

SPOUSES VICENTE & SALOME DE LEON, PETITIONERS, VS. THE COURT OF APPEALS AND SPOUSES MANUEL & PRISCILLA FRANCO, RESPONDENTS.

G.R. No. 95511. January 30, 1992

Ponente: CRUZ, J.

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CRUZ, J.:

The facts of this case need not detain us for we are bound by the findings thereon of the respondent court in the absence of an adequate showing that they were reached arbitrarily. They are on the whole merely an affirmance of the findings of the trial court, which appears to have acted properly on the basis of the evidence before it.

That evidence showed that on March 7, 1982, the petitioners and the private respondents entered into the following –

AGREEMENT

We, SPS. VICENTE DE LEON and SALOME OLESCO DE LEON of legal age, Filipinos, and residents of 3026 Pilar Street, received in CASH from SPS. MANUEL H. FRANCO and PRISCILLA FRANCO the sum of FIFTY THOUSAND PESOS (P50,000.00), Philippine Currency, to pay for whatever necessary:

For the issuance of Certificate of occupancy from the Government Offices concern over our newly constructed house on our Lot 13, Block 32, Area-285 sq.m. embraced in TCT 124193;

For the issuance of Tax Declaration over the house and said Lot in our name; and such other expenses appurtenant, incidental or connected therewith;

and failure on our part to comply with our aforesaid obligations within two (2) months from date hereof, the sum of P50,000.00 shall be returned to Sps. Franco with interest at 12% per annum; however, if said obligations are completed, the Sps. Franco and us will execute a CONTRACT TO SELL for P530,000.00 to be paid in installment, as follows:

P100,000.00 - upon presentation of the papers mentioned above as approved; Franco take possession;

P20,000.00 - a month and every month thereafter until the entire balance is fully paid.

Our telephone 21-34-36 be left behind to be used by Sps. Franco for 3 years from sale.

Sps. Franco be in possession of TCT 123193 and other documents upon payment by Sps. Franco of the entire Loan and such other conditions that the parties may include in said Contract to Sell;

In the event that the Contract to Sell executed hereinafter be complied with, then Sps. Franco and us will execute a FINAL DEED OF SALE.

It is understood that upon payment of said P50,000.00 the Sps. Franco will enter the said House and make the necessary cleaning and improvements in said house.[1]

On May 11, 1982, petitioner Vicente de Leon, then confined at the Intensive Care Unit of the Chinese General Hospital, called for private respondent Manuel Franco, who came as requested. There they discussed again the sale of the subject property, resulting in Franco delivering to De Leon the amount of P100,000.00 (which the latter said he needed for his medical expenses) and the conclusion between them of a Contract to Sell, the pertinent provisions of which are reproduced as follows:

1. That the Vendees shall pay to the Vendors a total purchase price of FIVE HUNDRED THIRTY THOUSAND PESOS (P530,000.00), Philippine currency;

a) P150,000.00 — as downpayment, upon signing of this contract, receipt of which is hereby acknowledged by the Vendors from the Vendees; and the Vendors shall give to the Vendees the possession of the property (Lot and improvements) except the portion pertaining to the Bodega and Garage, until the purchase price is fully paid;

b) P20,000.00 a month and every month thereafter, until the purchase price is fully paid, and the same shall be payable every 3rd day of each month starting May 3, 1982 at the residence of the Vendees (1239 Dinalupihan, Manuguit Subd., Tondo, Manila), itemized as follows:

1.

May 3, 1982

—

P20,000.00

2.

June 3, 1982

—

20,000.00

3.

July 3, 1982

—

20,000.00

4.

Aug. 3, 1982

—

20,000.00

5.

Sept. 3, 1982

—

20,000.00

6.

Oct. 3, 1982

—

20,000.00

7.

Nov. 3, 1982

—

20,000.00

8.

Dec. 3, 1982

—

20,000.00

9.

Jan. 3, 1983

—

20,000.00

10.

Feb. 3, 1983

—

20,000.00

11.

Mar. 3, 1983

—

20,000.00

12.

Apr. 3, 1983

—

20,000.00

13.

May 3, 1983

—

20,000.00

14.

June 3, 1983

—

20,000.00

15.

July 3, 1983

—

20,000.00

16.

Aug. 3, 1983

—

20,000.00

17.

Sept. 3, 1983

—

20,000.00

18.

Oct. 3, 1983

—

20,000.00

19.

