

PRISCOLO SY, PETITIONER, VS. THE HON. COURT OF APPEALS AND JUSTINIANO QUIRINO, RESPONDENTS.

G.R. No. 58100. July 31, 1984

Ponente: CUEVAS, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-58100/>

CUEVAS, J.:

This is a Petition to Review on Certiorari the decision of the then Court of Appeals in its CA-G.R. No. 64688-R, which affirmed in toto on appeal the decision of the defunct Court of First Instance of Cebu in Civil Case No. R-15972, en-titled "Priscilo Sy vs. Justiniano Quirino - For: Specific Performance and Damages".

Petitioner Priscilo Sy (then plaintiff) was the registered owner of a parcel of land together with the improvements thereon, situated in the municipality of Minglanilla, Province of Cebu, and which is more particularly described as follows:

"A parcel of land (Lot 4740 of the Talisay-Minglanilla Estate, GLRC Record No. 3732) situated in the Municipality of Minglanilla. Province of Cebu, Island of Cebu. Bounded on the N. by Lot 4735, on the E. by Lot 4739, on the S. by road, and on the W. by road; containing an area of Eight Thousand Three Hundred Seventy One (8,371) square meters more or less per technical description appearing on covering Transfer Certificate of Title No. 21283, Registry of Deeds for the Province of Cebu."

On June 25, 1973, petitioner obtained a loan from the Development Bank of the Philippines (which will hereafter be referred to as DBP) in the amount of P113,200.00, and to secure the payment thereof, petitioner and his wife executed a Real Estate Mortgage in favor of the DBP on the aforementioned property.

On January 31, 1976, petitioner and respondent Justiniano Quirino entered into a lease agreement over the said property for a period of two (2) years, renewable by mutual consent for another period of two (2) years.

Meanwhile, petitioner defaulted in the payment of the stipulated amortizations on his loan with the DBP and the latter as mortgagee, sent to petitioner on June 29, 1976, a notice of foreclosure. Petitioner sought a re-structuring of said loan and an extension of payment, both of which were denied by DBP. Petitioner then turned to respondent Quirino, the lessee of the mortgaged property, and later negotiated with him for the sale thereof with assumption of mortgage.

On August 27, 1976, respondent Quirino with the conformity of petitioner sent a letter to the DBP proposing to assume the mortgage obligations of petitioner.

On September 10, 1976, petitioner and respondent, with the consent of their respective spouses, executed a Deed of Sale with Assumption of Mortgage of the property in question for and in consideration of One Peso (P1.00). Respondent further agreed to fully assume petitioner's obligation with the DBP in the total sum of P153,000.00 subject to the condition that the sale will be with the prior approval of the DBP and shall automatically take effect upon approval by said bank. (Exh. "1-C")

On November 26, 1976, and by way of approving the Sale with Assumption of Mortgage, DBP required

respondent and his wife to execute a Supplemental Deed of Sale with Assumption of Mortgage (Exh. "1"). On December 15, 1976, Transfer Certificate of Title No. 39578 of the land records of Cebu covering the mortgaged property was issued in the name of respondent Quirino and his wife.

It further appears that on September 10, 1976, petitioner and respondent executed a separate document (not notarized) denominated as Deed of Option to Re-purchase (Exh. "13"), the pertinent portion of which reads -

"That I, JUSTINIANO QUIRINO, as transferee of the said property, for and in consideration of the sum of ONE (P1.00) PESO, Philippine Currency, receipt of which is hereby acknowledged hereby GIVE and GRANT to Priscilo Sy, of legal age, Filipino; married to Corazon Jimenez, and with residence and post-office address at the barrio of Lipata, Municipality of Minglanilla, Province of Cebu, the option to repurchase the above-described real estate property together with all existing improvements found therein upon full payment by said Priscilo Sy to me of a total cash consideration that shall equal the total sum of all the amounts I shall have paid the Development Bank of the Philippines on the mortgage obligation I assumed from transferer Priscilo Sy plus interests on the said amounts at the rate of Twelve (12%) Percent per annum; it being understood that upon the exercise by him of his option to repurchase the aforementioned property; Priscilo Sy shall, aside from fully paying the aforementioned amounts, reimbursed me whatever expenses I might have incurred in the introduction or construction of additional permanent improvements on the above-described real estate property.

