

ANTONIO LAYUG, PETITIONER, VS. INTERMEDIATE APPELLATE COURT AND RODRIGO GABUYA, RESPONDENTS.

G.R. No. 75364. November 23, 1988

Ponente: NARVASA, J.

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NARVASA, J.:

Involved in the appellate proceedings at bar is a contract for the purchase on installments by Antonio Layug of twelve (12) lots owned by Rodrigo Gabuya, situated at Barrio Bara-as, Iligan City. The contract, entered into on October 4, 1978, set the price for the lots at P120,000.00, payable in three (3) yearly installments, viz:

"1.

P40,000.00, Philippine Currency, upon the signing of this agreement/contract.

"2.

Another P40,000.00 after twelve (12) months or one year from the signing of the contract/agreement.

"3).

The balance of P40,000.00 after 24 months or two years from the signing of the contract/agreement."

The contract also provided for the automatic cancellation of the contract and forfeiture of all installments thus far paid, which would be considered as rentals for the use of the lots, to wit:

" * * (S)hould the vendee fail to pay any of the yearly installments when due or otherwise fail to comply with any of the terms and conditions herein stipulated, then this deed of conditional sale shall automatically and without any further formality, become null and void, and all sums so paid by the vendee by reason thereof, shall be considered as rentals and the vendor shall then and there be free to enter into the premises, take possession thereof or sell the properties to any other party." [1]

Layug paid the first two annual installments, totalling P80,000.00. But he failed to pay the last installment of P40,000.00, which fell due on October 5, 1980. Gabuya made several informal demands for payment; and when all these proved unavailing, he made a formal written demand therefor under date of April 18, 1981 which was sent to and received by Layug by registered mail. When this, too, went unheeded, Gabuya finally brought suit in the Court of First Instance of Lanao del Norte for the annulment of his contract with Layug and for the recovery of damages. [2]

The Trial Court's judgment went against Layug. It declared the contract of conditional sale cancelled, and forfeited in Gabuya's favor all payments made by Layug, considering them as rentals for the 12 lots for the period from the perfection of the contract in 1978 to June 11, 1981, besides requiring him to pay attorney's fees. [3] The

judgment was, on appeal, affirmed by the Court of Appeals, except that it made the application of the forfeited payments, as rentals, extend up to the date of its decision: August 30, 1985.[4]

The Appellate Court overruled Layug's claim that the contract had not fixed the date for the payment of the third and last installment and consequently, he could not be considered to have defaulted in the payment thereof. A reading of the contract immediately makes possible the determination of the due dates of each yearly installment intended by the parties: the first, on October 4, 1978, the date of the execution of the contract; the second, after 12 months or 1 year "from the signing of the contract/agreement," or on October 5, 1979, and the third, or last, after "24 months from ** (such) signing," or on October 5, 1980." That it was so understood by Layug is established by the evidence. As observed by the Court of Appeals, when Layug "paid the first (second, actually) yearly installment of P40,000.00 on January 24, 1980, or three (3) months and twenty (20) days beyond October 4, 1979, he paid an additional amount of P800.00 as interest. If he did not agree that the first (second) installment was due on October 4, 1979, it puzzles Us why he had to pay an additional amount of P800.00 which was included in the receipt, Exhibit '6'." [5]

Correctly overruled, too, was Layug's other claim that there was some doubt as to the amount of the balance of his obligation -- by his computation he only owed P30,000.00, since there was an advance payment of P10,000.00 made by him for which he should be credited --- and this had to be first resolved before his obligation to pay the last installment could be exigible. The Court of Appeals declared this to be but a lame excuse for his delinquency; the P10,000.00 was in truth part payment of the first installment of P40,000.00; for had it been otherwise, the document of sale would have reflected it as a separate and distinct payment from the first installment of P40,000.00 paid upon the signing of the agreement; but Layug subscribed to the contract without asking for its revision. According to the Court of Appeals, "If the theory of the defendant-appellant that the P10,000.00 was separate and distinct from the down payment of P40,000.00, then the balance as set forth in sub-pars. 2 and 3 quoted above should have been (correspondingly amended, e.g.,) P35,000.00 each, or a total of P70,000.00 for both installments, instead of P40,000.00 per installment, or a total of P80,000.00." [6]

Prescinding from the well established and oft applied doctrine that the findings of fact of the Court of Appeals are conclusive and generally binding even on this Court,[7] nothing in the record has been brought to our attention to justify modification, much less reversal, of those findings.

