

**SPS. RICARDO B. VILLAMIL AND JOSEFINA C. VILLAMIL,
PETITIONERS, VS. THE HONORABLE COURT OF APPEALS (FORMER
16TH DIVISION) AND BENJAMIN S. LIM, RESPONDENTS.**

G.R. No. 88331. May 08, 1992

Ponente: CRUZ, J.

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CRUZ, J.:

The contract in question was interpreted by both the trial court and the respondent court in favor of the herein private respondent. The petitioners demur, claiming it has been misread and should now be set aright.

The instrument[1] reads in full as follows:

AGREEMENT TO SELL

This agreement executed by and among:

DR. RICARDO B. VILLAMIL and JOSEFINA C. VILLAMIL, both of legal age, spouses, Filipinos and residents of Dagupan City, hereinafter called the VENDORS,

- and -

BENJAMIN S. LIM, of legal age, married, Filipino and resident of Dagupan City, hereinafter called the VENDEE,

WITNESSETH:

WHEREAS, the VENDORS are the owners of a parcel of land (Lot 7 of the Cadastral Survey of Dagupan,) covered by TCT No. 33204 and more particularly described as follows:

A parcel of land (Lot 7 of the Cadastral Survey of Dagupan, LRC Cad. Record No. 914) situated in the City of Dagupan, Island of Luzon. Bounded on the N by Pantal River; on the E. by Lot 8; on the S. by Avenida Torres Bugallon; and on the W. by Lot 6, x x x containing an area of Seven Hundred Fifteen (715) square meters, more or less.

WHEREAS, the VENDORS have caused the subdivision of the above land into three Lots (7-A, 7-B and 7-C);

WHEREAS, the VENDEE will buy the three lots (7-A, 7-B and 7-C of the proposed subdivision plan for THREE MILLION FIVE HUNDRED THOUSAND PESOS (P3,500,000.00);

WHEREAS, the VENDEE will put in trust with the Dagupan City Rural Bank, Inc. the sum of One Million Pesos (P1,000,000.00) as evidenced by Certificates of Time Deposit pending the approval of the Subdivision Plan and the execution of the Deed of Absolute Sale on February 25, 1983;

WHEREAS, the Deed of Absolute Sale to be executed shall contain the following terms and conditions:

Down payment shall be ONE MILLION PESOS (P1,000,000.00); the Balance shall be paid in the following manner:

February 25, 1984 - - P1,250,000.00

February 25, 1985 - - P1,250,000.00

Total P2,500,000.00

WHEREAS, the amount of ONE MILLION PESOS (P1,000,000.00) put in trust to the VENDEE shall be refunded promptly by the VENDORS if and when the Deed of Absolute Sale could not be executed for any reason whatsoever.

NOW THEREFORE, premises considered, parties hereto have hereunto set their hands this 21st day of September, 1982 at Dagupan City, Philippines.

(SGD.) JOSEFINA C. VILLAMIL (SGD.) RICARDO B. VILLAMIL

(Vendor) (Vendor)

(SGD.) BENJAMIN S. LIM

(Vendee)

At the time of this transaction, the Villamil family held the controlling interest in the Dagupan City Rural Bank (DCRB), of which their son Rafael was the manager. The bank was then in sore need of loanable funds and in danger of closure by the Central Bank because of its liquidity problems.[2]

Upon the signing of the agreements, Lim delivered to Ricardo Villamil the sum of P400,000.00, for which he was issued the corresponding Certificate of Time Deposit by the manager of the DCRB.[3] On September 24, 1982, Lim delivered another P600,000.00, also to Ricardo Villamil, and received another DCRB Certificate of Time Deposit in that amount.[4]

On November 4, 1982, the petitioners entered into another agreement to sell the same property, this time to Natividad Sison and Jose Ang, likewise for the amount of P3,500,000.00 but payable within a shorter period.[5]

On February 25, 1983, the private respondent, invoking the Agreement to Sell in his favor, tendered payment of the initial P1,000,000.00 and demanded execution of the corresponding deed of sale over the subject property. This demand was ignored. Lim then sued the petitioners for specific performance and damages in the Regional Trial Court of Dagupan City.