Nov. 3, 1983

—

20,000.00

XX XX XX XX XX XX XX XX XX

The Vendees hereby acknowledged that the sum of P20,000.00 due for May 3, 1982 is already received by the Vendees from the Vendors and applied the same as payment for May 3, 1982;

c) That should the Vendees fail to pay to Vendors any of the three (3) successive installments when due together with the interest earn at legal rate per annum, the Vendors will forfeit any and all payments already made, and that this contract shall be deemed automatically rescinded and cancelled; and further the Vendees shall voluntarily vacate the place without need of Court action;

d) In addition, the Vendees shall assume the monthly amortization payments of P842.50 representing the loan from the Development Bank of the Philippines on which said properties are mortgaged until the same is fully paid;

e) However, upon full payment of the said purchase price, the Vendors shall execute a Deed of Absolute Sale of said property (Lot and improvements) in favor of the Vendors, with the BIR;[2]

On November 22, 1982, the petitioners, claiming that the Francos had defaulted on the installments for the months of September, October and November, 1982, instituted an action for rescission plus damages pursuant to the automatic rescission clause in their contract.

After trial, the complaint was dismissed by Judge Maximo M. Japzon of the Regional Trial Court of Manila, who found that:

The evidence on record shows that plaintiffs, except for the collection of the installment payments due on June 3, 1982 and July 3, 1982, never went to defendants' residence at 1249 Dinalupihan St., Manuguit Subdivision, Tondo, Manila to collect installment payments due from August 3, 1982 to November 3, 1983 despite the express stipulation on the contract to sell that the installment payments shall be payable at defendants/vendees residence. In fact, there has never been an instance wherein the plaintiffs had collected elsewhere from defendants any monthly installment payment and the defendants refused or failed to pay. On the other hand, the evidence shows that defendants had been always willing and ready to comply with their obligation under the contract. This is evident from the facts that they had prepared receipts dated on every 3rd day of the month and they were always

overcome with apprehension everytime the plaintiffs would fail to collect on the due dates by calling plaintiffs at their residence and office to collect the unpaid monthly payments, and finally, by bringing the matter of plaintiffs' apparent refusal or failure to collect to their counsel.

x x x

It is axiomatic that rescission can not be permitted for a slight or casual breach of the contract, but only for such breaches as are substantial and fundamental as to defeat the object of the parties in making the agreement. In this case, the defendants did not commit a substantial breach. Upon the other hand, the plaintiffs did not perform their undertaking in promptly collecting the monthly installments at the defendants' residence.[3]

On appeal, the decision of the trial court was affirmed by the Court of Appeals,[4] which also saw no ground for the rescission of the contract, the delay in the payment of the installments being attributable to the petitioners themselves. The motion for reconsideration was denied for tardiness and also on the ground that no new matters or arguments had been raised to justify modification of the decision.[5]

The petitioners are now before us. They submit that: 1) their motion for reconsideration was filed on time; and 2) that the monthly amortizations paid to the DBP should not be deducted from the stipulated purchase price of P530,000.00.

To the Comment on the petition filed by the private respondents, the petitioners submitted a Reply, to which a Rejoinder was made with leave of court. We then gave due course to the petition but saw no need to require memoranda from the parties as they had already discussed the issues at length in their respective pleadings.

The first ground does not pose a serious question. The petitioners have not shown that the content of the envelope mailed to the Court of Appeals under Registry Receipt No. 19380 was their motion for reconsideration, and neither was this indicated in the postmaster's certification (as in fact he would not know what was inside the sealed envelope). Moreover, the petitioners have not submitted an affidavit of mailing by registered mail nor have they filed the corresponding registry return card as required by the following rule:

Sec. 10. Proof of service. — Proof of personal service shall consist of a written admission of the party served, or the affidavit of the party serving, containing a full statement of the date, place and manner of service. If the service is by ordinary mail, proof thereof shall consist of an affidavit of the person mailing of facts showing compliance with section 5 of this rule. If service is made by registered mail, proof shall be made by such affidavit and the registry receipt issued by the mailing office. The registry return card shall be filed immediately upon receipt thereof by the sender, or in lieu thereof the letter unclaimed together with the certified or sworn copy of the notice given by the postmaster to the addressee.

At any rate, even if it be assumed that the motion for reconsideration was filed on time, it was nevertheless denied not only for tardiness but also on the ground that it was a mere rehash of the arguments already ruled upon by the appellate court.

The second assigned error deserves a more thoughtful consideration because it requires an inquiry into the intention of the parties regarding the consideration of the sale.

The petitioners argue that the agreed consideration was the stipulated purchase price of P530,000.00 plus the amortizations to be paid by the private respondents directly to the DBP in settlement of the mortgage loan, which then stood at P80,000.00. Under this interpretation, the full consideration for the subject house and lot would be the sum of these two amounts and so would come up to P610,000.00.

