

SYLVIA LICHAUCO DE LEON, PETITIONER, VS. THE HON. COURT OF APPEALS, MACARIA DE LEON AND JOSE VICENTE DE LEON, RESPONDENTS.

G.R. No. 80965. June 06, 1990

Ponente: MEDIALDEA, J.

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MEDIALDEA, J.:

This is a petition for review on certiorari of the decision of the Court of Appeals in CA-G.R. CV No. 06649 dated June 30, 1987 affirming the decision of the Regional Trial Court of Pasig in SP Proc. No. 8492 dated December 29, 1983; and its resolution dated November 24, 1987 denying the motion for reconsideration.

The antecedent facts are as follows:

On October 18, 1969, private respondent Jose Vicente De Leon and petitioner Sylvia Lichauco De Leon were united in wedlock before the Municipal Mayor of Binangonan, Rizal. On August 28, 1971, a child named Susana L. De Leon was born from this union.

Sometime in October, 1972, a de facto separation between the spouses occurred due to irreconcilable marital differences, with Sylvia leaving the conjugal home. Sometime in March, 1973, Sylvia went to the United States where she obtained American citizenship.

On November 23, 1973, Sylvia filed with the Superior Court of California, County of San Francisco, a petition for dissolution of marriage against Jose Vicente. In the said divorce proceedings, Sylvia also filed claims for support and distribution of properties. It appears, however, that since Jose Vicente was then a Philippine resident and did not have any assets in the United States, Sylvia chose to hold in abeyance the divorce proceedings, and in the meantime, concentrated her efforts to obtain some sort of property settlements with Jose Vicente in the Philippines.

Thus, on March 16, 1977, Sylvia succeeded in entering into a Letter-Agreement with her mother-in-law, private respondent Macaria De Leon, which We quote in full, as follows (pp. 40-42, Rollo):

“March 16, 1977

“Mrs. Macaria Madrigal de Leon

12 Jacaranda, North Forbes Park

Makati, Metro Manila

Dear Doña Macaria:

This letter represents a contractual undertaking among (A) the undersigned, (B) your son, Mr. Jose Vicente de Leon, represented by you, and (C) yourself in your personal capacity.

You hereby bind yourself jointly and severally to answer for the undertakings of Joe Vincent under this contract.

In consideration for a peaceful and amicable termination of relations between the undersigned and her lawfully wedded husband, Jose Vicente de Leon, your son, the following are agreed upon:

Obligations of Jose Vicente de Leon and/or yourself in a joint and several capacity:

1. To deliver with clear title free from all liens and encumbrances and subject to no claims in any form whatsoever the following properties to Sylvia Lichauco-de Leon hereinafter referred to as the wife:

A. Suite 11-C, Avalon Condominium, Ortigas Ave., corner Xavier St., Mandaluyong, Rizal, Philippines.

B. Apartment 702, Wack Wack Condominium, Mandaluyong, Rizal, Philippines.

C. The rights to assignment of 2 Ayala lots in Alabang, Rizal (Corner lots, 801 sq. meters each). (Fully paid).

D. 2470 Wexford Ave., South San Francisco, California, U.S.A. (Lot 18 Block 22 Westborough Unit No. 2). (Fully paid).

E. 1) The sum of One Hundred Thousand Pesos (P100,000)

2) \$30,000

3) \$5,000

2. To give monthly support payable six (6) months in advance every year to any designated assignee of the wife for the care and upbringing of Susana Lichauco de Leon which is hereby pegged at the exchange rate of 7.50 to the dollar subject to adjustments in the event of monetary exchange fluctuations. Subsequent increase on actual need upon negotiation.

3. To respect the custody of said minor daughter as pertaining exclusively to the wife except as herein provided.

Obligations of the wife:

1. To agree to a judicial separation of property in accordance with Philippine law and in this connection to do all that may be necessary to secure said separation of property including her approval in writing of a joint petition or consent decree.

2. To amend her complaint in the United States before the Federal Court of California, U.S.A. entitled "Sylvia Lichauco de Leon vs. Jose V. de Leon" in a manner compatible with the objectives of this herein agreement. It is the stated objective of this agreement that said divorce proceedings will continue.

3. All the properties herein described for assignment to the wife must be assigned to Sylvia Lichauco de Leon upon the decree of the Court of First Instance in the Joint Petition for Separation of Property; except for the P100,000, \$30,000 and \$5,000 which will be paid immediately.

