

PILIPINAS BANK AS SUCCESSOR-IN-INTEREST OF AND/OR IN SUBSTITUTION TO, THE MANUFACTURERS BANK AND TRUST COMPANY, PETITIONER-APPELLANT, VS. INTERMEDIATE APPELLATE COURT (FOURTH CI...

G.R. No. 67881. June 30, 1987

Ponente: PARAS, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-67881/>

PARAS, J.:

This is an appeal by certiorari from the Decision[1] of the respondent court dated May 31, 1984 in CA-G.R. CV No. 67205 entitled "Jose W. Diokno and Carmen I. Diokno, plaintiffs-appellees, vs. The Manufacturers Bank and Trust Company, defendant-appellant" which affirmed the decision[2] of the Court of First Instance of Rizal (Pasig Branch XXI) in Civil Case No. 19660, the dispositive portion of which reads:

"WHEREFORE, judgment is rendered in favor of the plaintiffs and against the defendant, ordering the defendant Manufacturers Bank & Trust Company:

"1. To deliver to the plaintiffs the parcel of land described in Contract to Sell No. VV-18-(a) in the total area of 5,936 square meters and to execute in their favor the necessary deed of absolute sale therefor;

"2. To pay the sum of P556,160.00 less the amount due on the contract (i.e., the un-paid installments from December, 1966 until the contract would have been fully paid together with interest thereon up to March 25, 1974) with legal interest on said balance from April 22, 1974 until the same is fully paid;

"3. P50,000.00 by way of moral damages;

"4. P50,000.00 by way of exemplary damages;

"5. Ten per cent (10%) of the judgment by way of attorney's fees; and

"6. Costs of suit.

SO ORDERED"

(Rollo pp. 14-15)

The following are the undisputed facts of the case:

1. On April 18, 1961, Hacienda Benito, Inc. (petitioner's predecessor-in-interest) as vendor, and private respondents, as vendees executed Contract to Sell No. VV-18 (a) (Exh. A) over a parcel of land with an area of 5,936 square meters of the Victoria Valley Subdivision in Antipolo, Rizal, subject to the following terms and conditions, among others, relevant to this petition:

(a) The total contract price for the entire 5,936 square-meter-lot was P47,488.00;

(b) Of the total sum, an amount of P12,182.00 was applied thereto so as to reduce the balance on the principal

to P35,306.00;

(c) The aforesaid balance, together with the stipulated interest of 6% per annum, was to be paid over a period of 8-1/2 years starting on May 1, 1961 at a monthly installment of P446.10 until fully paid--although this monthly installment was later adjusted to the higher amount of P797.86, starting on April 1, 1965;

(d) Upon complete payment by the vendee of the total price of the lot the vendor shall execute a deed of sale in favor of the vendee;

(e) The contract shall be considered automatically rescinded and cancelled and of no further force and effect upon failure of the vendee to pay when due, three or more consecutive installments as stipulated therein or to comply with any of the terms and conditions thereof, in which case the vendor shall have right to resell the said parcel of land to any person interested, forfeiting payments made by the vendee as liquidated damages.

2. On July 27, 1965, petitioner sent to private respondents a Statement of Account (Exh. F-1) requesting remittance of installment arrears showing partial payments for the month of April 1965 and May 1965 and complete default for June, July and August, 1965;

3. Likewise, on August 31, 1965, petitioner sent to private respondents another Statement of Account with the additional entries of interests and the incoming installment for September, 1965;

4. In partial compliance with the aforesaid Statements of Account, private respondents paid on September 3, 1965 the sum of P1,397.00 which answers for the installments for the months of June 1965 to August 1965;

5. On March 17, 1967, petitioner sent private respondents a simple demand letter showing a delinquency in their monthly amortizations for 19 months (Exh. 9);

6. On April 17, 1967, petitioner again sent private respondents a demand letter showing total arrearages of 20 months as of April 1965, but this time advising that unless they up-date their installment payments, petitioner shall be constrained to avail of the automatic rescission clause (Exh. 10);

7. On May 17, 1967, private respondents made a partial payment of P2,000.00 with the request for an extension of 60 days from May 17, 1967 within which to up-date their account (Exh. 10-a);