The basis of this contention is Par. 1 (d) of the contract, reading as follows:

d) In addition, the Vendee shall assume the monthly amortization payments of P842.50 representing the loan from the Development Bank of the Philippines on which said properties are mortgaged until the same is fully paid;

The private respondents demur and invoke the opening portion of Par. 1 providing that "the Vendee shall pay to the Vendors a total purchase price of FIVE HUNDRED THIRTY THOUSAND PESOS (P530,000.00), Philippine currency." They emphasize the phrase "total purchase price" and maintain it is exclusive of all other additional considerations; this means that the amortization payments made by them should be deducted from the "total purchase price" instead of being added to it. The private respondents point out that petitioner Vicente de Leon himself admitted as much under oath when he testified as follows:

Q - Are these monthly amortizations paid to defendants to the DBP deductible from the price contract of the house and lot, which is P530,000.00?

A - Yes, sir.

Q - In other words, they are part of the consideration of your contract to sell?

A - Yes, sir.[6]

As in statutes, the provisions of a contract should not be read in isolation from the rest of the instrument but, on the contrary, interpreted in the light of the other related provisions. It is a canon of construction that "the whole and every part of the statute must be considered in fixing the meaning of any of its parts and in order to produce a harmonious whole." [7] This is also the injunction in 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."

Applying these rules, we find that the petitioners' position must be sustained as the more acceptable interpretation of the contract in question. To confine our understanding of the stipulated consideration to Par. 1 (a) and (b) of the agreement would be to render Par. 1 (d) virtually meaningless and, indeed, impractical and illogical.

It is plain enough that the total consideration spoken of in Par. 1 (a) and (b) is actually only one part of the purchase price; this is the part to be paid directly to the petitioners by the private respondents. The other part is the mortgage debt amortizations, which are treated separately in Par. 3 (d) because they are to be paid not to the petitioners but directly to the DBP. Under this sub-paragraph, the vendees assumed the obligation of discharging the mortgage debt as an additional part of the total consideration they were paying for the subject house and lot. In consequence, that total consideration should consist of the purchase price of P530,000.00 payable to the vendors and the P80,000.00 mortgage debt payable to the DBP.

If the intention of the parties had been otherwise, the private respondents would have deducted the monthly amortizations they paid to the DBP from the monthly installments they paid to the petitioners for the months of May, June, July, August, September and October 1982. The private respondents paid the petitioners the full amount of P20,000.00 per month, as stipulated, without any deduction. If they did not make any such deduction, it was evidently because they believed and agreed that the amortizations they were supposed to pay to the DBP were additional to the P20,000.00 monthly payments they were supposed to pay to the petitioners.

It was, of course, to the interest of the private respondents and not of the petitioners that the mortgage debt owing to the DBP be liquidated and the mortgage canceled. If the debt was not paid and the mortgage was foreclosed, the eventual loser would be the private respondents, who had already paid the initial amount of P150,000.00 on the property plus six of the scheduled monthly payments as well as the amortizations on the DBP loan. Recovery of these amounts from the petitioners, assuming this is legally warranted, would undoubtedly entail much inconvenience and expense to the private respondents, who probably would even have to litigate for this purpose.

No less notably, Par. 1 (e), of the Contract to Sell provides that "upon full payment of the said purchase price, the vendors shall execute a Deed of Absolute Sale of said property." The purchase price presumably refers to the total payment of P530,000.00 mentioned in Par. 1 (a) and (b). If this was completely paid on November 3, 1983, pursuant to the schedule in sub-paragraph (b), title to the subject property would then be transferred to the private respondents. The petitioners would cease to be the owners of the house and lot upon the execution of the Deed of Absolute Sale. This is all the more reason why the petitioners would, at least from the date of the deed, have no more interest, except possibly as warrantors of the title, in keeping up the amortization payments to the DBP.

Another important consideration is that under the schedule prescribed in Par. 1 (b) of the contract, the monthly payments of P20,000.00 would be completed and the total purchase price of P530,000.00 fully paid by November of 1983. On the other hand, the mortgage debt would still be subsisting and would have been discharged, assuming the amortizations were religiously paid, only by April of 1990, or seven years later. This would pose two serious questions.

The first is, If indeed the payments to the DBP were to be deducted from the total purchase price of P530,000.00, would the petitioners be obliged to make an accounting after the said seven years and refund to the private respondents the P80,000.00 they had paid to the DBP? The second is, If the petitioners did not or could not make such refund, how would the vendees enforce their unsecured claim for that amount against the vendors?

Given these questions, the petitioners would surely not have agreed in the first place to the curious and lopsided arrangement now suggested by the private respondents.

