

CHONNEY LIM, PETITIONER, VS. COURT OF APPEALS, LEA CASTRO WHELAN AND KEITH LAWRENCE WHELAN, RESPONDENTS.

G.R. Nos. 104819-20. July 20, 1998

Ponente: KAPUNAN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-nos-104819-20/>

KAPUNAN, J.:

Before us is a petition for review of the decision of the Court of Appeals[1] affirming in toto the decision of the Regional Trial Court, Branch V, Baguio City.[2] The bare facts of this case as aptly stated by the Court of Appeals in its decision are as follows:

On March 24, 1984, a conditional deed of sale was executed between appellant Lim and appellee Lea Whelan. It was stipulated that appellee Whelan would buy from the appellant a parcel of land with an area of 1,000 square meters for the sum of P600,000.00 or U.S. \$30,000.00 in U.S. \$100 denomination. The property, however, was mortgaged to the Bank of the Philippine Islands; the loan which on maturity on August 14, 1984, would be P269,960.88.

Lea Whelan then paid an earnest money of U.S. \$9,000.00 consisting of U.S. \$8,000.00 in \$100.00 bills and U.S. \$1,000.00 in traveller's checks of \$100.00; thereafter, she occupied the premises. Subsequently, appellee Whelan allegedly gave appellant Lim U.S. \$8,000.00, a bank draft in the sum of P141,000.00 and later a check for P17,800.00 drawn against PCI Bank. After these payments, a deed of absolute sale was signed by appellee Whelan and appellant Lim on June 21, 1984, appellant Lim allegedly gave Whelan xeroxed copies of title, realty tax receipts and bills for light and water.

On August 23, 1984, appellant Lim sent Whelan a telegram demanding her to vacate the subject property. Whelan countered that she was already the owner thereof. On August 24, 1984, a complaint for ejectment was filed against the appellee.

Plaintiff-appellee Chonney Lim claimed that he was not paid the U.S. \$8,000.00 due him; that the bank draft for the sum of P141,000.00 was not honored; and that the check for P17,800.00 bounced. Defendant-appellee Lea Whelan, however, replied that she paid the indebtedness of the appellant in the amount of P210,297.70 inclusive of interests and penalty charges hence, the mortgage of the property to the Bank of the Philippine Islands was already cancelled. Consequently, appellee stopped the payment of the bank draft and check in favor of the appellant. Appellee, likewise, claimed that she paid the capital gains tax on the sale of the property to her in the amount of P14,994.00. Furthermore, appellee Whelan alleged that the house which was built on the land she bought, had been renovated at her expense for the amount of P180,000.00 to P200,000.00. When, in 1986, the said house was damaged by a typhoon, it was repaired and had cost appellee P17,000.00.[3]

Since the bank draft in the amount of P141,000.00 was dishonored and the PCI Bank check for P17,800.00 bounced, petitioner Chonney Lim alleged that he was not paid. He therefore instituted an action for rescission of contract which was docketed as Civil Case No. 423-R.

On the other hand, Lea Whelan filed an action for specific performance demanding from Chonney Lim the delivery of the title of said property which she has fully paid. This was docketed as Civil Case No. 496-R.

These two (2) cases were consolidated and on June 19, 1989, the Regional Trial Court, Branch V, Baguio City denied Chonney Lim's action for rescission and granted Lea Whelan's prayer for specific performance. The dispositive portion of the decision reads as follows:

WHEREFORE, in Civil Case No. 496-R, judgment is hereby rendered:

1. Directing the Register of Deeds of Baguio City to cancel, upon payment of the prescribed fees therefor, Transfer Certificate of Title No. T-32741 of his Registry and in lieu thereof issue a new one in the name of Lea Castro Whelan, Filipino, of legal age, married to Keith Lawrence Whelan, an Australian citizen and a resident of 136 Kennon Road, Baguio City; and for this purpose, the Branch Clerk of Court may release to Lea Castro Whelan, upon proper receipt, the owner's copy of TCT No. T-32741;
2. Ordering Chonney B. Lim to pay Lea Castro Whelan the following amounts:
 - a. P75,291.70 representing the overpayment made by Lea Castro Whelan;
 - b. P10,000.00 as moral damages;
 - c. P5,000.00 as exemplary damages;
 - d. P15,000.00 as attorney's fees; plus
 - e. the costs of suit.
3. Dismissing the complaint in Civil Case No. 496-R insofar as defendant Bank of the Philippine Islands is concerned; and
4. Dismissing likewise the complaint of Chonney B. Lim against Lea Castro Whelan and Keith Lawrence Whelan docketed as Civil Case No. 423-R.[4]

On appeal, the Court of Appeals affirmed the decision of the Regional Trial Court. The motion for reconsideration was likewise denied. Hence, this petition.

