

**JOVIL CONSTRUCTION AND EQUIPMENT CORPORATION,
PETITIONER, VS. SPS. CLARISSA SANTOS MENDOZA AND MICHAEL
ERIC V. MENDOZA, RESPONDENTS.**

G.R. No. 250321. February 03, 2021

Ponente: INTING, J.

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INTING, J.:

Before the Court are two consolidated Petitions for Review on Certiorari[1] filed under Rule 45 of the Rules of Court assailing the Decision[2] dated April 25, 2019 and the Resolution[3] dated November 5, 2019 of the Court of Appeals (CA) in CA-G.R. CV No. 108141. The assailed Decision and Resolution affirmed the Decision[4] dated September 2, 2016 of Branch 98, Regional Trial Court (RTC), Quezon City which dismissed the Complaint[5] for Specific Performance with Damages filed by Jovil Construction and Equipment Corporation (JCEC) in Civil Case No. Q-06-58789.

The Antecedents

JCEC filed a Complaint for Specific Performance with Damages against Spouses Clarissa Santos Mendoza and Michael Eric V. Mendoza (Spouses Mendoza) which sought the delivery of the clean certificates of title and peaceful possession of six contiguous parcels of land registered in the name of Spouses Mendoza, with an aggregate area of 33,289 square meters located in San Isidro, Montalban, Rizal (subject property). The subject property is the object of a Contract to Sell[6] between JCEC and Spouses Mendoza for the amount of P11,318,260.00 to be paid in installments.

After two payments amounting to P5.6 Million, JCEC obtained possession of the subject property to begin the construction of a low-cost housing project as developer-proponent of Home Guaranty Corporation (HGC). When JCEC commenced the earthworks, the group of Benjamin Catalino (Catalino), who was claiming ownership over the subject property, prevented JCEC from proceeding. Subsequently, Spouses Mendoza filed a complaint for damages with a prayer for a writ of preliminary injunction against Catalino. The writ of preliminary injunction was granted by Branch 75, RTC, San Mateo, Rizal (RTC Rizal) in an Order[7] dated October 2, 2000 in Civil Case No. 1388-98 SM.[8]

Due to the disturbance of its possession, JCEC suspended its payment of the balance of the purchase price despite the RTC Rizal Order. It expressed its concern over the ownership dispute and requested for a renegotiation of the terms of the contract. Consequently, the two postdated checks previously issued by JCEC to Spouses Mendoza were dishonored for the reason "Account Closed." This prompted Spouses Mendoza to demand payment plus 3% interest per month from due date of the installment until full settlement. Despite the demand, JCEC was persistent in its request for a renegotiation and maintained that Catalino's group prevented its peaceful possession of the subject property.[9] In response, Spouses Mendoza sent a Notice of Cancellation of Contract to Sell dated 7 July 1998 and Demand to Pay Accrued Interest[10] (Notice of Cancellation of Contract) dated April 16, 2001. In addition, Spouses Mendoza demanded payment of accrued interests in the amount of P2,209,195.76.[11]

Ruling of the RTC

In the Decision[12] dated September 2, 2016, the RTC dismissed the complaint. For the RTC, the agreement between the parties was a contract to sell and the failure of JCEC to pay the balance of the purchase price resulted in its cancellation. It further noted that, while JCEC was initially justified in suspending its payment on account of the disturbance of its possession, the writ of preliminary injunction issued by the RTC Rizal against Catalino, coupled with JCEC's eventual reentry to the subject property, dispelled any interference on the latter's possession and gave rise to its concomitant obligation to settle payment immediately upon Spouses Mendoza's demand to pay. Thus, the RTC confirmed and ratified the cancellation of the Contract to Sell, subject to the return of 50% of the payments already made by JCEC to Spouses Mendoza pursuant to the stipulation in the contract that cancellation or termination would result in the forfeiture of 50% of all payments made.

As to the counterclaim of Spouses Mendoza, the RTC concluded that JCEC was liable only for the interest from March 2001 to April 2001. It explained that JCEC's breach of the contract should be counted from March 2001, when Spouses Mendoza demanded payment, until April 2001, when the Notice of Cancellation of Contract was issued. According to the RTC, the suspension of payment before the demand to pay was justified. Thus, the RTC computed that JCEC is liable for P71,547.80 representing 3% interest on the unpaid balance of P5,718,260.00 which shall be deducted from the P2,800,000.00 pursuant to the forfeiture clause in the contract. The RTC denied the award of attorney's fees for lack of basis.

Both parties elevated the case to the CA.

Ruling of the CA

In the Decision[13] dated April 25, 2019, the CA denied both appeals and affirmed the findings of the RTC. It ruled that Spouses Mendoza had no obligation to transfer title before full payment of the purchase price.[14] Further, it held that JCEC had no right to suspend payments after the RTC Rizal issued a writ of preliminary injunction because JCEC inspected the property before entering into the contract and the disturbance was a mere act of trespass.[15] It also found Spouses Mendoza to have complied with the provisions of the contract as they immediately filed and obtained an injunction order to clear the subject property from illegal occupants.

