

**SPS. LORENZO V. LAGANDAON AND CECILIA T. LAGANDAON AND  
OVERSEAS AGRICULTURAL DEVELOPMENT CORPORATION,  
PETITIONERS, VS. COURT OF APPEALS, SPS. MELITON BANOYO AND  
ASUNCION P. BANO...**

*G.R. Nos. 102526-31. May 21, 1998*

Ponente: PANGANIBAN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-nos-102526-31/>

---

**PANGANIBAN, J.:**

Questions of fact, as a general rule, may not be raised in a petition for review under Rule 45. This is especially true where - as in this case - such questions have already been disposed of by the trial court and affirmed by the appellate court. The failure of the petitioner to justify a departure from this rule warrants the dismissal of the petition.

**The Case**

This doctrine is used by the Court in denying this petition for review on certiorari under Rule 45 of the Rules of Court assailing the Decision[1] of the Court of Appeals[2] promulgated on August 30, 1991 in CA-G.R. Nos. 26671-26676, which disposed as follows:

“PREMISES CONSIDERED, the decision appealed from is hereby modified by deleting the award of attorney’s fees in favor of the defendant[s]-appellees.”

The Court of Appeals actually affirmed, with the slight modification of deleting the award of attorney’s fees, the decision of the Regional Trial Court of Valenzuela, Metro Manila, Branch 172,[3] in Civil Case Nos. 3188-V-89 to 3192-V-89, the dispositive portion of which reads:[4]

“WHEREFORE, in view of the foregoing the Complaints have to be as they are hereby ordered DISMISSED, including their claims for attorney’s fees and costs of litigation.

On defendants/purchasers’ counterclaims, defendant Spouses Demetrio Batayola et al. in Civil Case No. 3188-V-89 are awarded P10,000.00 attorney’s fees in resisting this case; and all defendants in the rest of the cases are awarded P10,000.00 in each case as attorney’s fees, likewise for resisting these claims.”

Hence, this petition for review.[5]

**The Facts**

The uncontested facts[6] are narrated by Respondent Court of Appeals, as follows:[7]

“On different dates specified herein below, Pacweld Steel Corporation (Pacweld) a now defunct domestic corporation executed in favor of present defendants herein a Contract to Sell pieces of lots payable in installment [for] which payments started to be made. For a better perspective, the following are herein reflected:

**Defendants/Purchasers Dates of Contracts**

Meliton Banoyo Feb. 6, 1967

Batayola Spouses Nov. 25, 1967

Romeo M. Gomez Feb. 27, 1968

Carlos V. David March 4, 1968

Leonido Bongco March 15, 1968

Bonifacio Vasquez May 31, 1967

Purchasers/

Total Total Payments Last

Defendants Consideration Payments Dates

Banoyo P10,000.00 P4,303.43 Nov. 23, 1971

Batayola 7,271.92 7,232.24

Romeo Gomez 6,945.68 8,669.55 April 24, 1972

David 11,430.00 7,221.13 Nov. 22, 1972

Bongco 11,700.00 8,855.18 Jan. 22, 1974

+ 303.20

Vasquez 8,730.00 7,505.37 Aug. 9, 1972

On or about the year 1972[,] the above-mentioned defendant[s]-purchasers deferred/refused further payments on their amortization to Pacweld because of [the] refusal of Lorenzo V. Lagandaon, then President of Pacweld officials [sic] to undertake the development of the areas bought. Defendants/Purchasers, together with other lot buyers filed an action for Specific Performance with the then Court of First Instance of Manila, Branch XXVII, docketed as Civil Case No. 87763 entitled Rolando Fadul et al., Plaintiffs vs. Pacweld Steel Corporation et al.

On October 12, 1976 the said Court promulgated its decision stating therein the following.

‘From all the foregoing evidence introduced by the plaintiffs, as well as the stipulation of facts entered into by the defendants with the former, the Court is fully convinced that defendants indeed have not lived up to the conditions of its [sic] contract particularly paragraph 6-A thereof. The roads which were supposed to be cemented in fact, had been constructed as clearly shown in Exhibits B, B-1, B-2 and B-3. So also, with the big holes existing on the roads. For this reason, the Court further concludes that plaintiffs have adequately proven their cause of action by clear preponderance of evidence.’