4. This contract is intended to be applicable both in the Republic of the Philippines and in the United States of America. It is agreed that this will constitute an actionable document in both jurisdictions and the parties herein waive their right to object to the use of this document in the event a legal issue should arise relating to the validity of this document. In the event of a dispute, this letter is subject to interpretation under the laws of California, U.S.A.

5. To allow her daughter to spend two to three months each year with the father upon mutual convenience.

Very truly yours,

(Sgd) Sylvia de Leon

t/ SYLVIA L. DE LEON

CONFORME:

s/t/ MACARIA M. DE LEON

with my marital consent:

s/t/ JUAN L. DE LEON”

On the same date, Macaria made cash payments to Sylvia in the amount of P100,000.00 and US \$35,000.00 or P280,000.00, in compliance with her obligations as stipulated in the aforestated Letter-Agreement.

On March 30, 1977, Sylvia and Jose Vicente filed before the then Court of First Instance of Rizal a joint petition for judicial approval of dissolution of their conjugal partnership, the main part of which reads as follows (pp. 37-38, Rollo):

“5. For the best interest of each of them and of their minor child, petitioners have agreed to dissolve their conjugal partnership and to partition the assets thereof, under the following terms and conditions - this document, a pleading being intended by them to embody and evidence their agreement:

x x x

“(c) The following properties shall be adjudicated to petitioner Sylvia Lichauco De Leon. These properties will be free of any and all liens and encumbrances, with clear title and subject to no claims by third parties. Petitioner Jose Vicente De Leon fully assumes all responsibility and liability in the event these properties shall not be as described in the previous sentence:

Sedan (1972 model)

Suite 11-C, Avalon Condominium, Ortigas Ave., corner Xavier St., Mandaluyong, Rizal, Philippines

Apt. 702, Wack-Wack Condominium, Mandaluyong, Rizal, Philippines

The rights to assignment of 2 Ayala lots in Alabang Rizal (corner lots, 801 sq. meters each) (Fully paid)

2470 Wexford Ave., South San Francisco, California, U.S.A. (Lot 18, Block 22 Westborough Unit 2) (Fully paid)

The sum of One Hundred Thousand Pesos (100,000.00)

\$30,000.00 at current exchange rate

\$5,000.00 at current exchange rate”

After ex-parte hearings, the trial court issued an Order dated February 19, 1980 approving the petition, the dispositive portion of which reads (p. 143, Rollo):

“WHEREFORE, it is hereby declared that the conjugal partnership of the Spouses is DISSOLVED henceforth, without prejudice to the terms of their agreement that each spouse shall own, dispose of, possess, administer and enjoy his or her separate estate, without the consent of the other, and all earnings from any profession, business or industries shall likewise belong to each spouse.”

On March 17, 1980, Sylvia moved for the execution of the above-mentioned order. However, Jose Vicente moved for a reconsideration of the order alleging that Sylvia made a verbal reformation of the petition as there was no

such agreement for the payment of P4,500.00 monthly support to commence from the alleged date of separation in April, 1973 and that there was no notice given to him that Sylvia would attempt verbal reformation of the agreement contained in the joint petition.

While the said motion for reconsideration was pending resolution, on April 20, 1980, Macaria filed with the trial court a motion for leave to intervene alleging that she is the owner of the properties involved in the case. The motion was granted. On October 29, 1980, Macaria, assisted by her husband Juan De Leon, filed her complaint in intervention. She assailed the validity and legality of the Letter-Agreement which had for its purpose, according to her, the termination of marital relationship between Sylvia and Jose Vicente. However, before any hearing could be had, the judicial reorganization took place and the case was transferred to the Regional Trial Court of Pasig. On December 29, 1983, the trial court rendered judgment, the dispositive portion of which reads (pp. 35-36, Rollo):

“WHEREFORE, judgment is hereby rendered on the complaint in intervention in favor of the intervenor, declaring null and void the letter agreement dated March 16, 1977 (Exhibits ‘E’ to ‘E-2’, and ordering petitioner Sylvia Lichauco De Leon to restore to intervenor the amount of P380,000.00 plus legal interest from date of complaint, and to pay intervenor the amount of P100,000.00 as and for attorney’s fees, and to pay the costs of suit.

