

BERT OSMEÑA & ASSOCIATES, INC., PETITIONERS, VS. THE COURT OF APPEALS AND SPOUSES PEDRO QUIMBO AND LEONADIZA QUIMBO, RESPONDENTS.

G.R. No. 56545. January 28, 1983

Ponente: MELENCIO-HERRERA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-56545/>

MELENCIO-HERRERA, J.:

Sought to be reversed in this Petition for Review on Certiorari is the Decision of respondent Court of Appeals in CA-G.R. No. 62601-R, entitled "Pedro Quimbo and Leonadiza Quimbo vs. Carmen Siguenza and Helena Siguenza, Bert Osmeña & Associates, Inc.", sentencing defendants, jointly and severally, to pay damages to the plaintiffs, who are the private respondents herein.

Upon a review of the evidence, we find as established: (1) that on June 3, 1971, a "Contract of Sale" over Lots 1 and 2, Block I, Phase II of the Clarita Subdivision, Cebu City, for the total price of P15,200.00, was executed in favor of the Quimbo spouses. The sellers were petitioner company, developer of the subdivision, and Carmen and Helena Siguenza, owners of the property, represented by petitioner. Antonio V. Osmeña signed the contract on behalf of the company. Signing as witness was one C. Siguenza.

(2) The spouses had intended to construct a house thereon inasmuch as their rented abode, for which they were paying P170.00 monthly, had become inconvenient for their family. Plans for the house were drawn. The spouses were ready to pay the purchase price in full even before the due date of the first installment and advised Helena Siguenza accordingly so that title in their names could be delivered to them. On the pretext that a road would traverse the lots purchased, Helena proposed to exchange another lot (Lot 409) with the same area for the lots purchased by the spouses to which the latter hesitatingly agreed. Until 1973, however, no title could be given the Quimbo spouses.

(3) It turned out that on December 15, 1969, or approximately a year and a half prior to the sale in the spouses' favor, Lots Nos. 1 and 2 had already been sold to Dr. Francisco Maningo (Exhs. "G" and "G-1"), and that Transfer Certificates of Title Nos. 48546 and 48547 were issued in favor of Irene Maningo on September 21, 1970 (Exhs. "H" and "H-1"), or about nine months before the sale. Annotated on said titles were mortgages in favor of petitioner.

(4) Discovering this fact only in 1973, respondent spouses instituted this suit for Damages against petitioner company and the Siguenzas on March 25, 1974.

In its judgment, the lower Court ordered petitioner company and the Siguenzas to pay damages to respondent spouses as follows:

"WHEREFORE, based on all the foregoing considerations, judgment is hereby rendered in favor of the plaintiffs and against the defendants ordering the latter:

To pay, jointly and severally, the plaintiffs P3,040.00, with interest at the legal rate from June 2, 1971 until the

same shall have been fully paid; P100,000.00 as compensation for the pecuniary loss plaintiffs suffered for failure to construct their residential house; P5,610.00 as reimbursement for the rentals plaintiffs paid from January 1972 to September 6, 1974; P50,000.00 as moral damages, P25,000.00 as exemplary damages, P5,000.00 as attorney's fees; and the costs."[1]

The Appellate Court affirmed the judgment of the Trial Court in toto. Hence, this recourse by petitioner company, advancing the following arguments:

- 1) The Honorable Court of Appeals seriously erred in not having considered the contract as having been novated by virtue of the change in the subject matter or object of the contract;
- 2) The courts below seriously erred for having found petitioner to have acted fraudulently where there is no evidence to support such a finding;
- 3) The Court of Appeals committed serious error in law when it held petitioner jointly and severally liable to pay P100,000.00 as compensation for the pecuniary loss suffered by Mrs. Quimbo;
- 4) The Court seriously erred in holding petitioner jointly and severally liable with the Siguenzas to pay moral damages to Quimbo, there being no evidence showing fraud or bad faith perpetrated by petitioner;
- 5) The lower court seriously erred in holding petitioner liable to pay the sum of P5,610.00 as reimbursement for rentals because Quimbo was no longer interested in the lots on which her house was supposed to have been constructed but sought only for reimbursement of the downpayment;
- 6) The Court below erred in holding petitioner liable jointly and severally for exemplary damages, attorneys fees and costs;
- 7) The court seriously erred in fact and in law in holding petitioner jointly and severally with the Siguenzas to return the downpayment.

Except for some items of damages awarded, we affirm.