The dispositive portion of the said decision reads as follows:

‘Wherefore, judgment is hereby rendered in favor of the plaintiffs and against the defendants, as follows:

- Ordering the defendants to strictly comply with their obligations under the contract to sell (par. 6-a) within sixty (60) days from receipt hereof, in the event of defendants’ failure to comply with said undertakings, the plaintiffs are authorized to avail of the services of a contractor to undertake the cementing of the roads, gutters and concrete

curbs including the drainage system, all at the expense of the defendants;

- Ordering the defendants jointly and severally to pay plaintiffs the sum of P35,000.00 as and by way of moral damages, which amount is considered just and reasonable considering the sufferings of the plaintiffs;

- Ordering the defendants jointly and severally to pay plaintiffs the sum of P10,000.00 as and by way of exemplary damages;

- Ordering the plaintiffs who have not up-dated their accounts and/or have not complied with their undertakings in the contract to sell to comply with same also within sixty days from receipt of this decision;

- Ordering the defendants jointly and severally to pay plaintiffs attorney's fees in the sum of P4,000.00 with costs against the defendants

SO ORDERED.'

To be mentioned in connection with this case are the following separate facts and incidents.

Pursuant to real estate mortgages constituted on the entire Pacweld [s]ubdivision lots by Pacweld Steel Corporation (Pacweld) in favor of the Development Bank of the Philippines to secure a loan of P1.5 million, the said DBP foreclosed the mortgaged properties including the properties sold to defendants/purchasers at public auction on June 2, 1975 due to the failure of Pacweld to pay its loan at maturity. As there were no bidders, the DBP as creditor participated in the bidding and thereafter, owing to the non-redemption of the properties, titles to the Pacweld Subdivision lots were consolidated in the name of DBP.

On May 12, 1980, a Deed of Absolute Sale was executed by DBP in favor of herein plaintiffs [now petitioners] covering 69 parcels of land known as Pacweld Village located at Marulas. Plaintiffs became the registered owners by virtue of said Deed of Absolute Sale, under TCT No. B-42988.

Although no copy of the said Deed of Absolute Sale was furnished this Court, it appears in one of the pleadings submitted to Court that in said Deed of Absolute Sale is a typewritten condition to which plaintiffs are now bound and which is below quoted:

'It is hereby understood that any and all claims, liens, assessments, liabilities and/or damages whatsoever arising from any case or litigation involving the above, properties shall wholly be assumed and borne by the vendees to the exclusion of the vendor.'

In the similarly worded complaints in all these civil cases, plaintiffs allege that by virtue of the acquisition of ownership by DBP over the entire Pacweld [s]ubdivision lots including the lots in question and under the authority of the above-mentioned Deed of Absolute Sale executed by DBP in favor of plaintiffs, the unregistered Contract to Sell executed by Pacweld and herein defendants were rendered stale and/or inoperative and consequently, defendants lost their rights and interests over the parcels of land agreed to be sold to them by Pacweld under their respective Contract to Sell; that without necessarily recognizing the defendants' rights under the Contract to Sell, but out of pure liberality and Christian compassion, the plaintiffs agreed to continue with the sale on installment of the above-mentioned parcels of land, pursuant to the Contract to Sell in favor of the defendants provided that they would update their account consistent with the provisions of the said Contract to Sell and provided further that plaintiffs have the right of forfeiture and would not be bound or liable to comply

with the obligation of the developer under the Contract to Sell.

In all these civil cases, plaintiffs have one common prayer, which is, that defendants be declared to have unjustifiably failed to comply with their obligations under the Modified Contract to Sell, and pronouncing that said Contract to Sell over the said parcels of land and the rights and obligations arising therefrom as rescinded and/or cancelled; that plaintiffs be declared as legally entitled to the possession of the above-described parcels of land, ordering defendants and all persons acting under them to vacate the said parcels of land and surrender them to plaintiffs; that defendants be ordered to pay damages and attorney's fees which amount they specified in each of the cases. (Decision, pp. 1-5)"

For the sake of clarity, we stress that there were three undisputed transactions involving the property subject of this controversy:

- The contract to sell executed by Pacweld, then headed by Petitioner Lorenzo Lagandaon, in favor of herein private respondents;
- The foreclosure sale by which DBP acquired ownership of the property from Pacweld; and
- The contract of sale executed by DBP in favor of herein petitioners, the Lagandaon spouses.