8. On July 17, 1967, private respondents wrote a letter to petitioner asking another extension of sixty (60) days to pay all their arrearages and update their payments under Contract No. VV-18(a);

9. On September 18, 1967, private respondents paid P5,000.00 as partial payment and requested an extension of another 30 days from September 18, 1967 within which to up-date their account (Exh. 10-c);

10. On October 19, 1967, however, private respondents failed to update their arrearages and did not request for any further extension of time within which to update their account;

11. After almost three (3) years, or on July 16, 1970, private respondents wrote a letter to petitioner requesting for a Statement of Account as of date in arrears and interests (Exh. 10-d), to which petitioner made a reply on July 22, 1970 (Exh. 11);

12. On May 19, 1971, petitioner wrote a letter to private respondents, reminding them of their balance which will be due on the 31st instant (Exh. J);

13. More than two (2) years from May 19, 1971 or on July 5, 1973, private respondents wrote a letter to petitioner expressing their desire to fully settle their obligation, requesting for a complete statement of all the balance due including interests;

14. On March 14, 1974, private respondents wrote a letter reiterating their request in their letter dated July 5, 1973, which has not been complied with despite several follow-ups (Exh. O);

15. On March 25, 1974, private respondent Carmen I. Diokno went to see the Chairman of petitioner's Board of Directors on the matter informing him that she had a buyer who was ready to purchase the property;

16. On March 27, 1974, petitioner wrote a letter to private respondents, informing them that the contract to sell had been rescinded/cancelled by a notarial act, to which letter was annexed a "Demand for Rescission of Contract" notarized on March 25, 1974 (Exh. 12);

17. In view of the foregoing, private respondents filed a Complaint for Specific Performance with Damages to compel petitioner to execute a deed of sale in their favor, and to deliver to them the title of the lot in question.

18. Petitioner filed an Answer with counterclaim for damages in the form of attorney's fees, claiming that Contract to Sell No. VV-18 (a) has been automatically rescinded or cancelled by virtue of private respondents' failure to pay the installments due in the contract under the automatic rescission clause.

19. After trial, the lower court rendered a decision in private respondents' favor, holding that petitioner could not rescind the contract to sell, because:

(a) petitioner waived the automatic rescission clause by accepting payment on September 1967, and by sending letters advising private respondents of the balances due, thus, looking forward to receiving payments thereon;

(b) in any event, until May 18, 1977 (when petitioner made arrangements for the acquisition of additional 870 square meters) petitioner could not have delivered the entire area contracted for, so, neither could private respondents be liable in default, citing Art. 1189 of the New Civil Code. (Decision pp. 141-148, Amended Record on Appeal).

Said decision was affirmed on appeal.

Hence, this Petition For Review on Certiorari, raising the main issue of whether or not the Contract to Sell No. VV-18(a) was rescinded or cancelled, under the automatic rescission clause contained therein.

We find the petition meritless. While it is true that in the leading case of *Luzon Brokerage Co., Inc. vs. Maritime Building Co., Inc. and Myers Building Co.*, 43 SCRA 93 the Supreme Court reiterated among other things that a contractual provision allowing "automatic rescission" (without prior need of judicial rescission, resolution or cancellation) is VALID, the remedy of one who feels aggrieved being to go to Court for the cancellation of the rescission itself, in case the rescission is found unjustified under the circumstances, still in the instant case there is a clear WAIVER of the stipulated right of "automatic rescission", as evidenced by the many extensions granted private respondents by the petitioner. In all these extensions, the petitioner never called attention to the proviso on "automatic rescission".

WHEREFORE the assailed decision is hereby AFFIRMED but the actual damages are hereby reduced to P250,000.00 (the profit private respondents could have earned had the land been delivered to them at the time they were ready to pay all their arrearages) minus whatever private respondents still owe the petitioner (with the stipulated 6% annual interest up to March 25, 1974) as a result of the contract.

SO ORDERED.

Fernan, (Chairman), Gutierrez, Jr., Padilla, and Cortes, JJ., concur.

Bidin, J., no part. I participated in the appealed decision of the Court of Appeals.

[1] Penned by Justice Porfirio V. Sison concurred in by Justices Abdulwahid A. Bidin, Marcelino R. Veloso, and Desiderio P. Jurado.

[2] Penned by Judge Gregorio G. Pineda.

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.