlawful.[27]

Issue

The issue in this case is whether the possession of Sps. Bayudan of the property became unlawful giving rise to a cause of action for unlawful detainer.

Ruling of the Court

The petition is meritorious.

For an unlawful detainer case to prosper, the following requisites must concur:

- (1) The defendant originally had lawful possession of the property, either by virtue of a contract or by tolerance of the plaintiff;
- (2) Eventually, the defendant's possession of the property became illegal or unlawful upon notice by the plaintiff to defendant of the expiration or the termination of the defendant's right of possession;
- (3) Thereafter, the defendant remained in possession of the property and deprived the plaintiff the enjoyment thereof;
and
- (4) Within one year from the unlawful deprivation or withholding of possession, the plaintiff instituted the complaint for ejectment.[28]

The second element requires that the possession of Sps. Bayudan of the subject property should have become illegal. Here, the parties do not dispute that on January 9, 2013, they executed a Contract to Sell, on which Sps. Bayudan based their continued possession of the property. The question, therefore, is whether the Contract to Sell was validly cancelled by Dacayan which would make Sps. Bayudan's possession of the subject property, illegal.

We answer in the negative.

R.A. 6552 governs all kinds of sales of real estate by installment except industrial lots, commercial buildings, and sales to tenants under R.A. 3844, as amended by R.A. 6389.[29] In this case, under the Contract to Sell entered into by the parties, Sps. Bayudan obligated themselves to pay the amount of P91,000.00 in lump sum at the time of the execution of the contract while the balance of P209,000.00 was to be paid in installments within two years, but with no definite schedule of payment. This payment scheme involving the Contract to Sell the 40-square meter lot subject of this case is covered by R.A. No. 6552.

R.A. 6552 recognizes the right of the seller to cancel the contract upon failure of the buyer to pay in installments the purchase price of the real estate. However, to be valid, the cancellation must comply with Sections 3 and 4 of the law. Specifically, in this case, Section 4 must apply, to wit:

Section 4. In case where less than two years of installments were paid, the seller shall give the buyer a grace period of not less than sixty days from the date the installment became due. If the buyer fails to pay the installments due at the expiration of the grace period, the seller may cancel the contract after thirty days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act.

Based on the above-mentioned provision, in order to validly cancel the Contract to Sell, Dacayan must have: (1) given Sps. Bayudan a grace period of not less than 60 days from the date of default; and (2) sent a notarized notice of cancellation or demand for rescission of the Contract to Sell upon the expiration of the grace period without payment. However, the records of this case do not show that Dacayan complied with Section 4 of R.A. 6552. In fact, the first demand letter dated November 29, 2014 was sent by Dacayan even before the lapse of the two-year period given to Sps. Bayudan to pay the full purchase price of the subject property which was due on January 2015. In addition, the final demand letter sent by Dacayan on March 31, 2015 is not the same as the notarized notice of cancellation required by R.A. No 6552.

In the parallel case of *Pagtalunan v. Vda. De Manzano*,^[30] which likewise originated as an action for unlawful detainer involving two private individual buyer and seller, We concluded that the seller cannot file an unlawful detainer case against the buyer if the contract to sell is not validly cancelled pursuant to the provisions of R.A. 6552.

Given the foregoing, there is no basis for the illegality of Sps. Bayudan's possession of the property.

WHEREFORE, the Decision dated November 22, 2018 and the Resolution dated April 25, 2019 of the Court of Appeals in CA-G.R. SP No. 153541 are hereby REVERSED and SET ASIDE. The Decision dated August 14, 2017 of the Regional Trial Court of Valenzuela City, Branch 282 in Civil Case No. 184-V-16 is hereby REINSTATED.

SO ORDERED.

Leonen, Gesmundo, Zalameda, and Gaerlan, JJ., concur.

[1] Rollo, pp. 8-18.

[2] Penned by Associate Justice Henri Jean Paul B. Inting (now member of this Court), with the concurrence of Associate Justices Japar B. Dimaampao and Manuel M. Barrios; id. at pp. 22-31.

[3] Id. at pp. 40-41.

[4] Penned by Presiding Judge Teresita Asuncion M. Lacandula-Rodriguez; id. at 46-54.

[5] Id. at 46.

[6] Id. at 123-124.

[7] Id. at 46.

[8] Id. at 47.

[9] Id.

[10] Id. at 48.

[11] Supra note 4.

[12] Rollo, p. 52.

[13] Id. at 53.

[14] Penned by Presiding Judge Elena A. Amigo-Amana; id. at 56-63.

[15] Id. at 61.

[16] Id. at 62-63.

[17] Penned by Presiding Judge Elena A. Amigo-Amana; id. at 69-71.

[18] Supra note 2.

[19] Rollo, p. 29.

[20] Id. at 30.

[21] Supra note 3.

[22] Rollo, pp. 8-18.

[23] Id. at 14.

[24] Id. at 15.

[25] Id.

[26] Id. at 182-193.

[27] Id. at 188-189.

[28] Union Bank of the Philippines v. Philippine Rabbit Bus Lines, Inc., 789 Phil. 56, 67-68 (2016).

[29] Section 3. In all transactions or contracts involving the sale or financing of real estate on installment payments, including residential condominium apartments but excluding industrial lots, commercial buildings and sales to tenants under Republic Act Numbered Thirty-eight hundred forty-four, as amended by Republic Act Numbered Sixty-three hundred eighty-nine, where the buyer has paid at least two years of installments, the buyer is entitled to the following rights in case he defaults in the payment of succeeding installments:

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[30] 559 Phil. 659 (2007).

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