This case began when petitioners filed several identical complaints before the CFI to rescind the first item, i.e., the contracts to sell executed by Pacweld in favor of private respondents. In their aforesaid complaint, petitioners alleged that the contract to sell had become "stale and/or inoperative" "by virtue of the acquisition of ownership by the DBP over the entire Pacweld Subdivision x x x." [8] Petitioners also averred that the relationship of petitioners and private respondents was governed by an alleged "modified agreement to sell," which provided that private respondents "would update their account consistent with the provisions of said [original] Contract to Sell"; while petitioners "have the right of forfeiture and would not be bound nor liable to comply with the obligation of the developer under the [original] Contract to Sell." [9] Petitioners justified the filing of the complaints for rescission on the ground that private respondents failed to pay their outstanding account.

In their answer, private respondents denied the existence of a modified contract to sell. [10] They also argued that petitioners, as successors-in-interest of Pacweld, had no right to demand rescission or payment of the unpaid balance, "until such time that they have completed the development of the subdivision pursuant to the provisions of the x x x Contract to Sell and the Decision of the CFI of Manila." [11]

In its decision, the trial court held that petitioners "cannot base their acts on [an] alleged modified contract to sell, which this Court believes to be non-existent not only physically but also legally." [12]

#### Respondent Court's Ruling

Although the petitioners' cause of action was premised on the existence of an alleged modified contract to sell, the Court of Appeals [13] (CA) observed that petitioners did not challenge the trial court's finding that no such contract existed. The CA further ruled that petitioners could no longer raise on appeal their alleged ownership rights over the lots in litigation arising from the May 12, 1980 sale by the Development Bank of the Philippines (DBP) and from the execution sale. To do so would change their theory before the trial court that herein private respondents defaulted their obligation under the alleged modified contract to sell.

Thus, the CA held that petitioners had no right to demand the rescission of the various contracts to sell on the

basis of the alleged modified contracts to sell which were inexistent. Hence, it affirmed the trial court's decision dismissing the complaint, but deleted the award of attorney's fees.

#### The Issues

In their Memorandum, petitioners present the following issues:[14]

“1. Whether the Honorable Court of Appeals erred in finding that there was no modified Contract (verbal) to Sell between petitioners and respondents;

2. Whether the Honorable Court of Appeals erred in finding that there was a change of theory on appeal of petitioners;

3. Whether the Honorable Court of Appeals erred in finding that petitioners have no right to ask for rescission of the various contracts to sell on the basis of the modified contract (verbal) to sell; and consequently, in dismissing to [sic] complaints.”

In the main, two principal issues are raised: (1) whether there were modified contracts to sell and (2) whether petitioners assumed the obligations of Pacweld.

#### The Court's Ruling

The appeal has no merit.

#### First Issue: No Modified Contracts to Sell

Petitioners contend that there were modified contracts to sell between them and private respondents. Maintaining that the original contract to sell between Pacweld and private respondents became “stale” or “inoperative” when DBP acquired the disputed parcels of land, petitioners argue that they and the private respondents subsequently entered into oral modified contracts to sell. In their complaint before the RTC, they aver:[15]

“7. By virtue of the acquisition of ownership by the DBP over the entire Pacweld Subdivision lots including the lot in question and under the authority of the above-mentioned Deed of Absolute Sale executed by DBP in favor of the plaintiffs, the unregistered Contract to Sell (Annex “A”) executed by and between Pacweld and the herein defendants, was rendered stale and/or inoperative; that consequently, defendants lost their rights and interests over the parcel of land agreed to be sold them by Pacweld under the Contract to Sell (Annex “A”).

“8. Without necessarily recognizing defendants' rights under their respective Contracts to Sell (Annex ‘A’, Complaint), but out of pure liberality and Christian compassion, the herein plaintiffs agreed to continue with the sales on installment in favor of the defendants, provided they would update their accounts consistent with the provisions of the Contract to Sell and provided further that plaintiffs have the right of forfeiture and would not be bound nor be liable to comply with the obligation of the previous owner-developer (Pacweld) under their respective Contract to Sell.” (Underscoring supplied.)

Petitioners' theory rests on the existence of modified contracts to sell. Taking the place of Pacweld, petitioners seek to collect the unpaid accounts of private respondents under the original contracts to sell, but they want exemption from the concomitant obligations of Pacweld under the same contracts. Hence, they insist on a modification of these contracts.

We cannot sustain petitioners. That the contracts to sell had indeed been rendered stale because of the foreclosure sale does not necessarily imply that orally modified contracts to sell were subsequently entered into between petitioners as buyers of the foreclosed property, on the one hand, and private respondents as purchasers from

Pacweld Corporation, on the other.

