EMPIRE EAST LAND HOLDINGS, INC., PETITIONER, VS. JOHN EDREM BAUTISTA, RESPONDENT.

G.R. No. 272556, February 03, 2026

Ponente: SINGH, J.

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SINGH, J.:

Before the Court is a Petition for Review on Certiorari[1] (Petition) under Rule 45 of the Rules of Court filed by petitioner Empire East Land Holdings, Inc. (Empire East) seeking the reversal of the Decision,[2] dated July 28, 2023, and the Resolution,[3] dated March 7, 2024, of the Court of Appeals (CA) in CA-G.R. SP No. 175501. The CA affirmed the Decision,[4] dated April 25, 2022, of the Human Settlements Adjudication Commission (HSAC), which, in turn, affirmed the ruling of the HSAC Adjudicator, dated December 13, 2021.[5] The HSAC Adjudicator declared the Buyer's Information Sheet and Request for Reservation and Offer to Purchase between Empire East and respondent John Edrem Bautista (Bautista) as cancelled and ordered Empire East to refund the amount of PHP 130,000.00 to Bautista.

The Facts

The present Petition originated from a complaint filed by Bautista praying for the refund of the amount of PHP 130,000.00 he paid to Empire East towards the purchase of a residential unit.[6]

According to Bautista, sometime in September 2010, he paid a reservation fee of PHP 20,000.00 to purchase a unit from one of Empire East's projects. He paid the amount on the basis of a promise of a sales agent that the Contract to Sell will be executed after such payment. After the initial payment, Bautista paid an additional PHP 110,000.00.[7]

Despite Bautista's payments, Empire East failed to release any Contract to Sell. This prompted Bautista to contact the sales agent, but the latter failed to communicate with him. Thus, Bautista stopped his payment of monthly amortizations and filed his complaint with the HSAC seeking the refund of the PHP 130,000.00.[8]

In response to Bautista's complaint, Empire East averred that Bautista failed to state a cause of action against it, since the failure on its part to execute a Contract to Sell is not a ground for reimbursement.[9]

Further, Empire East alleged that it was not bound by representations of its sales agent, as the Buyer's Information Sheet and Request for Reservation and Offer to Purchase (RROP) signed by Bautista state that any representation made by the agent shall not be binding on Empire East until the representation is reduced into writing and confirmed by the duly authorized officer.[10]

The Ruling of the HSAC Adjudicator

In a Decision, dated December 13, 2021, the HSAC Adjudicator cancelled the Buyer's Information Sheet and RROP executed by Empire East and Bautista, and ordered the refund of PHP 130,000.00 to the latter:

> WHEREFORE, in view of the foregoing, judgment is hereby rendered as follows:

> - Declaring the Buyer's information sheet and [RROP] over Block 2, Lot 2, Sonoma, Phase Enclave, executed between the parties, as cancelled.
>
> - Directing respondent Empire East Land Holdings, Inc. to REFUND to complainant the sum of [PHP] 130,000.00 with legal interest of 6% per annum from the time of the filing of the complaint.
>
> SO ORDERED.[11] (Emphasis in the original)

The HSAC Administrator ruled that Empire East is bound by the representation of its agent regarding the execution of the Contract to Sell. The HSAC Administrator cited Section 19 of Presidential Decree No. 957, or the Subdivision and Condominium Buyers' Protective Decree, which provides that owners or developers are answerable and liable for the "sales propaganda" disseminated by the owner or developer or his agents.[12]

The HSAC Administrator further held that the stipulation in the Buyer's Information Sheet and RROP to the effect that Empire East is not liable for the representation of its sales agents unless confirmed in writing by its duly authorized officers is invalid, as such waiver is void under Section 33 of Presidential Decree No. 957.[13]

The HSAC Administrator also ruled that Empire East's failure to comply with the representation of its agent to release the Contract to Sell is a substantial breach of its obligation which entitles Bautista to rescind the contract and demand a refund of his payments.[14]

The Ruling of the HSAC
In a Decision, dated April 25, 2022, the HSAC affirmed the ruling of the HSAC Adjudicator:

> WHEREFORE, premises considered, the instant Appeal is DENIED. Accordingly, the Decision[,] dated [December 13, 2021,] is hereby AFFIRMED.
>
> SO ORDERED.[15] (Emphasis in the original)