Petitioner adverts to the stipulation in his contract (a) granting him, as vendee, a "30 days grace period within which to pay" any yearly installment not paid within the time fixed therefor, and (b) declaring him liable, in the event of his failure to pay within the grace period, "for interest at the legal rate." He argues that the stipulation indicates that rescission was not envisioned as a remedy against a failure to pay installments; such failure was not ground for abrogating the contract but merely generated liability for interest at the legal rate. The argument is unimpressive. It would negate the explicit provision that the failure to pay any of the yearly installments when due (or to comply with any other covenant) would automatically render the contract null and void. The stipulations of a contract shall be interpreted together, the law says,[8] attributing to the doubtful ones that sense which may result from all of them taken jointly. The grace period clause should be read conjointly with the stipulation on rescission, and in such a manner as to give both full effect. It is apparent that there is no such inconsistency between the two as would support a hypothesis that one cannot be given effect without making the other a dead letter. The patent and logical import of both provisions, taken together, is that when the vendee fails to pay any installment on its due date, he becomes entitled to a grace period of 30 days to cure that default by paying the amount of the installment plus interest; but that if he should still fail to pay within the grace period, then rescission of the contract takes place. It was for the judicial affirmation of this plain proposition that the private respondent instituted the original action for annulment which has given rise to this appeal.

Layug posits that, at the very least, he is entitled to a conveyance of at least 8 of the 12 lots subject of the conditional sale, on the theory that since the total price of the 12 lots was P120,000.00, each lot then had a value of P10,000.00 and, therefore, with his P80,000.00, he had paid in full the price for 8 lots. In support, he invokes our earlier rulings in *Legarda Hermanos v. Saldaña*[9] and *Calasanz v. Angeles*.^[10] The cited precedents are however inapplicable. In *Legarda Hermanos*, the contract of sale provided for payment of the price of two (2) subdivision lots at P1,500.00 each, exclusive of interest, in 120 monthly installments, and at time of default, the buyer had already paid P3,582.00, inclusive of interest; and in *Calasanz*, the agreement fixed a price of P3,720.00 with interest at 7% per annum, and at time of default, the buyer had paid installments totaling P4,533.38, inclusive of interest. Upon considerations of justice and equity and in light of the general provisions of the civil law, we resolved in *Legarda Hermanos* to direct the conveyance of one of the lots to the buyer since he had already paid more than the value thereof, and in *Calasanz*, to disallow cancellation by the seller and direct transfer of title to the buyer upon his payment of the few installments yet unpaid. In both said cases, we strove to equitably allocate the benefits and losses between the parties to preclude undue enrichment by one at the expense of the other; and by this norm, Layug cannot be permitted to claim that all his payments should be credited to him in their entirety, without regard whatever to the damages his default might have caused to Gabuya.

It is not however possible, in any event, to apply the rulings in *Legarda Hermanos* and *Calasanz* to the case at bar; i.e., to resort to principles of equity and the general provisions of the Civil Code in resolution of the controversy. That was done in the cited cases because there was at then no statute specifically governing the situation. It was not so as regards the instant case. At the time of the execution of the contract in question, and the breach thereof, there was a statute already in force and applicable thereto, Republic Act No. 6552.^[11] This statute makes unnecessary if not indeed improper, a resort to analogous provisions of the Civil Code. It also precludes a resort to principles of equity it being axiomatic that where there is an adequate remedy at law available to the parties, equity should not come into play.^[12] And it allows a mitigation of the impact of the stringent contractual provisions on Layug and makes possible the grant of some measure of relief to him under the circumstances of the case.