Furthermore the trial court, as observed earlier, found that the modified contracts to sell were non-existent physically and legally. It also stated that “plaintiff spouses did not execute a contract with defendants different from the existing Contract to Sell between Pacweld Steel Corporation and defendant purchasers herein.”[16] The Court of Appeals also held that “the trial court had not erred in dismissing the complaints filed by plaintiffs-appellants.”[17]

Well-settled is the rule that the factual findings of the trial court, especially when affirmed by the Court of Appeals, are binding and conclusive on the Supreme Court.[18] Moreover, the existence of modified contracts to sell is a question of fact which may not be raised in a petition for review under Rule 45.[19] Verily, petitioners have not given us a valid reason to depart from this rule. Indeed, the self-serving and unsubstantiated allegation in the petitioners’ complaint that there was an oral modification of the contracts to sell does not justify a reversal of the factual findings of the trial and appellate courts. As held in *Engineering & Machinery Corporation vs. Court of Appeals*: [20]

“The Supreme Court reviews only errors of law in petitions for review on certiorari under Rule 45. It is not the function of this Court to re-examine the findings of fact of the appellate court unless said findings are not supported by the evidence on record or the judgment is based on a misapprehension of facts.

‘The Court has consistently held that the factual findings of the trial court, as well as the Court of Appeals, are final and conclusive and may not be reviewed on appeal. Among the exceptional circumstances where a reassessment of facts found by the lower courts is allowed are when the conclusion is a finding grounded entirely on speculation, surmises or conjectures; when the inference made is manifestly absurd, mistaken or impossible; when there is grave abuse of discretion in the appreciation of facts; when the findings went beyond the issues of the case and the same are contrary to the admissions of both appellant and appellee. After a careful study of the case at bench, we find none of the above grounds present to justify the re-evaluation of the findings of fact made by the courts below.’

‘We see no valid reason to discard the factual conclusions of the appellate court. x x x (I)t is not the function of this Court to assess and evaluate all over again the evidence, testimonial and documentary, adduced by the parties, particularly where, such as here, the findings of both the trial court and the appellate court on the matter coincide.’ (italics supplied).”

#### Second Issue: Petitioners Assumed Pacweld’s Obligations

Petitioners contend that they could not have assumed the obligations of Pacweld because they were buyers in good faith and for value. When the deed of absolute sale in favor of DBP was signed, the title to the foreclosed property was clean; i.e., the “subject contracts to sell were not duly annotated at the back of Pacweld’s certificate of title.”[21] Hence, petitioners insist that they likewise acquired from DBP a clean title free from any encumbrance. Petitioners’ liability, if at all, is limited to their unpaid subscriptions to Pacweld Steel Corporation as stockholders thereof. Petitioners add that Republic Act No. 6652, otherwise known as the Maceda Law, should have been applied by Respondent Court.

As a general rule, every buyer of a registered land who takes a certificate of title for value and in good faith shall hold the same free of all encumbrances except those noted on said certificate.[22] It has been held, however, that “where the party has knowledge of a prior existing interest which is unregistered at the time he acquired a right to the same land, his knowledge of that prior unregistered interest has the effect of registration as to him. The torrens system cannot be used as a shield for the commission of fraud.”[23] In this case, Petitioner Lorenzo Lagandaon had actual knowledge of the contracts to sell made by Pacweld in favor of herein private respondents. He was not only the president of Pacweld at the time, he himself signed those contracts.[24] Hence, when he acquired the title

of DBP, he was aware of the preexisting contracts to sell between Pacweld and private respondents. More significantly, petitioners also assumed all liens and liabilities arising from any case involving the said properties.

Even assuming *arguendo* that petitioners were buyers in good faith and for value, their subsequent actions indisputably show that they assumed the obligations of Pacweld under the original contracts to sell. When they acquired title over the property on May 12, 1980, they sought to collect payment from private respondents under the said contracts. In their demand letter dated April 28, 1989, petitioners through counsel required Private Respondents Rafael Solidum and Leonido Bongco to settle with them the latter's unpaid accounts under the original contracts to sell.[25] Likewise, the subsequent letter of Lagandaon's counsel to Private Respondent Raymundo Sitjar unequivocally declared that the demand was made pursuant to the original contract to sell between Pacweld and private respondents.[26] In these demand letters, petitioners made no mention of any alleged modified contracts to sell; rather, they referred to the original contracts to sell without invoking any qualification or modification of the terms and conditions thereof. In fact, the notion of a "modified contract to sell" was a mere afterthought which surfaced for the first time in the petitioners' complaint before the RTC.