The HSAC ruled that Sections 19 and 33 of Presidential Decree No. 957 are applicable to the case, since the representation of Empire East that a Contract to Sell will be executed right after payment of the reservation fee qualifies as sales propaganda under Section 19. The HSAC further noted that Bautista would not have entered into the transaction and parted with his money if it were not for the representation that a Contract to Sell would be issued.[16]

The HSAC also agreed that the stipulation in the Buyer's Information Sheet and RROP as regards the validity of the representations of Empire East's sales agent was invalid for being contrary to law, that is, Section 33 of Presidential Decree No. 957.[17]

Consequently, the HSAC affirmed the HSAC Adjudicator's order for Empire East to refund Bautista's PHP 130,000.00 on the basis of Articles 1191 and 1385 of the Civil Code.[18]

Empire East moved for reconsideration, but its motion was denied by the HSAC in a Resolution,[19] dated August 30, 2022.

Aggrieved by the HSAC ruling, Empire East filed a Petition for Review with the CA.

The Ruling of the CA
In a Decision, dated July 28, 2023, the CA denied Empire East's Petition for Review:

> WHEREFORE, the petition for review is DENIED. The [April 25, 2022] Decision of the Human Settlements Adjudication Commission is AFFIRMED.
>
> IT IS SO ORDERED.[20] (Emphasis in the original)

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According to the CA, the representation made by Empire East's sales agent that the Contract to Sell would be released upon payment of the reservation fee clearly falls under the first paragraph of Section 19 of Presidential Decree No. 957 as it qualifies as other forms of advertisements made by the owner or developer of a subdivision about its operations and activities that tends to deceive the public.[21]

Further, the CA ruled that the "hold free and harmless" stipulation in the Buyer's Information Sheet and the RROP runs counter to Section 19 of Presidential Decree No. 957 as it seeks to free the owner or developer from any liability that would arise from the representation made by its agents about the subdivision, its operation, or activities. As such, the HSAC correctly declared the provision as null and void pursuant to Section 33 of Presidential Decree No. 957.[22]

The CA likewise held that the HSAC correctly affirmed the order to Empire East to refund Bautista for the payments he made, since Empire East violated its obligation of executing a Contract to Sell despite the payment of the reservation fee and several monthly installments.[23]

Lastly, the CA ruled that Republic Act No. 6552, or the Realty Installment Buyer Act, is not applicable to the case since the parties did not execute any Contract to Sell, and there is no showing that the Offer to Purchase made by Bautista was accepted by Empire East.[24]

In a Resolution, dated March 7, 2024, the CA denied Empire East's Motion for Reconsideration.

Consequently, Empire East filed the present Petition before the Court.

The Issues

- Did the CA err in ruling that the representation made by Empire East's sales agent falls under Section 19 of Presidential Decree No. 957?

- Did the CA err in ruling that Bautista is entitled to a refund of the PHP 130,000.00 he paid to Empire East?

The Ruling of the Court

The Court denies the Petition. While the Court rules that the representation of Empire East's sales agent is not considered as an advertisement under Section 19 of Presidential Decree No. 957, the Court finds that Bautista is still entitled to a refund due to Empire East's failure to issue the Contract to Sell.

The Petition raises substantially factual questions

Preliminarily, the Court points out that the Petition raises questions which are foundationally factual. Specifically, the meat of Empire East's argument is that there is no evidence to prove Bautista's allegation that a promise to issue the Contract to Sell was, in fact, made.

However, factual questions are beyond the Court's jurisdiction in the present Petition for Review on Certiorari under Rule 45.[25] Verily, once it is clear that the issue invites a review of the evidence presented, the question posed is one of fact.[26] While Rule 45 is not absolute, none of the exceptions,[27] which would allow the Court to review factual issues, exists in this case.[28]

In any case, the Court is inclined to agree with the uniform factual findings of the HSAC Adjudicator, the HSAC, and the CA, that such a representation was made by Empire East's agent. As such, the Court will proceed to discuss the legal effects of such representation.