“Judgment is likewise rendered affirming the order of the Court dated February 19, 1980 declaring the conjugal partnership of the spouses Jose Vicente De Leon and Sylvia Lichauco De Leon DISSOLVED; and adjudicating to each of them his or her share of the properties and assets of said conjugal partnership in accordance with the agreement embodied in paragraph 5 of the petition, except insofar as the adjudication to petitioner Sylvia L. De Leon of the properties belonging to and owned by Intervenor Macaria De Leon is concerned.

“Henceforth, (a) each spouse shall own, dispose of, possess, administer and enjoy his or her separate estate, present and future without the consent of the other; (b) all earnings from any profession, business or industry shall likewise belong to each of them separately; (c) the minor child Susana De Leon shall stay with petitioner Sylvia Lichauco De Leon for two to three months every year - the transportation both ways of the child for the trip to the Philippines to be at the expense of the petitioner Jose Vicente De Leon; and (d) petitioner Jose Vicente De Leon shall give petitioner Sylvia Lichauco De Leon the sum of P4,500.00 as monthly support for the minor child Susana to commence from February 19, 1980.

Sylvia appealed to the respondent Court of Appeals raising the following errors:

- 1) The trial court erred in finding that the cause or consideration of the Letter-Agreement is the termination of marital relations;
- 2) The trial court failed to appreciate testimonial and documentary evidence proving that Macaria de Leon’s claims of threat, intimidation and mistake are baseless; and
- 3) The trial court erred in finding that Sylvia Lichauco de Leon committed breach of the Letter-Agreement; and further, failed to appreciate evidence proving Macaria de Leon’s material breach thereof.

The respondent court affirmed the decision in toto. The motion for reconsideration was denied. Hence, the present petition.

The only basis by which Sylvia may lay claim to the properties which are the subject matter of the Letter-Agreement, is the Letter-Agreement itself. The main issue, therefore, is whether or not the Letter-Agreement is valid.

The third paragraph of the Letter-Agreement, *supra*, reads:

“In consideration for a peaceful and amicable termination of relations between the undersigned and her lawfully wedded husband, Jose Vicente De Leon, your son, the following are agreed upon:” (underscoring supplied)

It is readily apparent that the use of the word “relations” is ambiguous, perforce, it is subject to interpretation. There being a doubt as to the meaning of this word taken by itself, a consideration of the general scope and purpose of the instrument in which it occurs (see *Germann and Co. v. Donaldson, Sim and Co.*, 1 Phil. 63) and Article 1374 of the Civil Code which provides that the various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly, is necessary.

Sylvia insists that the consideration for her execution of the Letter-Agreement was the termination of property relations with her husband. Indeed, Sylvia and Jose Vicente subsequently filed a joint petition for judicial approval of the dissolution of their conjugal partnership, sanctioned by Article 191 of the Civil Code. On the other hand, Macaria and Jose Vicente assert that the consideration was the termination of marital relationship.

We sustain the observations and conclusion made by the trial court, to wit (pp. 44-46, Rollo):

“On page two of the letter agreement (Exhibit ‘E’), the parties contemplated not only to agree to a judicial separation of property of the spouses but likewise to continue with divorce proceedings (paragraphs 1 and 2, Obligations of the Wife, Exhibit ‘E-1’). If taken with the apparently ambiguous provisions in Exhibit ‘E’ regarding termination of ‘relations’, the parties clearly contemplated not only the termination of property relationship but likewise of marital relationship in its entirety. Furthermore, it would be safe to assume that the parties in Exhibit ‘E’ not having specified the particular relationship which they wanted to peacefully and amicably terminate had intended to terminate all kinds of relations, both marital and property. While there could be inherent benefits to a termination of conjugal property relationship between the spouses, the court could not clearly perceive the underlying benefit for the intervenor insofar as termination of property relationship between petitioners is concerned, unless the underlying consideration for intervenor is the termination of marital relationship by divorce proceedings between her son Jose Vicente and his wife petitioner Sylvia. The last sentence of paragraph 2 under “Obligations of the Wife” unequivocally states: “It is the stated objective of this agreement that said divorce proceedings (in the United States) will continue.” There is merit in concluding that the consideration by which intervenor executed Exhibit ‘E’ to ‘E-2’ was to secure freedom for her son petitioner Jose Vicente De Leon, especially if Exhibit ‘R’ - Intervenor, which is (sic) agreement signed by petitioner Sylvia to consent to and pardon Jose Vicente De Leon for adultery and concubinage (among others) would be considered. In the light, therefore, of the foregoing circumstances, this Court finds credible the testimony of intervenor as follows:

“Q Will you please go over the Exhibit ‘E’ to ‘E-2’ - intervenor consisting of three pages and inform us whether or not this is the letter of March 16, 1977 which you just referred to?