Because petitioners assumed the obligations of Pacweld when they purchased the disputed properties on May 12, 1980, they should be liable for all the undertakings of Pacweld with respect to private respondents under the contracts to sell, as clearly provided under such deed.

The Maceda Law has no application to the present case. The policy of that law, as embodied in its title, is "to provide protection to buyers of real estate on installment payments." As clearly specified in Section 3, the declared public policy espoused by Republic Act No. 6552 is "to protect buyers of real estate on installment payments against onerous and oppressive conditions." In this case, petitioners did not buy the property on installment; private respondents did. And thus, if the Maceda Law has any relevance at all, it is to protect the said respondents, not the petitioners. Furthermore, Section 3(b)[27] of the same law does not grant petitioners any legal ground to cancel the contracts to sell; rather, it prescribes the responsibility of the seller in case the "contract[s are] cancelled." Clearly, Respondent Court was correct in refusing to apply the Maceda Law and in not cancelling the contracts to sell.

As held by the trial court:

"Plaintiffs' prayer that defendant/purchasers be made to vacate the lots and surrender to plaintiffs cannot be granted, not only because of the foregoing reasons but also because to do so would be contrary to other existing laws, specifically Republic Act 6552 (Maceda Law) which is an Act To Provide Protect[ion] to Buyers of Real Estate on Installment Payments, which took effect on August 6, 1972. By virtue thereof, considering that all defendants/purchasers appear to have complied with Section 3 thereof, this second remedy applied for by plaintiff is not legally feasible. Neither can plaintiff exercise the right under said law because it is not the subdivision owner or developer envisioned in said law."

The Alleged Dormant Judgment:

Petitioners as Developers

Petitioners argue that they cannot be compelled "to assume the obligations of [Pacweld] corporation as x x x real estate developers," because the CFI's decision dated October 12, 1976 was "already dormant, more than ten (10) years having elapsed after the finality of judgment." [28] Further, petitioners "are not licensed and qualified real estate developers. Hence, petitioners could not have assumed the obligations of Pacweld to develop the subject subdivision." [29]

These arguments are bereft of merit. It is irrelevant whether the CFI Decision -- which ordered Pacweld to perform its obligations under the contracts to sell -- has become dormant. As discussed above, petitioners

themselves assumed the said obligations of Pacweld.

That petitioners were not qualified or licensed as developers does not justify their failure to comply with the obligations under the contracts to sell which they assumed. Whether a license is necessary is likewise irrelevant. In any event, their obligations were personal to them and were not undertaken in pursuance of any real estate business.

We also hold that the express condition in the deed of absolute sale, which petitioners as buyers accepted as part of the consideration of the sale, cannot be considered mere “surplusage” with “no legal significance.”[30] Petitioners themselves contradicted this by their admission “that it was placed there, as a safety valve, to protect DBP from legitimate third party claims.”[31]

#### Attorney’s Fees Deleted

Private respondents pray that the trial court’s award of attorney’s fees, which the Court of Appeals deleted, be restored. They contend that, to resist petitioners’ claims, they had to retain a lawyer and pay for his fees. In any event, they plead that the amount of P10,000 as attorney’s fees was only “minimal or nominal,”[32] and should thus be restored.

We are not persuaded. Parties who have not appealed cannot obtain from the appellate court any affirmative reliefs other than those granted, if any, in the decision of the lower court. Appellees can advance only such arguments as may be necessary to defeat the appellants’ claims or to uphold the appealed decision. They can assign errors on appeal if such are required to strengthen the views expressed by the court a quo. Such assigned errors, in turn, may be considered by the appellate court solely to maintain the appealed decision. But appellees cannot ask for modification of the judgment in their favor in order to obtain other affirmative reliefs.[33] Since herein private respondents did not appeal from the assailed Decision, they are not entitled to any award of affirmative relief. Besides, the award is addressed to the sound discretion of courts.[34] And absent any showing of abuse or palpable error, as in this instance, such discretion will not be disturbed on appeal.