The CA agreed with the RTC that JCEC cannot be penalized with punitive interest for the period when it was prevented from possessing the subject property as the intervening fact was not attributable to JCEC's fault.[16] It explained that the option to put the subject property in escrow was upon JCEC as vendee; and because no demand was forthcoming from the latter, Spouses Mendoza were not obligated to place the titles in escrow. It also agreed with the RTC in ruling that Spouses Mendoza should return 50% of the total payments already made by JCEC pursuant to the forfeiture clause; and that because the contract was deemed cancelled, the penalty interest computed from due date until satisfaction had no basis as there was no longer any balance of payment to speak of after the cancellation of the contract.[17]

Both parties moved for reconsideration, but the CA denied their motions.[18] Hence, the consolidated petitions for review on certiorari filed by JCEC and Spouses Mendoza.

The Issues

Aggrieved by the CA Decision, both parties elevated the case to the Court via their respective petitions for review on certiorari. The main issues in this case are: (a) whether the CA committed reversible error in affirming the RTC's confirmation of the cancellation or termination of the Contract to Sell; and (b) whether the CA erred in affirming the RTC's ruling that JCEC was not liable for punitive interest counted from the demand made by Spouses Mendoza until its full payment.

JCEC reiterates the breach of contract committed by Spouses Mendoza for their failure to clear the subject

property from other claimants. It also justifies its suspension of payment of the balance of the purchase price because of the disturbance of its possession and the absence of any declaration of ownership by the RTC Rizal in the injunction order. Under the circumstances, JCEC argues that Spouses Mendoza were in bad faith and that mutual restitution should be ordered, if cancellation was indeed proper.

Meanwhile, Spouses Mendoza argue that JCEC should be liable for punitive interest in accordance with the contract. They reiterate that JCEC failed to timely pay the balance of the purchase price and its suspension of payment was not valid.

Our Ruling

The petitions must fail.

The Court finds no reversible error in the findings of the CA. As a general rule, the Court's jurisdiction in a Rule 45 petition is limited to a review of pure questions of law because the Court is not a trier of facts.[19] Factual findings of the lower court when supported by substantial evidence on record is not usually reviewed by the Supreme Court, especially when it is affirmed by the CA.[20] In this case, there is no cogent evidence that impels the Court to apply the above doctrine differently. Thus, there is no compelling reason to disturb the factual findings which are firmly anchored on sufficient and competent evidence.

Still, the Court has judiciously considered the merits of the case, and finds that the CA did not commit any reversible error in denying JCEC's suit. At the outset, it is significant to note that JCEC does not dispute that its transaction with Spouses Mendoza is a contract to sell. Because the agreement is a mere contract to sell, the full payment of the purchase price partakes of a suspensive condition.[21] The non-fulfillment of the condition prevents the obligation to sell from arising; thus, ownership is retained by the seller without further remedies by the buyer.[22] Without full payment, there can be no breach of contract to speak of because the vendor has no obligation yet to turn over the title.[23] JCEC's failure to pay the purchase price in full is not the breach of contract contemplated under Article 1191 of the Civil Code of the Philippines; rather, it is just an event that prevents Spouses Mendoza from being bound to convey the title to JCEC.[24] Otherwise stated, JCEC has no right to compel Spouses Mendoza to deliver the titles over the subject property because it failed to pay the purchase price in full.

As similarly observed by both lower courts, at first, the suspension of payment made by JCEC was proper by reason of the disturbance in possession. But after the RTC Rizal ordered Catalino to cease and desist from occupying the property and JCEC was again able to obtain possession thereof, Spouses Mendoza had every right to demand for payment and JCEC's refusal to comply then became unjustified. Full payment being a suspensive condition in a contract to sell, the failure of JCEC to comply rendered the contract ineffective and without force and effect. Thus, Spouses Mendoza's termination of the contract to sell is valid, subject to the forfeiture of 50% of the total payments received from JCEC.

The Court now proceeds to a discussion on the punitive interest claimed by Spouses Mendoza. As earlier established, the initial suspension of payment made by JCEC was justified. Not only did Catalino prevent JCEC from entering the subject property, he likewise filed different actions against the employees of JCEC who entered the premises.[25] More importantly, the Court agrees that it is immaterial whether the dishonor of the two checks were intentional or not considering that the maturity of the checks took place during the period of disturbance of JCEC's possession through the acts of Catalino. The RTC even observed that Spouses Mendoza deposited the two checks only in March 1999, or during the pendency of the case before the RTC Rizal, despite the maturity of the checks being dated earlier, particularly, August and September 1998.[26] It is likewise worth noting that no demand to pay was made by Spouses Mendoza from the time the checks were dishonored, even after the RTC