“A Yes, this is the letter.

“Q Why did you affix your signature to this Exh. ‘E’ - intervenor (sic)?

“A Because at that time when I signed it I want to buy peace for myself and for the whole family.

“Q From whom did you want to buy peace and/or what kind of peace?

“A I wanted to buy peace from Sylvia Lichauco whom I knew was kind of ‘matapang;’ so I want peace for me and primarily for the peaceful and amicable termination of marital relationship between my son, Joe Vincent and Sylvia.” (Deposition dated September 6, 1983 - Macaria de Leon, p. 6-7)

“This court, therefore, finds and holds that the cause or consideration for the intervenor Macaria De Leon in

having executed Exhibits 'E' to 'E-2' was the termination of the marital relationship between her son Jose Vicente De Leon and Sylvia Lichauco De Leon.

"Article 1306 of the New Civil Code provides:

'Art. 1306. The contracting parties may establish such stipulations, clauses, terms, and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order or public policy.'

'If the stipulation is contrary to law, morals or public policy, the contract is void and inexistent from the beginning.

"Art. 1409. The following contracts are inexistent and void from the beginning:

'(1) Those whose cause, object or purpose is contrary to law, morals, good customs, public order or public policy;

xxx

'(7) Those expressly prohibited or declared void by law.

'These contracts cannot be ratified. Neither can the right to set up the defense of illegality be waived.'

"But marriage is not a mere contract but a sacred social institution. Thus, Art. 52 of the Civil Code provides:

'Art. 52. Marriage is not a mere contract but an inviolable social institution. Its nature, consequences and incidents are governed by law and not subject to stipulations...'

"From the foregoing provisions of the New Civil Code, this court is of the considered opinion and so holds that intervenor's undertaking under Exhibit 'E' premised on the termination of marital relationship is not only contrary to law but contrary to Filipino morals and public policy. As such, any agreement or obligations based on such unlawful consideration and which is contrary to public policy should be deemed null and void." (underscoring supplied)

Additionally, Article 191 of the Civil Code contemplates properties belonging to the spouses and not those belonging to a third party, who, in the case at bar, is Macaria. In the petition for the dissolution of the conjugal partnership, it was made to appear that the said properties are conjugal in nature. However, Macaria was able to prove that the questioned properties are owned by her. Neither Sylvia nor Jose Vicente adduced any contrary evidence.

Granting, in gratia argumenti, that the consideration of the Letter-Agreement was the termination of property relations, We agree with the respondent court that (pp. 46-47, Rollo):

"x x x the agreement nevertheless is void because it contravenes the following provisions of the Civil Code:

'Art. 221. The following shall be void and of no effect:

'(1) Any contract for personal separation between husband and wife;

'(2) Every extra-judicial agreement, during marriage, for the dissolution of the conjugal partnership of gains or of the absolute community of property between husband and wife;'

Besides, the Letter-Agreement shows on its face that it was prepared by Sylvia, and in this regard, the ambiguity in a contract is to be taken contra proferentem, i.e., construed against the party who caused the ambiguity and could have also avoided it by the exercise of a little more care. Thus, Article 1377 of the Civil Code provides: "The interpretation of obscure words or stipulations in a contract shall not favor the party who caused the obscurity" (see *Equitable Banking Corp. vs. IAC*, G.R. No. 74451, May 25, 1988, 161 SCRA 518).

Sylvia alleges further that since the nullity of the Letter-Agreement proceeds from the unlawful consideration solely of Macaria, applying the *pari delicto* rule, it is clear that she cannot recover what she has given by reason of the Letter-Agreement nor ask for the fulfillment of what has been promised her. On her part, Macaria raises the defenses of intimidation and mistake which led her to execute the Letter-Agreement. In resolving this issue, the trial court said (pp. 148-151, Rollo):

“In her second cause of action, intervenor claims that her signing of Exhibits ‘E’ to ‘E-2’ was due to a fear of an unpeaceful and troublesome separation of her son with petitioner Sylvia Lichauco de Leon. In support of her claim, intervenor testified as follows:

‘Q Will you please inform us how did Sylvia Lichauco disturb or threaten your son or yourself?