On January 9, 1987, Judge Conrado V. Posadas rendered a decision[6] disposing as follows:

In view of all the foregoing considerations, the judgment is hereby rendered in favor of plaintiff:

- a) Ordering defendants to execute a Deed of Absolute Sale over the properties in question, in favor of plaintiff, upon payment by plaintiff of the agreed price of P3,500,000.00 as per their agreement within fifteen days from the finality of this decision;
- b) Ordering the defendants to pay P50,000.00 to plaintiff in the form of moral damages;
- c) Ordering defendants to pay plaintiff the amount of P20,000.00 as attorney's fees;
- d) Ordering the dismissal of the counterclaim of defendants and
- e) to pay the costs.

SO ORDERED.

The petitioners appealed to the Court of Appeals which, in a decision dated December 29, 1988, sustained the trial court.[7] The motion for reconsideration having been denied, the petitioners have come to this Court to seek relief.

The position of the petitioners is that Lim could no longer invoke their Agreement to Sell because he had himself violated it. No judicial rescission was necessary. They themselves could cancel it on the ground of Lim's refusal to comply with its stipulations.

The non-compliance, it is urged, consisted in Lim's failure to place the P1 million in trust in their name as stipulated in the Agreement to Sell. The petitioners stress the words "in trust " (which they point out were used twice in the Agreement to Sell) and maintain these should be given a strict legal connotation as importing "a right to property, real or personal, held by one party for the benefit of another; a confidence reposed in one person, who is termed the trustee, for the benefit of another, who is called a cestui que trust, respecting the property which is held by the trustee for the benefit of the cestui que trust; or any arrangement whereby property is transferred with the intention that it be administered by the trustee for another's benefit." [8] They claim that they had required Lim to constitute the trust as above defined but he had simply ignored them.

The petitioners argue that all Lim did was place the P1 million with the DCRB on an ordinary time deposit in his and his spouse's name. They insist that the transaction did not benefit them at all. The beneficiary was the DCRB, but they were not the bank although they had substantial equity in it. The DCRB was a different entity and had a distinct legal personality separate from theirs.

The reason they wanted the money to be placed in trust for them was so they could use it for the improvement of their fishpond and the rebuilding of their house that had been burned. The time deposit was not available to them for these purposes because it had been placed with the DCRB in the name of the Lim spouses, and neither had the certificates been endorsed to them.

Under these circumstances, the petitioners maintain, they had a right to rescind the Agreement to Sell and to sell the property to Sison and Ang.

For his part, the private respondent submits that the agreement was not to create a trust in the strict legal sense but merely to place the P1 million on time deposit with the DCRB, as clearly stipulated in the contract. The amount of P400,000.00 was immediately deposited in conformity with the agreement and was followed by the balance of P600,000.00 three days later. The money was accepted by Rafael Villamil with the knowledge of Ricardo Villamil, who expressed no objection.

The deposit was a welcome cash infusion to the DCRB which was then financially strapped and under pressure by the Central Bank to improve its operations. The real purpose of the deposit was not to help the Villamils personally but to solve the liquidity problems of the bank, of which they were the controlling stockholders.

Lim contends further that the Agreement to Sell was still subsisting when the subject property was sold by the petitioners to Sison and Ang. The unilateral rescission of the said agreement by the Villamils was illegal and ineffective. At the very least, it needed judicial confirmation, which was however denied by both the trial court and the respondent court.

The Court has considered the arguments of the parties in their respective pleadings in light of the conclusions of the trial and respondent courts. We find that the petition cannot be sustained. The decision penned by Justice Ricardo P. Tensuan is a well-reasoned exposition and resolution of the issues here raised and deserves to be affirmed.

One important consideration in this case is the fact that both Ricardo B. Villamil and Rafael Villamil are lawyers.[9] Lim is not. The record shows that the Agreement to Sell was drafted by the Villamils and not by Lim, who does not appear to have been assisted by his own counsel. The petitioners would degrade the DCRB counsel by claiming that all he did was the mechanical act of typing the instrument. If that be true, the reasonable inference is that it was either of the Villamils and not Lim who actually drafted it and it was also one of them who asked the counsel of the bank to type it.

Given this particular finding, we can only conclude that if indeed the petitioners meant the P1 million to be placed in trust for their personal benefit, they would have executed a proper trust agreement with all its legal requirements of form and substance. It would have been simple enough for Atty. Villamil, pere or fils, to copy the standard model in one of the books on legal forms familiar to every practicing lawyer.

Considering the amount involved, the petitioners were certainly less than careful when they so casually worded the Agreement to Sell in a manner that they now say did not reflect their real intention.