Petitioner makes the following assignment of errors:

A.

RESPONDENT COURT OF APPEALS ERRED GRAVELY, ON A VERY BASIC AND IMPORTANT QUESTION OF LAW, WHEN IT CREDITED AS PAYMENT ON THE PURCHASE PRICE UNDER THE DEED OF ABSOLUTE SALE RESPONDENT LEA WHELAN'S BELATED AND BAD FAITH "PAYMENT" OF PETITIONER CHONNEY LIM'S LOAN WITH THE BANK OF THE PHILIPPINE ISLANDS (BPI), AND OF THE CAPITAL GAINS TAX, WITHOUT HIS KNOWLEDGE AND CONSENT AND AGAINST HIS WILL, THEREBY MISUNDERSTANDING AND MISAPPLYING ARTICLE 1236 OF THE CIVIL CODE.

B.

RESPONDENT COURT OF APPEALS ERRED GRAVELY, ON A VERY BASIC AND IMPORTANT QUESTION OF LAW, IN NOT HOLDING THAT THE DISHONOR OF RESPONDENT LEA WHELAN'S TRB DEMAND DRAFT FOR P141,000.00 AND PCIB CHECK FOR P17,000.00 DID NOT HAVE THE EFFECT OF PAYMENT ON THE PURCHASE PRICE UNDER THE DEED OF ABSOLUTE SALE, THEREBY VIOLATING ARTICLE 1249 OF THE CIVIL CODE.

C.

RESPONDENT COURT OF APPEALS ERRED GRAVELY, ON A VERY BASIC AND IMPORTANT

QUESTION OF LAW, IN CONCLUDING THAT THERE WAS PAYMENT BY RESPONDENT LEA WHELAN OF THE SUM OF \$8,000.00 IN CASH, EVEN IN THE ABSENCE OF A RECEIPT THEREFOR AS REQUIRED BY THE DEED OF ABSOLUTE SALE WHICH PROVIDES THAT PETITIONER CHONNEY LIM SHALL “ISSUE HER A RECEIPT OF THE CONSIDERATION OF THE SALE OF THE ABOVE DESCRIBED PROPERTY”, THEREBY VIOLATING THE LEGAL PRINCIPLE THAT THE CONTRACT IS THE LAW BETWEEN THE PARTIES.

D.

RESPONDENT COURT OF APPEALS ERRED GRAVELY, ON A VERY BASIC AND IMPORTANT QUESTION OF LAW, IN MISUNDERSTANDING AND MISAPPLYING THE PRINCIPLE THAT THE FINDINGS OF TRIAL COURTS ARE ACCORDED GREAT WEIGHT IN VIEW OF THEIR OPPORTUNITY TO OBSERVE THE CONDUCT AND DEMEANOR OF WITNESSES, AND IN ITS GROSS MISAPPREHENSION OF THE RECORD, CONSIDERING THAT IN THE CASE AT BAR THE TRIAL COURT DID NOT BASE ITS FINDINGS ON THE PERSONAL CREDIBILITY OF RESPONDENT WHELAN’S WITNESSES BUT ON CONCLUSIONS IT DERIVED FROM DOCUMENTARY EVIDENCE, WHICH ARE THEREFORE CONCLUSIONS OF LAW AS TO WHICH APPELLATE COURTS ARE NOT AT A DISADVANTAGE.

E.

RESPONDENT COURT OF APPEALS ERRED GRAVELY, ON A VERY BASIC AND IMPORTANT PRINCIPLE OF LAW, IN OVERLOOKING OR DISREGARDING A LEGION OF UNDISPUTED OR ADMITTED FACTS OF VITAL AND CRUCIAL IMPORT IN THE CASE AT BAR WHICH WOULD DEFINITELY CHANGE THE RESULT AND MANDATE A JUDGMENT IN FAVOR OF PETITIONER CHONNEY LIM, SUCH AS EXACT ACCOUNTING AND PRECISE ARITHMETIC WORKING IN FAVOR OF PETITIONER CHONNEY LIM, THEREBY COMMITTING WHOLESAL AND GROSS MISAPPREHENSION OF THE RECORD THAT IS EVEN TANTAMOUNT TO GRAVE ABUSE OF DISCRETION IN THE PERFORMANCE OF ITS APPELLATE FUNCTION.