The private respondents also contend that the matter of the correct computation of the consideration for the sale cannot now be raised because it was not assigned as an error in the Court of Appeals. The petitioners deny this and insist that the matter was properly raised and argued at length in their appellants' brief, which they have quoted in their Reply. The issue is not that crucial. Whatever the merits of their respective contentions, we have held that, in any case, we may review an issue in the interest of substantial justice even if it has not been properly raised in the lower court. Thus:

And although this issue may not have been squarely raised below, in the interest of substantial justice this Court is not prevented from considering such pivotal factual matter that had been overlooked by the Courts below. The Supreme Court is clothed with ample authority to review palpable errors not assigned as such if it finds that their consideration is necessary in arriving at a just decision.[8]

At any rate, the Court is clothed with ample authority to review matters, even if they are not assigned as errors in their appeal, if it finds that their consideration is necessary in arriving at a just decision of the case, and, We find it unfair and unjust to deprive the petitioner of the rentals on her property due to a mere technicality.[9]

As for the testimony of De Leon earlier quoted, it is appropriate to recall the observation in *Air France v. Carrascoso*[10] that spoken words could be "notoriously unreliable" as against "a written document (that) speaks a uniform language." The parole evidence rule forbids any addition to or contradiction of the terms of a written contract, the purpose being to give it stability and to remove the temptation or occasion for possible perjury to falsify the intention of the parties. Considering the factual circumstances attending this case, we are disposed to dismiss the said declaration as an unguarded and honest mistake that was not really intended to modify the written agreement.

It is true that under Rule 130, Section 9, of the Rules of Court, a party may, as an exception to the general rule, "present evidence to modify, explain or add to the terms of the written agreement if he puts an issue in his pleadings:

- (a) An intrinsic ambiguity, mistake or imperfection in the written agreement;
- (b) The failure of the written agreement to express the true intent and agreement of the parties thereto;
- (c) The validity of the written agreement; or
- (d) The existence of other terms agreed to by the parties or their successors in interest after the execution of the written agreement."

However, the private respondents, who have invoked the supposed admission of Vicente de Leon, have not put in issue any of the aforementioned grounds in their pleadings. On the contrary, they stress in their Comment that "it bears repeating" that the Contract to Sell "clearly stipulates" the intention of the parties to include the amortization payments in its total purchase price of P530,000.00.[11] By so insisting, they have effectively disarmed themselves and are now prevented from presenting the exceptional evidence allowed by the afore-cited rule.

The Court itself is not persuaded that the Contract to Sell is an adequate instrument. Indeed, the lawyer who drafted it could have exercised more care in defining the mutual undertakings of the parties, if only because of the not inconsiderable amount involved. The grammatical errors alone are unbelievable. But more importantly, there was no effort to categorically state whether the amortization payments were to be added to or deducted from the stipulated "total purchase price," to express the real intention of the parties.

It is significant that, as the trial court noted, it was the private respondents' lawyer who prepared the Contract to Sell which Manuel Franco and Vicente de Leon signed at the hospital. According to Article 1377 of the Civil Code, "the interpretation of obscure words or stipulations in a contract shall not favor the party who caused the obscurity." Any ambiguity in the contract prepared at the instance of the private respondents and by their lawyer should therefore be interpreted to the prejudice not of the vendors but of the vendees, who were responsible for such ambiguity.

We affirm that the private respondents should not be deemed in default in the payment of the monthly installments, in light of the conduct and motives of the parties as found by the trial court. But we hereby hold that the amortization to be paid by the private respondents to the DBP on the mortgage debt should be added to, instead of being deducted from, the stipulated purchase price of P530,000.00, resulting in a total consideration of P610,000.00.

ACCORDINGLY, the petition is partly GRANTED. The decision of the respondent court is MODIFIED, and it is hereby declared that the consideration of the Contract to Sell shall be the "total purchase price" of P530,000.00 plus the amortizations to be paid, also by the private respondents, on the balance of mortgage debt to the Development Bank of the Philippines.

SO ORDERED.

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

[1] Rollo, pp. 58-59.

[2] Annex "E," Rollo, pp. 53-54.

[3] Rollo, pp. 64-65.

[4] Rollo, pp. 24-38.

[5] Annex "B," Rollo, p. 39.

[6] Rollo, pp. 29-30.

[7] Araneta vs. Concepcion, 99 Phil. 709; Tamayo vs. Gsell, 35 Phil. 953; Lopez vs. El Hogar Filipino, 47 Phil. 249; Chartered Bank vs. Imperial, 48 Phil. 931.

[8] Perez vs. Court of Appeals, 127 SCRA 636.

[9] Vda. de Javellana vs. Court of Appeals, 123 SCRA 299.

[10] 10 SCRA 155.

[11] Rollo, pp. 79-80.

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