

RENE KNECHT, PETITIONER, VS. COURT OF APPEALS, AND KATHERINE H. WILLIAMS, RESPONDENTS.

G.R. No. 65114. February 23, 1988

Ponente: NARVASA, J.

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NARVASA, J.:

The application of the familiar doctrine of conclusiveness of the factual findings of the Court of Appeals, made upon its own assessment of the evidence,[1] is all that is needful to dispose of the case at bar.

Lilian Hamby, the private respondent's predecessor in interest, was the owner of two (2) lots in Baguio City, inclusive of a house thereon standing. Sometime in February, 1966, Rene Knecht, the petitioner, offered through intermediaries to buy this property for US\$47,500.00 payable on terms: US\$17,500.00 as down payment, and the balance of US\$30,000.00, in equal quarterly installments of US\$3,750.00 over a period of two (2) years. Knecht proposed at the same time the assumption by him of Hamby's lease on a beach property in Bauang, La Union.[2] Hamby accepted Knecht's offer to buy her Baguio property. So on April 20, 1966, Knecht paid Hamby US\$4,750.00 as earnest money, after having taken possession of the property a month earlier.[3]

Knecht was given photostatic copies of Hamby's two (2) titles to the lots on April 28, 1966.[4] He thereafter remitted to Hamby US\$3,625.00 in September, 1966 and another US\$3,625.00 in October, 1966, in partial completion of the stipulated down payment of US\$17,500.00.[5]

Knecht subsequently refused to make any further payments, however, and ignored Hamby's demands therefor, made thru an attorney-in-fact. Hamby then demanded in writing that Knecht vacate the premises, offering at the same time to return the money thus far paid by him, US\$12,000.00, minus the reasonable value of his use and occupation of the premises, set at P1,000.00 per month. This was followed by a notarial demand for rescission. These, Knecht also disregarded.[6]

Hamby thereupon filed suit in the Court of first Instance of Baguio and Benguet for the rescission of her agreement for the sale to Knecht of the Baguio property.[7] In this action, Knecht sought to justify his refusal to continue complying with his contractual commitments by (1) his discovery of what he considered to be a hidden defect in the subject of the projected sale, i.e., that the two Baguio lots were not contiguous, as he had been made to believe, but were actually separated from each other by a strip of public land cutting across the land and passing right under the house thereon standing -- the existence of which in his view conferred on him the right to "elect between withdrawing from the contract and demanding a proportionate reduction of the price with damages in either case";[8] and (2) Hamby's failure to assign to him the lease of her beach property at Bauang, La Union.[9] The Trial Court did not see it his way, however. It rendered judgment on May 2, 1972, ordaining the rescission of the contract between him and Hamby, and his vacation of the premises and restoration of possession thereof to the latter, but without obligation to pay rentals.

This judgment was, on appeal taken by Knecht, affirmed in toto by the Court of Appeals which promulgated its own decision on June 9, 1983.[10] The Appellate Court found that -

1)

when Knecht was furnished with photocopies of the titles to the property (on April 28, 1966) his reaction was one merely of mild surprise because, as he testified, "there was only one property offered and shown * * but it turned out that there were two titles";[11]

2)

he however made no complaint at the time, or even after an actual survey of the property was undertaken in October, 1966; in fact, he assured Hamby's attorney-in-fact that he would proceed with the consummation of the contract;[12] and

3)

as regards the assignment or transfer of the lease of the Bauang property to him, Knecht had been told as early as June or July, 1966 by Hamby's attorney-in-fact to forget about it as it was an entirely separate transaction; and this notwithstanding, Knecht had made two (2) payments in September and October, 1966 of US\$3,635.00 each on account of the down payment agreed upon.[13]

Upon these facts, the Court of Appeals declared that there was no hidden defect in the property subject of the agreement that Knecht could complain about, within the meaning of Article 1561 of the Civil Code; and in any case, even if the strip of public land on the property could be deemed a non-apparent defect, its legal effects had been waived.