Rizal issued the writ of preliminary injunction on October 2, 2000. It appears that Spouses Mendoza only made the demand to pay in March 2001 as a response to JCEC's notification of its willingness to proceed with the contract provided a renegotiation on the balance is made.[27] As correctly observed by the CA, there is no more contract to sell to which punitive interest may accrue after its cancellation on April 16, 2001:

Verily, the contract to sell became ineffective or without force and effect from the time Spouses Mendoza cancelled the contract. Since the suspensive condition did not arise, that is, the full payment of purchase price, Spouses Mendoza's obligation to sell did not arise. In fact, Spouses Mendoza considered the contract cancelled. For this reason, this Court cannot give credence to Spouses Mendoza's claim of penalty interest due on the remaining balance. From the terms of the contract, the penalty interest is computed from the due date until such installment is fully paid. However, since the contract is without force and effect, and has been cancelled by the seller, there is no balance to speak of.[28]

The foregoing notwithstanding, the Court modifies the amount granted by the lower courts as punitive interest for March to April 2001. Pursuant to the contract to sell, interest at the rate of 3% per month shall automatically accrue for any unpaid installment.[29] JCEC failed to pay the balance of the purchase price corresponding to the third installment in the amount of P3,218,260.00 and the last installment in the amount of P2,500,000.00, or for the total amount of P5,718,260.00. The 3% punitive interest per month incurred on the balance of the purchase price for March to April 2001 is P171,547.80, and not P71,547.80 as computed by the RTC. Thus, it is P171,547.80 which should be deducted from the P2,800,000.00 reimbursable amount in favor of JCEC. Thus, Spouses Mendoza are liable to reimburse to JCEC the amount of P2,628,452.20, representing the reimbursable amount less the 3% punitive interest per month.

Lastly, the Court is likewise convinced that there is no merit in awarding attorney's fees in the absence of factual and legal justification under Article 2208[30] of the Civil Code.

WHEREFORE, the petitions are DENIED. The Decision dated April 25, 2019 and the Resolution dated November 5, 2019 of the Court of Appeals in CA-G.R. CV No. 108141 are AFFIRMED with MODIFICATION in that Spouses Clarissa Santos Mendoza and Michael Eric V. Mendoza are ordered to reimburse Jovil Construction and Equipment Corporation the sum of P2,628,452.20, which shall earn legal interest of 6% per annum from the date of finality of the Decision until fully paid.

SO ORDERED.

Leonen, (Chairperson), Hernando, Delos Santos, and J. Lopez, JJ., concur.

[1] Rollo (G.R. No. 250321), pp. 11-33; rollo (G.R. No. 250343), pp. 3-24.

[2] Rollo (G.R. No. 250321), pp. 36-50; penned by Associate Justice Pablito A. Perez with Associate Justices Celia C. Librea-Leagogo and Samuel H. Gaerlan (now a member of the Court), concurring.

[3] Id. at 53-55.

[4] Id. at 186-210; penned by Presiding Judge Marilou D. Runes-Tamang, MNSA.

[5] Id. at 76-89.

[6] Id. at 69-75.

[7] Id. at 109-115.

[8] Id. at 37-38.

[9] Id. at 38-39.

[10] Id. at 125-128.

[11] Id. at 127.

[12] Id. at 186-210.

[13] Id. at 36-50.

[14] Id. at 44.

[15] Id. at 45-46.

[16] Id. at 46.

[17] Id. at 48.

[18] See Resolution dated November 5, 2019 of the Court of Appeals in CA-G.R. CV No. 108141, id. at 53-55.

[19] General Mariano Alvarez Services Cooperative, Inc. v. National Housing Authority, et al., 753 Phil. 353, 359 (2015).

[20] Catapusan v. CA, 332 Phil. 586, 592 (1996).

[21] Diego v. Diego, et al., 704 Phil. 373, 392 (2013), citing Chua v. Court of Appeals, 449 Phil. 25, 43 (2003).

[22] Id.

[23] Id., citing Reyes v. Tuparan, 665 Phil. 425, 440 (2011).

[24] Id.

[25] Rollo, p. 201.

[26] Id. at 203.

[27] See Letter of Jovil Construction and Equipment Corporation dated March 20, 2001 and signed by its President and Chief Executive Officer, id. at 122.

[28] Id. at 47.

[29] Id. at 100.

[30] Article 2208 of the Civil Code of the Philippines provides:

Article 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

- (1) When exemplary damages are awarded;
- (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;
- (3) In criminal cases of malicious prosecution against the plaintiff;
- (4) In case of a clearly unfounded civil action or proceeding against the plaintiff;
- (5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;
- (6) In actions for legal support;

- (7) In actions for recovery of wages of household helpers, laborers and skilled workers;
- (8) In actions for indemnity under workmen's compensation and employer's liability laws;
- (9) In a separate civil action to recover civil liability arising from crime;
- (10) When at least double judicial costs awarded;
- (11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered;

In all cases, the attorney's fees and expenses of litigation must be reasonable.

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