The representation of Empire East's sales agent is not considered an advertisement under Section 19 of Presidential Decree No. 957

Section 19 of Presidential Decree No. 957 states:

> Section 19. Advertisements. – Advertisements that may be made by the owner or developer through newspaper, radio, television, leaflets, circulars or any other form about the subdivision or the condominium or its operations or activities must reflect the real facts and must be presented in such manner that will not tend to mislead or deceive the public.
>
> The owner or developer shall be answerable and liable for the facilities, improvements, infrastructures or other forms of development represented or promised in brochures, advertisements and other sales propaganda disseminated by the owner or developer or his [or her] agents and the same shall form part of the sales warranties enforceable against said owner or developer, jointly and severally. Failure to comply with these warranties shall also be punishable in accordance with the penalties provided for in this Decree.

Section 19 is consistent with the policy of the law of addressing the unscrupulous tactics and schemes of real estate subdivision owners, developers, operators and/or sellers of reneging on their representations and obligations to provide decent human settlements, to the detriment of home and lot buyers. This is clear in the law's whereas clauses:

> WHEREAS, it is the policy of the State to afford its inhabitants the requirements of decent human settlement and to provide them with ample opportunities for improving their quality of life;
>
> WHEREAS, numerous reports reveal that many real estate subdivision owners, developers, operators, and/or sellers have reneged on their representations and obligations to provide and maintain properly subdivision roads, drainage, sewerage, water systems, lighting systems, and other similar basic requirements, thus endangering the health and safety of home and lot buyers;
>
> WHEREAS, reports of alarming magnitude also show cases of swindling and fraudulent manipulations perpetrated by unscrupulous subdivision and condominium sellers and operators, such as failure to deliver titles to the buyers or titles free from liens and encumbrances, and to pay real estate taxes, and fraudulent sales of the same subdivision lots to different innocent purchasers for value;
>
> . . . .
>
> WHEREAS, this state of affairs has rendered it imperative that the real estate subdivision and condominium businesses be closely supervised and regulated, and that penalties be imposed on fraudulent practices and manipulations committed in connection therewith.

According to the CA, the representation made by Empire East's sales agent that the Contract to Sell would be released upon payment of the reservation fee may be considered by analogy as "other forms of advertisements" under Section 19 of Presidential Decree No. 957. The Court disagrees.

Under the principle of ejusdem generis, "where a general word or phrase follows an enumeration of particular and specific words of the same class or where the latter follow the former, the general word or phrase is to be construed to include, or to be restricted to persons, things or cases akin to, resembling, or of the same kind or class as those specifically mentioned."[29]

The Court, in National Power Corporation v. Angas,[30] expounded on the purpose and rationale of the principle of ejusdem generis:

> The purpose of the rule on ejusdem generis is to give effect to both the particular and general words, by treating the particular words as indicating the class and the general words as including all that is embraced in said class, although not specifically named by the particular words. This is justified on the ground that if the lawmaking body intended the general terms to be used in their unrestricted sense, it would have not made an enumeration of particular subjects but would have used only general terms.[31]

Considering that Section 19 of Presidential Decree No. 957 makes an enumeration of specific words (i.e., advertisements made . . . through newspaper, radio, television, leaflets, circulars) followed by a general phrase (i.e., or any other form), the Court finds it appropriate to apply the principle of ejusdem generis to determine whether a representation by a developer's sales agent as regards the issuance of a Contract to Sell falls under the provision.

Applying the principle, the Court rules that such representations do not fall under Section 19.

Verily, newspaper, radio, television, leaflets, and circulars share a common typifying characteristic, in that they are all forms of mass media. As such, the phrase "or any other form" must be limited to similar forms of mass media directed at the public in general, instead of a singular individual. This interpretation is further bolstered by the title of the provision, i.e., "Advertisements," which, under its generally accepted meaning, are directed to the general public instead of to a single person.

Consequently, not every representation made by a developer's sales agent, such as the one made by Empire East's agent regarding the issuance of a Contract to Sell, is covered under Section 19.

However, this is not to say that buyers are not protected in cases where sales agents of developers make representations as regards certain aspects of the sale transaction and thereafter fail to follow through.

For one, Presidential Decree No. 957 has provisions allowing an aggrieved party to seek the suspension or revocation of the developer's registration certificate and license to sell after due hearing when the developer is engaged in fraudulent transactions or does not conduct its business in accordance with law or sound business principles. For another, the Civil Code has provisions regarding agency, obligations, and contracts which can be invoked by a buyer who may be aggrieved when a developer fails to comply with the promises of its sales agent.

