

MARIA ARCIAGA VDA. DE UMALI & HEIRS OF THE LATE GREGORIO UMALI, PETITIONERS, VS. THE HONORABLE COURT OF APPEALS & METEOR COMPANY, INC., RESPONDENTS.

G.R. No. 85595. July 05, 1989

Ponente: GRIÑO-AQUINO, J.

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GRIÑO-AQUINO, J.:

The petitioners pray this Court to overturn the decision dated September 13, 1988 of the Court of Appeals in CA-G.R. CV No. 12681, entitled "Meteor Company, Inc., plaintiff-appellee vs. Sps. Gregorio Umali and Maria Arciaga, defendants-appellants," affirming in toto the decision dated January 27, 1986 of the Regional Trial Court of Rizal in Civil Case No. 3705 which ordered the parties to comply with the provisions of the contract to sell ("Kasunduan nang Pagbibilihan") dated December 21, 1967 which the late Gregorio Umali and his wife, petitioner Maria Arciaga Vda. de Umali, made in favor of the private respondent, Meteor Company, Inc., a real estate developer.

The dispositive part of the trial court's decision dated January 27, 1986 reads as follows:

"WHEREFORE, judgment is hereby rendered ordering the defendants to execute, upon payment by the plaintiff to them of the amount equivalent to 25% of the total purchase price agreed upon in the 'KASUNDUAN NANG PAGBIBILIHAN' (Exh. A) dated December 21, 1967, the Deed of Sale with Mortgage or 'BILIHAN NA MAY SANLA' adverted to in paragraph 3 of Exhibit A, covering the parcels of land described in Transfer Certificates of Title Nos. 13517 and 13616 of the Registry of Deeds of Rizal, under the terms, conditions and stipulations agreed upon by the plaintiff and the spouses Gregorio Umali and Maria Arciaga as contained and delineated in Exhibit A.

"The defendants are further ordered to pay, jointly and severally, to the plaintiff the amount of P5,000.00, as attorney's fees, aside from costs of suit." (pp. 36-37, Rollo.)

The spouses Gregorio Umali and Maria Arciaga were the registered owners of three (3) parcels of land with a total area of four (4) hectares more or less, covered by TCTs Nos. 13517, 13616, and 13224 of the Rizal Registry. These parcels of land adjoin a subdivision of Meteor Company, Inc.

On December 21, 1967, the Umali spouses signed a "Kasunduan nang Pagbibilihan" (Exh. A) in favor of Meteor Company, Inc. agreeing to sell those lots to Meteor for the price of P10 per square meter, deducting the portion subject of a right-of-way which they had earlier sold to Meteor for the construction of an access road to its adjoining subdivision. Meteor made a downpayment of P5,000. The balance of the price would be paid in four (4) installments after the termination of Civil Case No. 8973 which was filed by Eligio Hernandez against the Umalis in the Court of First Instance of Rizal involving the parcels of land subject of the "Kasunduan." Paragraphs 2(b), 3 and 4 of the agreement which are crucial to this case, provided thus:

"2. xxx xxx xxx

"b) Isang daan at dalawangpung araw (120) simula sa malinis, matapos at malagay na sa tahimik ang mga lupang nabanggit dahil sa ang asuntong nabanggit at pasyahan na nang pangkatapusan (final) nang Hukuman para sa mga NAGBIBILE, ang BUMIBILE ay muling magbabayad sa NAGBIBILE nang halagang dalawangput limang porciento (25%) nang Kabuuang halaga nang lupa, ibabawas ang P5,000.00 na ibayad na, at patuloy ang pagbabayad nang BUMIBILE sa NAGBIBILE sa tuwing ika?anim (6) na buwan, sa halagang 25% nang kabuuan halagang nabanggit hanggang sa matapusan ito.