"That it is hereby stipulated that in the event Priscilo Sy shall unconditionally allow me or my heirs, successors and assigns adequate and reasonable time within which to remove and transfer from the premises all livestock; equipments, feeds, and personal properties belonging to me;

"That this option to repurchase granted shall be in force for a term of THREE (3) YEARS from the date of execution of this document and failure for whatever reason by Priscilo Sy to exercise his option to reacquire the property within the stipulated period shall automatically render this Deed of Option to Repurchase without force and effect and henceforth said Priscilo Sy shall forever be barred from repurchasing the said property;"

Another document entitled Deed of Occupancy was also executed on the same date, September 10, 1976, granting petitioner Sy the right to occupy and use for free for a term of three (3) years the - (a) residential house of strong materials which plaintiff shall use as family residence; and (b) one-half of the bodega building of strong materials which plaintiff may use for storage purposes.

On February 8, 1979 or barely five (5) months from the execution of the Deed of Option to Repurchase, petitioner, thru counsel, advised the respondent that he (petitioner) has opted to repurchase the property, pursuant to the right granted him under the Deed of Option to Repurchase further advising him that the amount of P14,941.76 that respondent had paid to the DBP was already deposited with his counsel's office.

On February 22, 1977, petitioner informed respondent that because of his unjustified refusal to collect the sum of P14,941.76 from his counsel, he had decided to consign the said amount with the Clerk of Court of the local CFI.

On February 13, 1977, the Clerk of Court wrote respondent advising him of the consigned amount with her office.

On February 26, 1977, respondent thru counsel wrote to the Clerk of Court informing her that he and his wife are not willing to accept the sum of P14,941.76 as repurchase price on the ground that -

- a) the exercise of the option is premature because the same must be exercised only after the expiration of three (3) years from September 10, 1976; and
- b) the repurchase price of P14,941.76 is grossly inadequate.

Hence, on March 9, 1977, petitioner filed an action for Specific Performance and Damages against respondent

Justiniano Quirino, which case was docketed as Civil Case No. R-15972 of the Court of First Instance of Cebu, Branch III.

Answering the complaint, respondent, then defendant, claims that the Deed of Option to Repurchase is invalid because it was not notarized and even if it was valid, the right to repurchase can be exercised only after the three (3) year-period specified in the agreement. Respondent further claims that the amount of P14,941.76 consigned with the Clerk of Court as the redemption money was inadequate.

After trial, the trial court rendered judgment, the dispositive portion of which reads -

"WHEREFORE, based on all the foregoing considerations, judgment is hereby rendered in favor of the defendant and against the plaintiff ORDERING:

"1. The dismissal of the complaint for lack of merit.

"2. Plaintiff to pay defendant: -

a) P15,000.00 as loss of income from an agency of Hub Floral Company of Boston;

b) P20,000.00 as reimbursement for salaries of security Guards from March to December, 1977; and thereafter at P2,000.00 per month;

c) P10,000.00 as reasonable attorney's fees;

d) P100,000.00 in concept of moral and exemplary damages; and

e) P5,000.00 as reasonable expenses of litigation; and to pay the costs."

From the aforesaid decision, petitioner appealed to the then Court of Appeals which docketed the appeal as CA-G.R. No. 64688-R. In a decision promulgated on February 2, 1981, the said court affirmed in toto the decision of the trial court.

Petitioner now comes to US through the instant petition praying for the reversal of the assailed decision contending that the Court of Appeals erred in:

I

Holding that the petitioner can repurchase the property only after three (3) years;

II

Holding that petitioner cannot compel respondent to have the deed of option to repurchase reduced to a public document;

III

Holding that the deed of sale with assumption of mortgage is not supplemented by the deed of option to repurchase and that the former is not a necessary part and parcel of the latter;

IV

Holding that the consignment made by petitioner on February 22, 1977 in the sum of P14,941.76 is grossly inadequate;

V

Holding that even if the deed of option to repurchase is valid, the case would have to be dismissed as being premature as to time and inadequate as to consideration; and

VI

Denying petitioner's claim for damages and awarding instead excessive damages to respondent.

all of which assigned errors may be synthesized into the important issues of -

- a) When can petitioner exercise his option to repurchase the property in dispute, is it within three (3) years from the date of the execution of the deed as contended by petitioner or after three (3) years as decreed by the lower court; and
- b) Are the damages awarded in favor of respondent justified.

The particular provision in the Deed of Option to Repurchase states - "that the option to repurchase shall be in force for a term of three (3) years from the date of the execution of said deed and failure for whatever reason, by the vendor to exercise his option to reacquire the property within the stipulated period shall automatically render the Deed of Option to Repurchase, without force and effect."