‘A Despite the fact that Sylvia Lichauco voluntarily left my son Joe Vincent and abandoned him, she unashamedly nagged Joe and me to get money and when her demands were not met she resorted to threats like, she threatened to bring Joe to court for support. Sylvia threatened to scandalize our family by these baseless suits; in fact she caused the service of summons to Joe when he went to the United States.’ (Intervenor’s deposition dated Sept. 6, 1983, p. 8).

“On the other hand, petitioner Sylvia claims that it was intervenor and petitioner Jose Vicente who initiated the move to convince her to agree to a dissolution of their conjugal partnership due to the alleged extra-marital activities of petitioner Jose Vicente De Leon. She testified as follows:

‘Q Now in her testimony, Macaria Madrigal De Leon also said that you threatened her by demanding money and nagged her until she agreed to the letter agreement of March 1977, what can you say about that?

‘A I think with all the people sitting around with Atty. Quisumbing, Atty. Chuidian, my father-in-law, my sister-in-law and I, you know, it can be shown that this was a friendly amicable settlement that they were much really interested in settling down as I was. I think there were certain reasons that they wanted to get done or planned, being at that time Jose was already remarried and had a child. That since she then found out that since she was worried about what might be, you know, involved in any future matters. She just wanted to do what she could. She just want me out of the picture. So in no way, it cannot be said that I nagged and threatened her.’ (TSN dated December 8, 1983, p. 137-138)

“In resolving this issue, this Court leans heavily on Exhibit ‘R’ - intervenor, which was not controverted by petitioner Sylvia. A reading of Exhibit ‘R’ would show that petitioner Sylvia would consent to and pardon petitioner Jose Vicente, son of intervenor, for possible crimes of adultery and/or concubinage, with a string attached; that is, the transfer of the properties subject herein to her. There appears some truth to the apprehensions of intervenor for in petitioner Sylvia’s testimony she confirms the worry of intervenor as follows: “. . . being at that time Jose (De Leon) was already remarried and had a child. That since she (intervenor) found out that, she was worried about what might be, you know, involved in any future matters. She just want me out of the picture.” The aforesaid fear of intervenor was further corroborated by her witness Concepcion Tagudin who testified as follows:

‘Q Now, you mentioned that you were present when Mrs. Macaria De Leon signed this Exhibit ‘E-2,’ will you inform us whether there was anything unusual which you noticed when Mrs. Macaria M. De Leon signed this Exhibit ‘E-2’?

‘A Mrs. Macaria M. De Leon was in a state of tension and anger. She was so mad that she remarked: ‘Puñetang Sylvia ito bakit ba niya ako ginugulo. Ipakukulong daw niya si Joe Vincent kung hindi ko pipirmahan ito. Sana matapos na itong problemang ito pagkapirmang ito,’ sabi niya.’ (Deposition - Concepcion Tagudin, Oct. 21, 1983, pp. 10--11)

“In her third cause of action, intervenor claims mistake or error in having signed Exhibits ‘1’ to ‘E-2’

alleging in her testimony as follows:

‘Q Before you were told such by your lawyers what if any were your basis to believe that Sylvia would no longer have inheritance rights from your son, Joe Vincent?

‘A Well, that was what Sylvia told me. That she will eliminate any inheritance rights from me or my son Joe Vincent’s properties if I sign the document amicably. x x x’ (Intervenor’s deposition - Sept. 6, 1983, pp. 9-10).

“On the other hand, petitioner Sylvia claims that intervenor could not have been mistaken in her having signed the document as she was under advice of counsel during the time that Exhibits ‘E’ to ‘E-2’ was negotiated. To support such claims by Sylvia Lichauco De Leon, the deposition testimony of Atty. Vicente Chuidian was presented before this Court:

‘Atty. Herbosa: Now you mentioned Atty. Norberto Ouisumbing, would you be able to tell us in what capacity he was present in that negotiation?

‘Atty. Chuidian: He was counsel for Doña Macaria and for Joe Vincent, the spouse of Sylvia.’ (Deposition of V. Chuidian, December 16, 1983, p. 8)

“The New Civil Code provides:

‘Art. 1330. A contract where consent is given through mistake, violence, intimidation, undue influence or fraud is voidable.’