"3. Na sa pagbayad nang katimbang nang 25% sa unang pagkakataon nabanggit sa itaas, ang NAGBIBILE at BUMIBILE ay lalagda nang BILIHAN NA MAY SANLA (Deed of Sale with Mortgage), na ililipat ang lupa sa BUMIBILE at ito naman ay ipananagot ang lupa din ito sa NAGBIBILE sa utang natitira;

"4. Na ang BUMIBILE ay maaring paghatihatiin ang lupa at gawin nang isang subdivision upang ipagbile sa publico, at bagamat ito'y nakasangla sa NAGBIBILE, ay sa tuwing magbabayad itong BUMIBILE ay halagang P10.00 bawat metro cuadrado ay ilalabas ang sangla ang loteng piliin na BUMIBILE (Partial Release of Mortgage). Ang lahat na naibayad nang BUMIBILE ay pagbabatayan sa paglabas nang mga lote sa sangla." (pp. 40-41, Rollo.)

Subsequently, it was discovered that the third parcel of land covered by TCT No. 13224 was not after all involved in Civil Case No. 8973, so the Umalis deeded the same to Meteor for the sum of P12,245. It is now titled in the name of Meteor.

On October 3, 1969, the Umalis signed a "Pagpapatibay" acknowledging and confirming the transactions with Meteor.

On November 22, 1976, Meteor's counsel wrote a letter to the Umalis reminding them to "inform us as to what is now the status of said case (Civil Case No. 8973) so that in the event that the case is terminated in your favor we have to implement the agreement mentioned." (pp. 16-17, Rollo.) The Umalis received the letter on November 30, 1976, but they did not answer it.

On April 9, 1980, Meteor sent another letter on the same subject and affirming that "soon as the case is terminated in your favor, we will immediately comply with the obligation incumbent upon the Meteor Company, Inc." (p. 17, Rollo.) The Umalis rejected personal service of the letter on them, so it was sent by registered mail and received for them by Natividad Umali. Again they did not respond.

The ominous silence of the Umalis should have put Meteor on guard that the Umalis had lost interest in consummating the "Kasunduan." But Meteor inexplicably took no steps to find out for itself the status of Civil case No. 8973 in which depended the consummation of their deal with the Umalis.

Ultimately, Civil Case No. 8973 was resolved in favor of the Umalis by the Court of Appeals in its decision of May 16, 1980 which became final on June 13, 1980.

On November 12, 1980, one month after the 120-day period had expired, Meteor discovered that Civil Case No. 8973 had already been decided by the Court of Appeals in favor of the Umalis on May 16, 1980 (CA-G.R. No. 50909-R) so, Meteor hastily advised the Umalis thus:

"Supplementing our letter to you dated April 5, 1980 which you received on April 10, 1980, we have followed the progress of the case involving the parcels of land entitled Eligio Fernandez, Plaintiff-Appellant versus Gregorio Umali and Maria Arciaga, Defendants-Appellees in the Court of Appeals which appears to have been decided since May 16, 1980, affirming your rights as owners thereof.

"In accordance with the agreement (Kasunduan ng Pagbibilihan) dated December 21, 1967 which you executed for consideration with my client Meteor Company, Inc., you are supposed to sell to them the

properties mentioned therein under the terms and conditions set forth in said agreement soon as the case is terminated. In fact, one of the parcels of land which was not litigated covered by TCT No. 13224 has been conveyed by you in favor of same client.

"In the event, that the records of the case have already been remanded to the court of origin, we demand that you immediately notify us so we can pay you equivalent 25% of the balance in accordance with the agreement.

"Your refusal to comply to the above will leave us no other recourse but to bring this matter to the proper court and hold you responsible for whatever damages my clients may incur in the enforcement of their rights under the agreement." (pp. 46-47, Rollo.)

As might be expected, the Umalis ignored said letter.

Meteor filed an action for specific performance with damages against the Umali spouses (later Gregorio Umali, upon his death, was substituted by his children and grandchildren) which was docketed as Civil Case No. 3705 in the Regional Trial Court of Rizal, Branch 148, in Makati. The Umalis argued that the buyer's failure to comply with paragraph 2(b) of their agreement had released them from its bind.