R.A. 6552 governs sales of real estate on installments. It recognizes the vendor's right to cancel such contracts upon failure of the vendee to comply with the terms of the sale, but imposes, chiefly for the latter's protection, certain conditions thereon. We have had occasion to rule that "even in residential properties," the Act "recognizes and reaffirms the vendor's right to cancel the contract to sell upon breach and non-payment of the stipulated installments **."^[13]

The law provides *inter alia*^[14] that "in all transactions or contracts involving the sale or financing of real estate on installment payments, including residential condominium apartments *** ,^[15] where the buyer has paid at least two years of installments, the buyer is entitled to the following rights in case he defaults in the payment of succeeding installments:

[Grace Period]

"(a) To pay, without additional interest, the unpaid installments due within the total grace period earned by him which is hereby fixed at the rate of one month grace period for every year of installment payments made: Provided, That this right shall be exercised by the buyer only once in every five years of the life of the contract and its extensions, if any;

[Refund of "Cash Surrender Value"]

"(b) If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to fifty percent of the total payments made and, after five years of installments, an additional five per cent every year but not to exceed ninety per cent of the total payments made; Provided, That

the actual cancellation of the contract shall take place after thirty days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer."

In the case at bar, Layug had paid two (2) annual installments of P40,000.00 each. He is deemed therefore, in the words of the law, to have "paid at least two years of installments." He therefore had a grace period of "one month ** for every year of installment payments made," or two (2) months (corresponding to the two years of installments paid) from October 5, 1980 within which to pay the final installment. That he made no payment within this grace period is plain from the evidence. He has thus been left only with the right to a refund of the "cash surrender value of the payments on the property equivalent to fifty percent of the total payments made," or P40,000.00 (i.e., 1/2 of the total payments of P80,000.00). Such a refund will be the operative act to make effective the cancellation of the contract by Gabuya, conformably with the terms of the law. The additional formality of a demand on Gabuya's part for rescission by notarial act would appear, in the premises, to be merely circuitous and consequently superfluous.

WHEREFORE, the decision of the Court of Appeals is AFFIRMED particularly in so far as it authorizes and sanctions the cancellation by private respondent Gabuya of his contract of sale with petitioner Layug, but is MODIFIED only in the sense that such cancellation shall become effective and fully, operative only upon payment to the latter's satisfaction of the "cash surrender value" of his payments, in the sum of P40,000.00. No costs.

Cruz, Gancayco, Griño-Aquino, and Medialdea, JJ., concur.

[1] Rollo, p. 216

[2] Id., p. 43. The suit was docketed as Case No. IV-726 and was raffled to Branch IV of the Court

[3] Rollo, p. 61: Brief for Appellant, p. 2

[4] The ponente was Quetulio-Losa, J., with whom concurred Gaviola, Jr. and Luciano, JJ.

[5] Rollo, p. 56

[6] Rollo, p. 57

[7] Estate of Rodolfo Jalandoni, etc. v. C.A., 144 SCRA 334; Republic v. I.A.C., 145 SCRA 25; Balde v. C.A., 150 SCRA 365; Cu Bie v. I.A.C., 154 SCRA 599; Knecht v. C.A., G.R. No. 65114, Feb. 23, 1988

[8] ART. 1374, Civil Code

[9] 55 SCRA 328

[10] 135 SCRA 323

[11] Effective Sept. 14, 1972

[12] 27 Am. Jur. 2d., p. 522

[13] Luzon Brokerage Co., Inc. v. Maritime Building Co., Inc., 86 SCRA 308

[14] Sec. 3

[15] ".. but excluding industrial lots, commercial buildings and sale to tenants under Republic Act Numbered

Thirty-eight hundred forty-four, as mended by Republic Act Numbered Sixty-three hundred eighty-nine

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