F.

RESPONDENT COURT OF APPEALS THEREFORE ERRED GRAVELY, ON VERY BASIC AND IMPORTANT QUESTIONS AND PRINCIPLES OF LAW, IN AFFIRMING AND NOT REVERSING THE DECISION AND JUDGMENT OF THE TRIAL COURT.[5]

The issues raised by petitioner are merely factual. Time and again, we have always stated that it is not within the province of this Court to review the findings of facts especially when the trial court and appellate court have no cause for disagreement. Absent any whimsical or capricious exercise of judgment, and unless the lack of any basis for the conclusions made by the lower court be amply demonstrated, the Supreme Court will not disturb their findings.[6] While this rule is not inflexible, the Court finds no sufficient reason to depart from such rule. The basic issue in the case at bar is whether or not Chonney Lim has been fully paid for the property in question.

There is no dispute that a Conditional Deed of Sale was executed between Chonney Lim and Lea Whelan covering the former’s property along Kennon Road., Baguio City. The consideration agreed upon was P600,000.00 or \$30,000.00. An earnest money of \$14,000.00 was then paid.

Subsequently, Lea Whelan paid Chonney Lim an additional \$8,000.00 in cash. She also gave him a bank draft in the sum of P141,000.00 and a check for P17,800.00 drawn against PCI Bank as full payment for the property.

Unfortunately, however, the bank draft and the PCI Bank check were dishonored upon presentment. Chonney Lim moreover avers that he was not paid \$8,000.00 as evidenced by a promissory note written on the left margin of a copy of the deed of sale in his possession. Thus, petitioner prayed for the rescission of the contract.

On the other hand, Lea Whelan claims that she has given Chonney Lim the amount of \$8,000.00 in cash; the bank draft of P141,000.00 and the check of P17,800.00. A deed of absolute sale was executed on June 21, 1984, evidencing the full payment for the house. She however discovered that Chonney Lim failed to pay the mortgage loan over the property to the BPI in the amount of P210,297.70 inclusive of interest and penalty charges and the capital gains tax to the BIR in the amount of P14,994.00 as promised in the deed of sale so she paid them albeit without the knowledge of Chonney Lim. She also incurred expenses for the renovation and repair of the house when it was destroyed by a typhoon, all amounting to about P217,000.00. Since she has in fact overpaid Chonney Lim, Lea Whelan demanded from him the delivery of the title over said property.

The trial court gave credence to the version of Leah Whelan that she indeed has paid Chonney Lim the full amount for the property. The court ratiocinates:

The Court holds that LEA made the payments she claimed on the balance of the purchase price of the disputed property for which reason CHONNEY signed the corresponding Deed of Absolute Sale (Exhibit "M" or "4"), albeit for the watered down consideration of only P300,000.00 which was intended to allow him to minimize his liability for capital gains tax. Being a businessman of long standing, CHONNEY would surely not have signed the Deed of Absolute Sale if he had not been priorly fully paid. What is more, in the Deed of Absolute Sale, CHONNEY unqualifiedly bound himself to deliver to LEA before the end of July 1984 the following:

1. Transfer Certificate of Title (TCT No. T-32741) with the mortgage thereon duly cancelled;
2. Real Estate Receipts paid up to date;
3. Receipt of payment of Capital Gains Tax and the clearance thereto;
4. To issue her a receipt of the consideration of the sale of the above-described property.