Interpreting the aforesaid provision, both the trial court and the Court of Appeals ruled that petitioner can exercise the option to repurchase only after a period of three (3) years. This is how the lower court and the Court of Appeals rationalized the said ruling -

"x x x plaintiff is a college drop-out, having completed second year commerce not just a simple farmer as he claims. The Court takes note that the property in litigation is a hog farm and that plaintiff had previously obtained a Special Piggery Project Loan of P113,200.00 which was ordered foreclosed by the Development Bank of the Philippines on June 29, 1976 for non-payment. To avoid foreclosure, as he was being "pressed by the bank" plaintiff sold the property to defendant on September 10, 1976, under a "Deed of Sale with Assumption of Mortgage" (Exh. B) which was to be effective upon the approval by the bank which came through in a 'Supplemental Deed of Sale' (Exh. 1) signed by defendant on November 26, 1976 wherein the Bank imposed new terms and conditions which defendant was able to comply with only on December 10, 1976, for which the title was issued to him, on December 15, 1976 (Exh. 15). Previous to this sale, plaintiff had leased the premises to defendant on January 30, 1976, for a term of two (2) years renewable for another two (2) years. Defendant testified that under the lease, he brought into the piggery, 280 heads of imported hogs and expected to dispose of them in a period of two (2) to three (3) years but due to quarantine regulations brought on by the hoof and mouth disease he needed more time to dispose of his stock.

"It would have been against reason for defendant to enter into an agreement with plaintiff that could terminate his occupancy in December 1976, when his lease would not have expired until January 31, 1978, and after a renewable (sic) thereof, to January 21, 1980. The reasons plaintiff gave to defendant that he needed that time (4 years) to find a place for his family and that if enriched by a 'sweepstakes prize' he would be able to redeem the property, indicated to defendant that plaintiff could not redeem the property at all.

The Court is satisfied, therefore, that the intention of the parties was to give plaintiff, a gratuitous right to repurchase the property if he happened to be so fortunate at the end of three (3) years. Neither party anticipated or expected or even imagined that this would be done suddenly two (2) weeks after approval of the Deed of Sale with Assumption of Mortgage or that the right could be exercised at anytime thereafter at the will of the plaintiff within the stipulated period of three (3) years.

If that were so, then plaintiff's plea for time to find another place for his family was a lie and defendant was

grievously misled by plaintiff who concealed his intentions. The word 'term' employed by Atty. Mario Delgado to express the desires of the parties is underscored by the desperate situation of plaintiff and the sympathetic response of the defendant. The latter's acceptance and understanding of the document as described above and in recognition of plaintiff's right is not inconsistent with its terms because redemption at the end of three (3) years still is, 'within the stipulated period'. Plaintiffs alleged attempts every week in December 1976 even if credible, before demand, is outside the contractual intention and agreement of the parties." [1]

We agree with the aforequoted findings and conclusions of the lower court which was affirmed on appeal in the now assailed decision of the then Court of Appeals.

It is a basic and fundamental rule in the interpretation of contract that if the terms thereof are clear and leave no doubt as to the intention of the contracting parties, then the literal meaning of the stipulations shall control but when the words appear contrary to the evident intention of the parties, the latter shall pre-vail over the former. [2] In order to judge the intention of the parties, their contemporaneous and subsequent acts shall be principally considered.

Testifying on the facts and circumstances that support the real and true intent of the parties with respect to the three-year period of redemption, respondent Quirino stated substantially, as follows -

"We had no agreement; we had no discussion about any repurchase at the time we submitted the proposal to the Bank on August 27; We did not have discussion; we did not have any agreement about any repurchase on 10 September when we signed the Deed of Sale. Several days after the 10th plaintiff went to the house of Atty. Delgado and asked him to prepare a Deed of Repurchase. So when Atty. Delgado came to the farm he said, "Why don't we give him the right to repurchase. He wants a period of four (4) years. [3]

"I had no prior knowledge of plaintiff going to Atty. Delgado with the purpose of asking him to prepare a repurchase agreement; but sometime on December 1976 Atty. Delgado was at the farm and he asked me: "Did you not give the plaintiff a copy of the Deed of Sale?" So I said: "Why?" And he said: "The plaintiff went to his house to ask for a copy." So I said: "Why should he want a copy when I just gave him a copy?" Then he related to me and only on that day did he relate to me that the plaintiff was the one who went to his house to ask him to prepare the Deed of Option. [4]