As previously stated, the decision of the trial court upholding the "Kasunduan" was affirmed by the Court of Appeals, hence, this petition for review by the widow Maria Arciaga Vda. de Umali and her children, raising the following issues:

1. Whether or not private respondent has complied with its obligation under Paragraph 2(b) of the "Kasunduan ng Pagbibilihan" or Contract to Sell (Exh. A);
2. Whether or not private respondent's three (3) letters (Exhs. D, F and G) may be considered as its compliance with its obligation under Paragraph 2(b) of the "Kasunduan" (Exh. A); and
3. Whether or not private respondent has any cause of action for specific performance against petitioners.

These issues boil down to the legal issue of the proper interpretation of paragraphs 2(b), 3 and 4 of the "Kasunduan". That "Kasunduan" which was prepared by Meteor itself, should be strictly construed against it.

The Court of Appeals held that "the fault lies x x x with appellants" (Umalis) for "the failure of appellee (Meteor) to pay the first 25% of the purchase price within 120 days from the finality of the judgment mentioned in paragraph 2(6) [should be 2(b)] of the contract" because "it behooves x x x for the sellers to notify the buyer when the case against them was finally terminated by the rendition of a judgment in their favor." (p. 49, Rollo.)

That ruling is erroneous. There is no stipulation whatsoever in the "Kasunduan" obligating the sellers to notify the buyer when Civil Case No. 8973 (or CA-G.R. No. 50909-R) will have been finally terminated by a final judgment in their favor. Meteor was fully aware of the pendency of the case in the Court of Appeals, hence, it could have followed up (as it subsequently did, but too late) the status of the case instead of relying on the illiterate spouses to inform it. It has no one to blame but itself for its failure to comply with its obligation under paragraph 2(b) of the "Kasunduan."

Admittedly the judgment of the Court of Appeals in CA-G.R. No. 50909-R became final on June 13, 1980. That final judgment cleared and quieted ("malinis, matapos, at malagay na sa tahimik") (p. 40, Rollo) the title of the Umalis to the parcels of land in question. Nothing else remained to be done but to count 120 days thereafter (up to October 11, 1980) within which the buyer should pay 25% of the purchase price of the property which it had contracted to buy from the Umalis.

It is noteworthy that under paragraphs 2(b), 3 and 4 of the "Kasunduan" earlier quoted, payment of the first 25% of the purchase price within 120 days after the termination of Civil Case No. 8973 in favor of the Umalis should

precede the execution of a Deed of Sale with Mortgage by the parties to secure payment of the balance of the purchase price to the Umalis. Paragraph 3 provides thus:

"3. Na sa pagbayad nang katimbang nang 25% sa unang pagkakataon nabanggit sa itaas, ang NAGBIBILE at BUMIBILE ay lalagda nang BILIHAN NA MAY SANLA (Deed of Sale with Mortgage) x x x."
(Underscoring supplied; p. 40, Rollo.)

Clearly, payment of the first 25% of the price within the time frame agreed upon was a condition sine qua non for the transfer of the property by the Umalis to Meteor under a Deed of Sale with Mortgage. Since Meteor failed to pay within the stipulated period, the Umalis were released from the bargain. They are entitled to the rescission of the "Kasunduan" with respect to the remaining unsold lots covered by their TCT Nos. 13517 and 13616. Accordingly, they should return to Meteor the sum of P5,000 which they received as downpayment for those lots Art. 1191, Civil Code; *Newton Jison, et al. vs. CA*, G.R. No. L-45349, August 15, 1988; *Gaite vs. Fonacier*, 2 SCRA 830).

WHEREFORE, the decision of the Court of Appeals in CA-G.R CV No. 12681 is hereby reversed and set aside. The complaint for specific performance with damages filed by Meteor Company, Inc. against the petitioners (Civil Case No. 3705, Regional Trial Court of Rizal) is dismissed. The "Kasunduan nang Pagbibilihan" is declared rescinded and the petitioners are ordered to return the downpayment of Five Thousand Pesos (P5,000) which they received from the private respondent on December 21, 1967 with legal interest as of that date until full restitution shall have been made. Costs against the private respondent.

SO ORDERED.

Narvasa, (Chairman), Cruz, Gancayco, and Medialdea, JJ., concur.

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