‘Art. 1331. In order that mistake may invalidate consent, it should refer to the substance of the thing which is the object of the contract, or to those conditions which have principally moved one or both parties to enter into a contract. x x x’

“The preponderance of evidence leans in favor of intervenor who even utilized the statement of the divorce lawyer of petitioner Sylvia (Mr. Penrod) in support of the fact that intervenor was mistaken in having signed Exhibits ‘E’ to ‘E-2’ because when she signed said Exhibits she believed that fact that petitioner Sylvia would eliminate her inheritance rights and there is no showing that said intervenor was properly advised by any American lawyer on the fact whether petitioner Sylvia, being an American citizen, could rightfully do the same. Transcending, however, the issue of whether there was mistake of fact on the part of intervenor or not, this Court could not see a valid cause or consideration in favor of intervenor Macaria De Leon having signed Exhibits ‘E’ to ‘E-2.’ For even if petitioner Sylvia had confirmed Mr. Penrod’s statement during the divorce proceedings in the United States that she would undertake to eliminate her hereditary rights in the event of the property settlement, under Philippine laws, such contract would likewise be voidable, for under Art. 1347 of the New Civil Code ‘no contract may be entered into upon future inheritance.’”

We do not subscribe to the aforestated view of the trial court. Article 1335 of the Civil Code provides:

“x x x.

“There is intimidation when one of the contracting parties is compelled by a reasonable and well-grounded fear of an imminent and grave evil upon his person or property, or upon the person or property of his spouse, descendants or ascendants, to give his consent.

“To determine the degree of the intimidation, the age, sex and condition of the person shall be borne in mind.

“A threat to enforce one’s claim through competent authority, if the claim is just or legal, does not vitiate consent.”

In order that intimidation may vitiate consent and render the contract invalid, the following requisites must

concur: (1) that the intimidation must be the determining cause of the contract, or must have caused the consent to be given; (2) that the threatened act be unjust or unlawful; (3) that the threat be real and serious, there being an evident disproportion between the evil and the resistance which all men can offer, leading to the choice of the contract as the lesser evil; and (4) that it produces a reasonable and well-grounded fear from the fact that the person from whom it comes has the necessary means or ability to inflict the threatened injury. Applying the foregoing to the present case, the claim of Macaria that Sylvia threatened her to bring Jose Vicente to court for support, to scandalize their family by baseless suits and that Sylvia would pardon Jose Vicente for possible crimes of adultery and/or concubinage subject to the transfer of certain properties to her, is obviously not the intimidation referred to by law. With respect to mistake as a vice of consent, neither is Macaria's alleged mistake in having signed the Letter-Agreement because of her belief that Sylvia will thereby eliminate inheritance rights from her and Jose Vicente, the mistake referred to in Article 1331 of the Civil Code, *supra*. It does not appear that the condition that Sylvia "will eliminate her inheritance rights" principally moved Macaria to enter into the contract. Rather, such condition was but an incident of the consideration thereof which, as discussed earlier, is the termination of marital relations.

In the ultimate analysis, therefore, both parties acted in violation of the laws. However, the *pari delicto* rule, expressed in the maxims "Ex dolo malo non oritur actio" and "In pari delicto potior est conditio defendentis," which refuses remedy to either party to an illegal agreement and leaves them where they are, does not apply in this case. Contrary to the ruling of the respondent Court that (pp. 47-48, Rollo):

"x x x. [C]onsequently, intervenor appellees' obligation under the said agreement having been annulled, the contracting parties shall restore to each other that things which have been subject matter of the contract, their fruits and the price or its interest, except as provided by law (Art. 1398, Civil Code)."

Article 1414 of the Civil Code, which is an exception to the *pari delicto* rule, is the proper law to be applied. It provides:

"When money is paid or property delivered for an illegal purpose, the contract may be repudiated by one of the parties before the purpose has been accomplished, or before any damage has been caused to a third person. In such case, the courts may, if the public interest will thus be subserved, allow the party repudiating the contract to recover the money or property."

Since the Letter-Agreement was repudiated before the purpose has been accomplished and to adhere to the *pari delicto* rule in this case is to put a premium to the circumvention of the laws, positive relief should be granted to Macaria. Justice would be served by allowing her to be placed in the position in which she was before the transaction was entered into.

With the conclusions thus reached, We find it unnecessary to discuss the other issues raised.

ACCORDINGLY, the petition is hereby DENIED. The decision of the respondent Court of Appeals dated June 30, 1987 and its resolution dated November 24, 1987 are AFFIRMED.

SO ORDERED.

Narvasa, (Chairman), Cruz, and Gancayco, JJ., concur.
Griño-Aquino, J., on leave.

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