Bautista is entitled to a refund of the full amount he paid to Empire East

Article 1191 of the Civil Code provides that rescission is a remedy implied in all reciprocal obligations. The effects of rescission, including the obligation of mutual restitution, is further explained under Article 1385:

> Article 1385. Rescission creates the obligation to return the things which were the object of the contract, together with their fruits, and the price with its interest; consequently, it can be carried out only when he [or she] who demands rescission can return whatever he [or she] may be obliged to restore.
>
> Neither shall rescission take place when the things which are the object of the contract are legally in the possession of third persons who did not act in bad faith.
>
> In this case, indemnity for damages may be demanded from the person causing the loss.

Thus, when parties enter into a reciprocal obligation, and one of the parties fails to comply, the other party is entitled to rescind the obligation and ask for the return of whatever he has paid under the same. In Camp John Development Corp. v. Charter Chemical and Coating Corp.,[32] the Court explained:

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> Rescission of the obligation under Article 1191 is a declaration that a contract is void at its inception. Its effect is to restore the parties to their original position, insofar as practicable. Fong v. Dueñas is illustrative:Rescission has the effect of "unmaking a contract, or its undoing from the beginning, and not merely its termination." Hence, rescission creates the obligation to return the object of the contract. It can be carried out only when the one who demands rescission can return whatever he may be obliged to restore. To rescind is to declare a contract void at its inception and to put an end to it as though it never was. It is not merely to terminate it and release the parties from further obligations to each other, but to abrogate it from the beginning and restore the parties to their relative positions as if no contract has been made.

Mutual restitution is required in cases involving rescission under Article 1191. "Where a contract is rescinded, it is the duty of the court to require both parties to surrender that which they have respectively received and to place each other as far as practicable in his original situation[;] the rescission has the effect of abrogating the contract in all parts."[33] (Citations omitted)

Under the reservation agreement between Bautista and Empire East, through the latter's sales agent, the parties have entered into a reciprocal obligation. Specifically, Bautista had the obligation to pay the reservation fee, while Empire East, in return, was obliged to issue a Contract to Sell.

Since it is undisputed that Empire East, despite the lapse of over a year, and despite Bautista's payment of the reservation fee, failed to issue a Contract to Sell, then the reservation agreement between the parties may be rescinded. As such, Bautista is entitled to the PHP 130,000.00 he has paid pursuant to the reservation agreement.

It is of no moment that the reservation agreement stipulated a mere PHP 20,000.00 as reservation payment, and that Bautista made additional payments of PHP 110,000.00. It must be noted that Bautista made these payments expecting that a Contract to Sell will be issued in his favor pursuant to the representations of Empire East's sales agent. Since Empire East failed to follow through, then the full amount must be returned to Bautista.

Lastly, the Court rejects Empire East's claim that Republic Act No. 6552, or the Realty Installment Buyer Act, applies to the refund of the amount paid by Bautista. As correctly observed by the CA, the parties never agreed on any Contract to Sell, since the transaction never made it past the reservation stage. Needless to state, a contract of sale was likewise never perfected as between the parties.

Considering the foregoing, the Court finds that the CA committed no error in ruling that Bautista is entitled to a refund of the PHP 130,000.00 he paid to Empire East.

Moreover, the Court finds it proper to award Bautista exemplary damages. In contracts and quasi-contracts, exemplary damages may be awarded, in the Court's discretion, when a party has acted in a wanton, fraudulent, reckless, oppressive, or malevolent manner. Such damages are imposed to deter socially undesirable conduct and to "reshape behavior" by acting as negative incentives.[34]

In this case, Empire East allowed the dispute to languish through a protracted appeals process, causing the case to remain in the court system for nearly 16 years, despite Bautista' s claim involving only the amount of PHP 130,000.00. While this sum is not insignificant to an ordinary Filipino, it is undeniable that a real estate corporation such as Empire East possessed the means and capacity to promptly satisfy the claim. Its refusal to do so is rendered even more unjustified by the fact that the validity of Bautista's claim was consistently affirmed by the HSAC Adjudicator, the HSAC, and the CA.