"In reply to the statement of Atty. Delgado re plaintiff's desire to repurchase, I was agreeable. I had no intention of remaining in Cebu forever. So I said: "I cannot agree to four (4) years. I said: I am agreeable to give him time up to three (3) years. So the plaintiff was then explaining to me that he needed four (4) years in order to find a place to live with his family, that he even said that if fortune should smile at him and he wins sweepstakes prize he might be able to redeem the property. [5]

"Concerning the repurchase agreement, plaintiff and I had a talk with Atty. Delgado, when Atty. Delgado said: "Let us give him the right to repurchase." He (plaintiff) was present and that is why he said, to justify the period of four (4) years, that he wanted that much time to find a place for his family to live on. [6]

"Together with the preparation of the repurchase agreement, Atty. Delgado said: "How about the house?" So I said: "Let him stay in the house." So you prepare two documents, one a Deed of Option to Repurchase and another, a Deed of Occupancy to remain in the premises for a period of three (3) years and the option was for a period of three (3) years. [7]

"It is not correct what plaintiff said that he had anytime within three (3) years to repurchase, he wanted the term longer than three years, and I was not agreeable to a repurchase in two weeks time or one (1) month's time because that involves me remaining in the premises, building the house in the premises, improving the area. So to my mind, the period was at least three (3) years. [8]

"Sometime on 30 January 76, plaintiff and I talked again on this subject in our farm in the presence of my wife.

I told him then that under our agreement you wait for three (3) years. That period is good for you as well as for me. So after three (3) years or at the end of the three (3) years, let us talk about it. I don't remember his reply anymore. He left off and a few days after that I went to Manila. When I got back on 22 Feb. 77, plaintiff's letter, Exh. "D", written thru his counsel, was already in my house.[9]

Clearly then, from the said respondent's testimony which stand unrebutted, what petitioner wanted was to exercise the option at the expiration of four (4) years and what the respondent agreed to was for petitioner to exercise the option at the end of three (3) years.

This must be so because at that time, respondent was occupying the property in question as a lessee of the petitioner for a period of two (2) years from January 31, 1976, renewable for another period of two (2) years or up to January 31, 1980. And, as such lessee, respondent had invested a substantial amount of money in connection with his business therein, which was the importation of livestock. The evidence on record shows that in 1976, when the deed of sale and the option to repurchase were executed respondent had 280 heads of imported hogs which he figured out he will be able to dispose of only in a period of about three (3) years. Therefore, respondent could not have agreed to a repurchase which may be done anytime within three (3) years from the execution of the deed.

Considering however that three (3) years had already elapsed since September 10, 1976 (execution of the Deed of Repurchase) the foregoing discussion is now rendered academic and there is no more any legal impediment to the exercise of the said right by the herein petitioner.

We now come to the question of damages. The award of P15,000.00 for loss of income and P20,000.00 as reimbursement for salaries of security guards should be eliminated. The alleged loss of income is not recoverable for being speculative. No receipts or any kind of evidence on the matter was presented to prove the same.[10]

As to the award of moral damages, while We find them to be justly due under the factual milieu,[11] however, We consider the sum of P100,000.00 excessive. The same must therefore be reduced to P10,000.00.

WHEREFORE, in view of the foregoing considerations, the judgment of the then Court of Appeals (now Intermediate Appellate Court) is MODIFIED by (1) eliminating the award of P15,000.00 for loss of income; and P20,000.00 as reimbursement for salaries; and (2) reducing the adjudged moral damages from P100,000.00 to P10,000.00. Except as thus modified the appealed decision is hereby AFFIRMED in all respect. SO ORDERED.

Concepcion, Jr., Guerrero, Abad Santos, and Escolin, JJ., concur.

Makasiar, J., (Chairman,) concurred with the dissent of J. Aquino.

Aquino, J., dissents. The petitioner should be allowed to repurchase the disputed piggery farm. He exercised his option to repurchase on February 8, 1977 or within three years from September 10, 1976, the stipulated term. The view that the option could be exercised after three years is manifestly absurd.

Votes to reverse the decision of the trial court and the Appellate Court and to grant petitioner's prayer in his complaint of March 4, 1977.

[1] 193-195, Record on Appeal

[2] Labasan vs. Lacuesta, 86 SCRA 16.

[3] TSN, BUO, p. 26.

[4] Id., p. 27

[5] Id., p. 27-28

[6] Id., p. 28

[7] Id., p. 19

[8] Id., p. 29-40

[9] Id., p. 42-43

[10] G. A. Machineries, Inc. vs. Yaptinchay, 126 SCRA 78; National Power Corporation vs. Court of Appeals, 113 SCRA 556

[11] pp. 201-202, Record on Appeal

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.