1) Petitioner's contention that inasmuch as respondent spouses had agreed to exchange Lot 409 for Lots 1 and 2, the contract of sale had been novated and its liability extinguished, is untenable. No new contract was ever executed between petitioner and respondent spouses, notwithstanding Helena Siguenza's assurances to that effect. As held by respondent Court:

"This stand taken by appellant only reveals its misconception of novation. Novation is a contract containing two stipulations: one to extinguish an existing obligation, the other to substitute a new one in its place. It requires the creation of a new contractual relation as well as the extinguishment of the old. There must be a consent of all the parties to the substitution, resulting in the extinction of the old obligation and the creation of a new valid one (Tiu Suico vs. Habana, 45 Phil. 707)."[2]

2) Fraud has been established. As the trial Court had concluded:

"There is no question that the defendants have conveyed and disposed of Lots 1 and 2, Block I, Phase II of the Clarita Village Subdivision to the plaintiffs at a time when they were no longer the owners thereof. At the time of the execution of the contract of sale, their only interest thereon was a mortgage lien in the amount of P13,440.00. As mortgagee they did not have the right to sell the same. Helena and Carmen Siguenza did not reveal this fact to the plaintiffs and the latter relied on their assurances that the same belong to them. Bert Osmeña and Associates, Inc. as developer and at the same time attorney-in-fact for Carmen and Helena Siguenza similarly concealed this fact. Their efforts to cover up this fraud make the acts more detestable and obnoxious. Defendants demonstrated palpable malice, bad faith, wantonness and incurable dishonesty."[3]

The finding of fraud in this case was a finding of fact and there are no factors which can justify a reversal thereof.

- 3) The award in the amount of P100,000.00 representing pecuniary loss for not having been able to build a P100,000.00 house should be eliminated. Respondent spouses did not lose that amount. It was only the estimated cost of the house they were unable to construct. It was an expense item, not expected income.
- 4) The amount of P5,610.00 awarded representing rentals the spouses could have saved, from the time when the house was to be finished to the date when respondent Leonadiza testified in Court (January 1972 to September 6, 1974), should also be eliminated for being speculative. If they had built their P100,000.00 house, thus avoiding the payment of rentals, they would, on the other hand, be losing interest or income from that amount. Evidence that the plaintiff could have bettered his position had it not been for the defendant's wrongful act cannot serve as basis for an award of damages.[4]
- 5) Fraud and bad faith by petitioner company and the Siguenzas having been established, the award of moral damages is in order. Moral damages should be reduced, however, from P50,000.00 to P10,000.00.
- 6) Moral damages having been awarded, exemplary damages were also properly awarded.[5] They should be reduced, however, from P25,000.00 to P5,000.00.
- 7) The award of P5,000.00 as attorney's fees is affirmed inasmuch as respondent spouses were compelled to litigate for the protection of their interests.[6]
- 8) The portion of the Decision requiring petitioners and the Siguenzas to return the downpayment of P3,040.00 is also justified. The Quimbo spouses are entitled to the return of their downpayment, with interest at the legal rate from March 25, 1974 when the instant suit was commenced.[7]
- 9) Petitioner's plea for exception from liability for damages on the ground that it was a mere agent of the Siguenzas is untenable. The contract of sale describes petitioner as seller together with the Siguenzas. In fact, petitioner was the lone signatory for the sellers in said contract. As held by respondent Court:

"The contract . . . is clear that appellant is one of the sellers of the lots in question. We will not allow a variation of the terms of the written contract by parole evidence, for there is never an allegation in the appellant's answer that Exhibit 6-Osmeña does not express the true intent of the parties or that it is suffering from a vice or mistake or imperfection. Further, appellant never asserted in its answer that it is a mere agent of its co-defendant Helena. Indeed, the tenor of its Answer is one which shows its admission that it is a co-seller of all lots in subdivision which it is developing. We take particular attention to appellant's admission in its answer to the allegations in par. 4, 8 and 9 of appellees' complaint, which show that appellant was not an agent but a co-seller of the lots." [8]

ACCORDINGLY, the judgment appealed from is hereby modified in that petitioner is hereby ordered to pay private respondents the following sums: P3,040.00 with interest at the legal rate from March 25, 1974 until fully paid; P10,000.00 as moral damages; P5,000.00 as exemplary damages; and P5,000.00 as attorney's fees.

Costs against petitioner company.

SO ORDERED.

Teehankee (Chairman), Vasquez, Relova and Gutierrez, Jr., JJ., concur.
Plana, J., on official leave.

[1] Pp. 118-119, Record on Appeal.

[2] p. 32, SC Rollo.

[3] Pp. 113-114, Record on Appeal.

[4] Tolentino, Civil Code of the Philippines, Vol. V, p. 539 citing *National Bank vs. Welch Fairchild*, 44 Phil. 780, 791 (1923).

[5] Art. 2234, Civil Code.

[6] Art. 2208, par. 2, *ibid*.

[7] Art. 2212, *ibid*.

[8] p. 33, SC Rollo.

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.