Accordingly, the Court awards Bautista exemplary damages in the amount of PHP 260,000.00, equivalent to twice the amount of the claimed refund. All monetary awards in his favor shall earn legal interest at the rate of 6% per annum from the finality of this Decision until fully paid, consistent with prevailing jurisprudence.[35]

ACCORDINGLY, the Petition for Review on Certiorari is DENIED. The Decision, dated July 28, 2023, and the Resolution, dated March 7, 2024, of the Court of Appeals in CA-G.R. SP No. 175501 are AFFIRMED WITH MODIFICATION as to the award of damages. Empire East Land Holdings, Inc. is ORDERED to PAY John Edrem Bautista the following amounts:

1. PHP 130,000.00 representing the refund of the amount John Edrem Bautista paid to Empire East Land Holdings, Inc., with interest of 6% per annum reckoned from the filing of the complaint on August 2, 2012; and

2. PHP 260,000.00 in exemplary damages.

Additionally, the total monetary award shall earn legal interest at the rate of 6% per annum from the date of finality of this Decision until full payment.

SO ORDERED.

Caguioa (Chairperson), Inting, Gaerlan, and Dimaampao, JJ., concur.

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[1] Rollo, pp. 9-44.

[2] Id. at 48-62. Penned by Associate Justice Apolinario D. Bruselas, Jr. and concurred in by Associate Justices Geraldine C. Fiel-Macaraig and Jennifer Joy C. Ong of the Fifth Division, Court of Appeals, Manila.

[3] Id. at 64-65. Penned by Associate Justice Apolinario D. Bruselas, Jr. and concurred in by Associate Justices Geraldine C. Fiel-Macaraig and Jennifer Joy C. Ong of the Former Fifth Division, Court of Appeals, Manila.

[4] Id. at 158-164. Penned by Commissioner Sergio E. Yap II and concurred in by Commissioner Fidel J. Exconde, Jr. and Executive Commissioner Melzar P. Galicia.

[5] Id. at 152-155. Penned by Presiding Adjudicator Atty. Joel M. Clamor.

[6] Id. at 49.

[7] Id.

[8] Id.

[9] Id.

[10] Id.

[11] Id. at l54-155.

[12] Id. at 153-154.

[13] Id. at 154.

[14] Id.

[15] Id. at 163.

[16] Id. at 162.

[17] Id. at 163.

[18] Id.

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[19] Id. at 182-184.

[20] Id. at 61.

[21] Id. at 57-58.

[22] Id. at 58-59.

[23] Id. at 59-60.

[24] Id. at 60-61.

[25] Gatan v. Vinarao, 820 Phil. 257, 265 (2017) [Per J. Leonardo-De Castro, First Division].

[26] Republic v. Caraig, 887 Phil. 827, 838 (2020) [Per J. Hernando, Second Division].

[27] The general rule for petitions filed under Rule 45 admits exceptions, to wit: (1) When the conclusion is a finding grounded entirely on speculation, surmises or conjectures; (2) When the inference made is manifestly mistaken, absurd or impossible; (3) Where there is a grave abuse of discretion; (4) When the judgment is based on a misapprehension of facts; (5) When the findings of fact are conflicting; (6) When the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee; (7) The findings of the Court of Appeals are contrary to those of the trial court; (8) When the findings of fact are conclusions without citation of specific evidence on which they are based; (9) When the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; and (10) The finding of fact of the Court of Appeals is premised on the supposed absence of evidence and is contradicted by the evidence on record. Miano v. Manila Electric Co., 800 Phil. 118, 123 (2016) [Per J. Leonen, Second Division].

[28] Gatan v. Vinarao, 820 Phil. 257, 265-266 (2017) [Per J. Leonardo-De Castro, First Division].

[29] Pelizloy Realty Corporation v. The Province of Benguet, 708 Phil. 466, 480 (2013) [Per J. Leonen, Third Division].

[30] 284-A Phil. 39 (1992) [Per J. Paras, Second Division].

[31] Id. at 45-46.

[32] 858 Phil. 970 (2019) [Per J. Leonen, Third Division].

[33] Id. at 998.

[34] See Sulpicio Lines, Inc. v. Karaan, 841 Phil. 239, 251-254 (2018) [Per J. Tijam, First Division].

[35] See Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc., 929 Phil. 754 (2022) [Per Acting C.J. Leonen, En Banc].

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