#### Epilogue

In the main, the Lagandaon Spouses have consistently maintained in their various pleadings that they agreed to continue with the sale on installment of the disputed parcels of land under a “modified” contract “without necessarily recognizing defendants’ rights under the [original] Contract to Sell, but out of pure liberality and Christian compassion.” The difficulty with this contention is that it has no factual leg to stand on. The Lagandaon Spouses did not even inform the private respondents of this alleged modification when they attempted to collect the installment payments. Instead, they merely insisted on collecting under the original contracts. It was only after they filed their complaint in the RTC that they alleged “modifications” in the contracts, the modifications being that they were not bound by Pacweld’s obligations to develop the subdivision over which they wanted to collect installments from the buyers (private respondents). They insist only on exercising Pacweld’s rights to collect installments due but deny the obligations to build roads, water system, etc. Aside from the basic unfairness of this stance, it is not supported by any evidence as found by both lower courts.

To reiterate, the petition of the Lagandaon Spouses assails the findings of the trial and the appellate courts on the aforesaid two principal issues. The Lagandaon Spouses, however, presented no substantial argument or evidence to warrant a reversal or modification of these factual findings. In this light, the remand of this case, as prayed for by the petitioners, is unnecessary. After all, a re-trial is needed only where some factual issues are unresolved. And there are none in this case.

WHEREFORE, the petition is hereby DENIED and the assailed Decision is AFFIRMED. Costs against

petitioners.

**SO ORDERED.**

Davide, Jr., (Chairman), Bellosillo, and Quisumbing, JJ., concur. Vitug, J., see separate opinion.

---

[1] Rollo, pp. 31-39.

[2] Ninth Division composed of J. Serafin V. C. Guingona, ponente; and JJ. Luis A. Javellana and Jorge S. Imperial, concurring.

[3] Judge Teresita Dizon-Capulong, presiding.

[4] RTC decision, p. 7; CA Rollo (no page number indicated).

[5] The case was deemed submitted for resolution on August 13, 1997 upon receipt by this Court of private respondents' memorandum.

[6] Petition, pp. 3-7; Rollo, pp. 11-15. See also Comment, pp. 1-5; Rollo, pp. 59-63.

[7] Decision, pp. 2-5; Rollo, pp. 32-35.

[8] Complaint, p.3; records, p.3.

[9] Ibid., p. 4; records, p. 4.

[10] Answer, p. 3; records, p. 26.

[11] Ibid., p. 4; records, p. 27.

[12] CFI Decision, p. 6; CA Rollo.

[13] CA Decision, pp. 8-9; Rollo, pp. 38-39.

[14] Petitioners' Memorandum, p. 13; Rollo, p. 92.

[15] Ibid., pp. 5-6; CA Rollo.

[16] RTC Decision, p. 5.

[17] CA Decision, p. 8; Rollo, p. 38.

[18] Fuentes vs. Court of Appeals, 268 SCRA 703, February 26, 1997.

[19] Gaw vs. Intermediate Appellate Court, 220 SCRA 405, March 24, 1993; Morales vs. Court of Appeals, 197 SCRA 391, May 23, 1991.

[20] 252 SCRA 156, 162-163, January 24, 1996, per Panganiban, J.

[21] Ibid., p. 19; Rollo, p. 98.

[22] Section 39, Public Land Act; now Section 44 of PD 1529, the Property Registration Decree.

[23] Fernandez vs. Court of Appeals, 189 SCRA 780, 789, September 21, 1990, per Medialdea, J.; Santos vs.

Court of Appeals, 189 SCRA 550, 558, September 13, 1990.

[24] Contracts to Sell, Annex “A” of Lagandaons’ Complaint; RTC records, p. 8.

[25] Annex “B” of Lagandaons’ Complaint; RTC records, p. 9.

[26] Annex “B-1” of Lagandaons’ Complaint; RTC Records, p. 10. The demand letter reads in full:

“17 August 1989

MR. & MRS. RAYMUNDO SITJAR

Pacweld Village, Marulas

Valenzuela, Metro Manila

Dear Mr. & Mrs. Raymundo Sitjar,

In connection with our letter to Messrs. Rafael Solidum and Leonido Bongco which you received on their behalf on May 8, 1989, it appears that you have purchased and/or acquired their rights and interests over Lot 1, Block 8 of Pacweld Village, pursuant to the Contract to Sell executed by and between Pacweld Steel Corporation and Messrs. Leonido Bongco and Rafael Solidum.

Messrs. Bongco and Solidum have defaulted in the payment of their obligation under said Contract to Sell and that as of August 31, 1989, they have an accumulated account in the sum of P27,136.80.