The defect dealt with in the law is one that is hidden, which is unknown or could not have been known to the vendee; and even if the defect is not visible, it is not considered a hidden defect "if the vendee is an expert who, by reason of his trade or profession, should have known ** (it)."[14] Now, the existence of the strip of public land, the alleged hidden defect, could not but have been known by Knecht. Not only had he taken possession of the property within a month after the agreement; he had also been given the titles thereto not long afterwards. In other words, there was no attempt whatever to conceal from him the existence of that dividing piece of public land; indeed, the means and the opportunity of knowing of it had been given to him shortly after the acceptance of his offer to purchase Hamby's lots. The actual acquisition of that knowledge by Knecht may therefore not unreasonably be deemed to have taken place quite early in the game, specially considering his asserted status as a businessman of no mean repute and no little experience, a dealer in millions of pesos worth of realty.[15] It has been held that one "who contracts for the purchase of real estate in reliance on the representations and statements of the vendor as to its character and value, but after he has visited and examined it for himself, and has had the means and opportunity of verifying such statements, cannot avoid the contract on the ground that they were false or exaggerated."[16] Here, Knecht had ample opportunity to apprise himself of the condition of the land which he had undertaken to purchase (indeed, he had taken possession of it albeit without the vendor's prior knowledge and consent), and Hamby did nothing whatsoever to prevent him from making such investigation as he deemed fit; hence, "as was said in *Songco vs. Sellner* ** (37 Phil., 254), when the purchaser proceeds to make investigations by himself, and the vendor does nothing to prevent such investigation from being as complete as the former might wish, the purchaser cannot later allege that the vendor made false representations to him. (*National Cash Register Co. vs. Townsend*, 137 N.C., 652; 70 L.R.A., 349; *Williamson vs. Holt*, 147 N.C., 515.)"[17]

It seems obvious that for Knecht's appeal to have any chance of success at all, it is indispensable for the findings of fact of the Court of Appeals to be modified. For as those findings stand, his awareness of the existence of the

strip of public land dividing the two lots subject of his agreement to purchase cannot but be necessarily concluded, as also, his partial compliance and avowed willingness to continue to comply with his contractual undertakings even after acquiring knowledge thereof. This Court cannot however modify on appeal the Appellate Court's factual findings. It is axiomatic that the appellate jurisdiction of this Court is limited to reviewing errors of law, it being bound by the conclusions of fact of the Court of Appeals.[18] There are, to be sure, exceptions to this principle,[19] but none is disclosed in the instant case. In any event, those factual conclusions are justified by the evidence, as a review of the record demonstrates.

WHEREFORE, the Decision of the Court of Appeals dated June 9, 1983, upholding that of the Trial Court dated May 2, 1972, is affirmed in all respects, with costs against the petitioner.

Teehankee, C.J., Cruz, and Gancayco, JJ., concur.

Grino-Aquino, J., no part, did not participate in deliberation.

[1] PNB v. Vda. de Ong Acero, et al., G.R. No. 69255, Feb. 27, 1987; People v. Traya, G.R. No. L-48065, Jan. 29, 1987; Dee Hua Liong Electrical Equipment Corp. v. Reyes, et al., G.R. No. 72182, Nov. 25, 1986; Terunez v. IAC, 134 SCRA 414

[2] Rollo, p. 76

[3] Id., p. 80

[4] Id.

[5] Id., p. 77

[6] Id., p. 62; See Exh. "Q", original record;

[7] Id., p. 76

[8] Art. 1567, Civil Code

[9] Id., p. 81

[10] Id., pp. 22-24. Pascual, J., was the ponente; Paras and Camilon, JJ., concurred in a separate opinion.

[11] TSN, July 17, 1970, p. 106

[12] Rollo, pp. 23-24

[13] TSN, July 17, 1970, p. 149

[14] Art. 1561, Civil Code

[15] Id., p. 121

[16] Brown v. Smith, 109 Fed., 26, cited in Azarraga v. Gay, 52 Phil. 599, 603-604

[17] Azarraga v. Gay, 52 Phil. 599, 603

[18] SEE cases cited in footnote No. 1, p. 1, supra; Balde v. C.A., 150 SCRA 365, 367; Chua Giok Ong v. C.A., 149 SCRA 115, 119-120

[19] SEE, e.g., Chua Giok Ong v. C.A., supra; Manlapaz v. C.A., 147 SCRA 236, 239

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