There is nothing in the record to show that Lawyer Villamil explained to Layman Lim that the Agreement to Sell as worded meant that Lim was to place the P1 million in trust for the petitioners. What it clearly said was that "the VENDEE will put in trust with the Dagupan City Rural Bank, Inc. the sum of One Million Pesos (P1,000,000.00) as evidenced by Certificates of Time Deposit."

Notably, Ricardo Villamil declared on cross examination that he did not state in the contract that Lim would have to endorse the certificates of time deposit because he was not sure Lim would continue with the transaction.[10] This would suggest not only that it was he who really drafted the Agreement to Sell but also that there was no intention to require Lim to place the money in trust for the Villamils.

This conclusion is bolstered by the fact that the DCRB is not allowed by its charter to accept trust placements, as the petitioners know or should know.

We agree with the respondent court that the words "in trust" were intended to be used in their ordinary sense and not as a strict legal concept. This is how Lim understood the phrase from his laymen's viewpoint. At any rate, assuming there is doubt about the real meaning of the contract, that doubt should be resolved against the party that undertook to draft it and is responsible for the ambiguity. The Civil Code clearly provides that:

Art. 1377. The interpretation of obscure words or stipulations in a contract shall not favor the party who caused the obscurity.

The petitioners' argument that they are not bound by the act of their son in accepting the time deposit instead of demanding a trust placement in their favor is a clutching at straws. The evidence shows that although the time deposit with DCRB was known to Ricardo Villamil, he nevertheless did not demand the execution of a trust agreement in his favor. He himself could have drafted that agreement for Lim's signature, but he did not.

The evidence is irrefutable that the petitioners accepted the deposit and benefited from it. They cannot now renounce it on the ground that it was for the benefit alone of the DCRB. In fact, they benefited from it personally because the Villamil family owns 60.26% of the DCRB stocks, with 31.42% in the name of Ricardo.[11]

The Court agrees that Lim would not have been so reckless as to place P1 million in a bank on the verge of bankruptcy simply out of the goodness of his heart. If he decided to do so, it was because of the assurance of the Villamils that he could buy the subject property pursuant to their Agreement to Sell.

If the petitioners really intended the money to be used for their strictly personal needs, there would have been no necessity for requiring Lim to make the time deposits. The parties could simply have demanded from him an

outright down payment of P1 million, subject also to refund if the sale did not materialize. If they required the time deposits with DCRB instead of the down payment to be made directly to them, it was because their first priority - and their more urgent problem - was to rescue their distressed bank.

Finally, we hold that the remedy of specific performance is not improper but in fact the logical relief against the petitioners for their refusal to comply with their obligation under the Agreement to Sell. The fact that Sison and Ang were not impleaded in the complaint is immaterial because satisfaction was being sought not from them but from the petitioner. Besides, the sale to them had not yet been consummated and title to the subject property remained with the petitioners. It is also significant that Sison and Ang were not concerned enough to intervene in the dispute between Lim and the Villamils and seemed to have no interest at all in their litigation.

What we see here is a clear illustration of bad faith. It is plain that after benefiting from the time deposits made by the private respondent, the petitioners reneged on their Agreement to Sell and decided to sell the property to other buyers who had offered more favorable conditions. The petitioners must stand by their solemn commitments. The Agreement to Sell is the law between the parties, and the petitioners have unjustly violated it to the prejudice of the private respondent. They are rightly made liable in the damages and other sanctions imposed by the courts below for not honoring their word.

WHEREFORE, the petition is DENIED. The decision of the Court of Appeals is AFFIRMED in toto, with costs against the petitioners. It is so ordered.

Narvasa, C.J., Griño-Aquino, Medialdea, and Bellosillo, JJ., concur.

[1] Rollo, p. 93.

[2] TSN, December 22, 1986, pp. 15, 18-19.

[3] Rollo, p. 95; TSN, December 23, 1986, p. 50.

[4] Ibid., p. 96; TSN, October 27, 1986, p. 11.

[5] Records, p. 48.

[6] Rollo, p. 37.

[7] Ibid., p. 99; Penned by Justice Ricardo P. Tensuan, with Aldecoa and Victor, JJ., concurring.

[8] Petition, pp. 14-15, quoting Black's Law Dictionary, 1979, p. 1352.

[9] TSN, October 27, 1986, p. 7.

[10] TSN, November 26, 1986, p. 44.

[11] Exhibit "7."

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