Considering that your account has long been overdue, we are requesting you to settle account within ten (10) days from receipt hereof. During this period you may get in touch with Ms. Carla Lagandaon to thresh out whatever problems you may have concerning this matter. After the lapse of said period and no settlement has been made, we shall thereafter be free to take such measures to protect the interests of our client, notably the institution of an action for the rescission of the above-mentioned Contract to Sell.

We trust that you will see your way clear in paying the unpaid account under the said Contract to Sell in order that you will be freed of the embarrassment and expense of a lawsuit.

Very truly yours,

(Sgd.) HORACIO M. PASCUAL”

(Underscoring supplied.)

[27] “Section 3 (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 per cent 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.

Down payments, deposits or options on the contract shall be included in the computation of the total number of

installments made.”

[28] Petitioners’ Memorandum, p. 15; Rollo, p. 94.

[29] Ibid.

[30] Petitioners’ Memorandum, p. 20; Rollo, p. 99.

[31] Ibid., p. 21; Rollo, p. 100.

[32] Private Respondents’ Memorandum, pp. 12-13; Rollo, pp. 125-126.

[33] *Atlantic Gulf and Pacific Company of Manila, Inc. vs. Court of Appeals*, 247 SCRA 606, August 23, 1995; *Makati Haberdashery, Inc., et al. vs. National Labor Relations Commission, et al.*, 179 SCRA 448, November 15, 1989; *Dizon, Jr. vs. National Labor Relations Commission, et al.*, 181 SCRA 472, January 29, 1990; *Lumibao vs. Intermediate Appellate Court, et al.*, 189 SCRA 469, September 13, 1990; *SMI Fish Industries, Inc., et al. vs. National Labor Relations Commission, et al.*, 213 SCRA 444, September 2, 1992; *Alba vs. Santander, et al.*, 160 SCRA 8, April 15, 1988; *Nessia vs. Fermin, et al.*, 220 SCRA 615, March 30, 1993.

[34] See *Sesbreño vs. Court of Appeals*, 245 SCRA 30, June 8, 1995.

## SEPARATE OPINION

### VITUG, J.:

I find myself unable to share the conclusions expressed in the exhaustive ponencia of Mr. Justice Artemio V. Panganiban.

The basic and telling issue, it seems to me, is whether or not petitioners, as purchasers of the subject subdivision lots from the foreclosing mortgagee-bank, as far as the Lagandaon spouses are concerned, and as purchasers at the execution sale, with respect to Overseas Agricultural Development Corporation, may be held liable to private respondents for the obligations of Pacweld (the owner-mortgagor) under the contracts to sell executed by the latter in favor of private respondents.

A fundamental rule in contracts is the principle of relativity embodied in Article 1311 of the Civil Code which provides:

“Art. 1311. Contracts take effect only between the parties, their assigns and heirs, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law. The heir is not liable beyond the value of the property he received from the decedent.

“If a contract should contain some stipulation in favor of a third person, he may demand its fulfillment provided he communicated his acceptance to the obligor before its revocation. A mere incidental benefit or interest of a person is not sufficient. The contracting parties must have clearly and deliberately conferred a favor upon a third person.”

In consonance with the axiom “*res inter alios acta aliis neque nocet prodest*,” a contract can only obligate the parties who had entered into it, or their successors who assumed their personalities or juridical positions, and that, concomitantly, a contract can neither favor nor prejudice third persons,[1] although, in some ways, such persons may be affected in varying degrees. Thus, in contracts creating real rights, third persons who come into possession of the object of the contract may be bound thereby under the provisions of mortgage laws and land registration laws.[2] Creditors are protected in cases of contracts intended to defraud them.[3] Accion directa is allowed by law in certain cases.[4] Any third person who induces another to violate his contract can be made liable for

damages to the other contracting party.[5] Exceptionally, contracts may confer benefits to a third person or what are otherwise also known as “stipulation pour autrui.”[6] But that should be just about all.

I take note of the ruling of the trial court, affirmed by respondent appellate court, that petitioners are not entitled to the rescission of the contracts to sell executed by Pacweld in favor of the individual private respondents because the alleged verbal modified contracts to sell between petitioners and private respondents do not legally exist. I agree with the conclusion reached infosar as it denies the remedy of rescission to herein petitioners for, as a consequence of the rule that a contract takes effect only between the contracting parties and that third persons cannot be obligated thereunder;[7] a person who is not a party to a contract has no legal standing to challenge its validity or to prosecute an action for its rescission (accion pauliana) except only to the extent that the contract may be prejudicial to him.

If, as so found by the trial court, no modified contracts to sell have been entered into between petitioners and private respondents, I cannot see how petitioners can be held liable under the original contracts to sell executed by Pacweld. Lorenzo Lagandaon may have been an officer of Pacweld corporation at the time of perfection of those contracts to sell; his participation, however, has been in representation of the corporation and not in his individual capacity. There is not enough justification shown to allow the doctrine of lifting the veil of corporate fiction to prevail.

It might be mentioned, in passing, that the trial court has declared petitioners to be in no position to exercise the right of rescission under Republic Act No. 6552, otherwise known as “An Act To Provide Protection To Buyers Of Real Estate On Installment Payments,” said petitioners not being the subdivision owners or developers envisioned in the law, which itself is an acknowledgment that petitioners, indeed, are “third persons” in the contracts to sell between Pacweld and private respondents.

Neither can petitioners be made liable to private respondents in the specific performance case where Pacweld was adjudged to comply with its obligations to develop the subdivision.[8] Certainly, Pacweld’s liability under the judgment will not extend to herein petitioners who were not themselves made parties to the litigation.

Nor can it be successfully contended that petitioners have assumed the obligations of Pacweld pursuant to a provision in the Deed of Absolute Sale executed between the foreclosing bank (DBP) and the Lagandaon spouses on 12 May 1980 which states:

“It is hereby understood that any and all claims, liens, assessments, liabilities and/or damages whatsoever arising from any case or litigation involving the above properties shall wholly be assumed and borne by the vendees to the exclusion of the vendor.”

I do not see how the above provision can be interpreted to mean that petitioners have thereby assumed the obligations of Pacweld to develop the subdivision (e.g. to undertake the cementing of roads, gutters, concrete curbs, etc.). The condition in the contract between DBP and the petitioners is no more than an agreement, a standard clause in contracts of this nature, by the latter to respond to any subsisting claim, lien, assessment, liability or damages on the subject property but evidently insofar as, or to the extent only that, the vendee (DBP) itself is bound or accountable for. There is nothing in the DBP and Lagandaon agreement of 12 May 1980 to warrant a conclusion that petitioners have intended and agreed to likewise assume the liabilities of Pacweld.

In execution or foreclosure sales, unlike the contrary possibility in voluntary conveyances or assignments, the buyer gets the rights, not liabilities, of the debtor but holds the foreclosed property subject to legitimate charges, including preferred liens and encumbrances, thereon and, in appropriate cases, to the right of redemption or right of subrogation. Petitioners, having acquired title to the property, are bound to recognize the then subsisting contracts to sell duly either recorded or known to them and to allow private respondents, who would so wish, to

perfect their rights thereover and ultimately their respective titles thereto by completing payments of the purchase price less the applicable charges, i.e., the estimated or agreed cost of development yet to be undertaken, on and attaching to the property. The demand or receipt of unpaid accounts on those contracts to sell is indicative of the acknowledgment by petitioners of the rights of private respondents, as above, but do not necessarily mean that petitioners have thereby also assumed unqualifiedly the liabilities of the debtor even beyond the benefit derived by the creditor consequent to the execution or foreclosure sale.

Accordingly, I vote to grant a part relief to the petition by remanding the case to the trial court for the determination of the correlative rights of the parties in accordance with the opinion, particularly elaborated in the paragraph immediately preceding, hereinabove expressed.

---

[1] Garcia vs. Court of Appeals, 258 SCRA 446; Ouano vs. Court of Appeals, 211 SCRA 740.

[2] Art. 1312, Civil Code.

[3] Art. 1313, Civil Code.

[4] See Art. 1729, Civil Code.

[5] Art. 1314, Civil Code; National Union Bank Employees vs. Lazaro, G.R. No. 56431, 19 January 1988.

[6] Jose C. Vitug, Compendium of Civil Law and Jurisprudence, 1993 Ed., p. 537.

[7] Banzagales vs. Galman, 222 SCRA 350; Ozaeta vs. Court of Appeals, 222 SCRA 7.

[8] Rollo, p. 33.

**ABOUT BATAS.ORG**

# Study smarter at BATAS.org

*The Philippine bar review and law-school companion built around how your brain actually remembers.*

**The complete Philippine law library - free for everyone.**

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

**Audio case-brief lectures.**

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

**Bar review built on the science of memory.**

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

**The full law-school curriculum.**

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

**Mock exams that tell you where you stand.**

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

**A study planner that keeps you on pace.**

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

**Start free at <https://batas.org>**

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.