(Exhibit "M" or "4")

Again, CHONNEY would not have assumed such an undertaking unless he has already been fully paid; in fact, each of the things he imposed upon himself to do presupposes full payment of the agreed purchase price.[7]

In maintaining that he was not paid the amount of \$8,000 in cash, petitioner alleged that there was no receipt issued as proof of payment. He even presented a promissory note to the effect, allegedly written by Lea Whelan on the left margin of his copy of the deed of sale which reads:

I, LEA CASTRO WHELAN PROMISED TO PAY THE VENDOR, MR. CHONNEY LIM THE SUM OF SEVEN THOUSAND THREE HUNDRED TEN \$7,310.00 DOLLARS (ALL IN \$100.00 U.S. GREEN MONEY) ON OR BEFORE THE END OF JULY 1984, THROUGH MY LAWYER ATTY. JOSE S. PADOLINA, AS PART OF MY FULL PAYMENT FOR THE HOUSE & LOT OF MR. LIM. (REF: INFORMATION/AGREEMENT CONTRACT DATED JUNE 21, 1984) FAILURE ON MY PART TO COMPLY WITH SUCH PROMISE, IS SUFFICIENT GROUND TO TERMINATE OUR DEED OF ABSOLUTE SALE DATED JUNE 20, 1984. I THEREFORE AFFIX MY SIGNATURE AGAIN ON THE SECOND PAGE OF THIS DEED OF ABSOLUTE SALE, THAT THE AFOREMENTIONED PROMISED & ARRANGEMENT ARE TRUE & CORRECT, TO THE BEST OF MY KNOWLEDGE. SGD. LEA CASTRO WHELAN

(WITH MY FULL CONSENT)

SGD. ILLEGIBLE

JUNE 21, 1984 BAGUIO[8]

This Court can not, in any way, accept Chonney Lim's assertion. It behooves us to think why a document of so

much importance, such as a promissory note should just be written on the margin of the deed of sale. Considering the important transaction entered into by the parties and the substantial amount involved, it is highly improbable for Lea Whelan to have merely written a promissory note in the margin of the deed of sale when this could be conveniently written on a separate sheet of paper if she indeed had made such an undertaking. Moreover, a close perusal of the note reveals that Lea Whelan's name between the words "I" and "promised" is handwritten and the rest of the note typewritten and verbose enough to fit into Lea Whelan's signature on the second page. Her signatures which appeared on the left margin of the two-paged deed of sale were merely intended to authenticate the document which had alterations in the date and for no other purpose. There is basis to conclude that not only is the document highly suspect but Chonney Lim's character and credibility, as well.

As to why no receipt was issued for the \$8,000.00, the trial court has this explanation:

True it is that no receipt was issued for the payment of the US \$8,000.00. LEA, however, has satisfactorily explained that it is for the reason that the payment was in cash and that the Deed of Absolute Sale is already acknowledgement (sic) enough of full payment having been made by her. Indeed, a similar mode of conduct had earlier been followed by the parties when LEA paid for the stipulated earnest money or down payment of US\$14,000.00. Only the first payment of US\$9,000.00 (sic), was receipted for (Exhibit "E" or "2"). When LEA paid the remaining US \$5,000.00, CHONNEY did not anymore issue any receipt as the Conditional Deed of Sale (Exhibit "F" or "3") which the parties executed simultaneously with the payment already served as the receipt.[9]

Anent the bank draft and the check which were dishonored upon presentment, Chonney Lim asserts that since this did not effect payment, he was therefore entitled to a rescission of the contract. While such assertion may be true, the attendant circumstances of the case, however, do not warrant such action. It is borne out by the records that the draft and the check were properly funded at the time of presentment.[10] The dishonor of the documents was neither the fault of Chonney Lim nor Lea Whelan. On this point, the trial court correctly elucidates:

With respect to the bank draft for P141,000.00, the same was duly funded as indubitably shown by the corresponding debit slip (Exhibit "8") issued by the Traders Royal Bank (TRB). That it was not encashed when CHONNEY presented it for payment at the TRB, Baguio Casino Branch, was, as explained in TRB's letter to CHONNEY, dated August 16, 1984 (Exhibit "EE"), due to a management ruling cancelling the authority of the TRB, Baguio Casino Branch, to encash such a draft so the LEA's daughter was advised to get back the draft to be replaced with another drawn payable at a TRB Branch nearest Baguio City. In the same letter, CHONNEY was further advised that LEA was in good faith and that he may present the draft for payment at the TRB, Broadcast City Branch. Unfortunately, LEA's daughter did not get back the draft from CHONNEY to be replaced with another nor did CHONNEY present it for payment at TRB's Broadcast City Branch. But the fact remains that the bank draft had always been backed up with sufficient funds. Accordingly, the fault, if any, should be laid at the TRB's doorstep for allowing the draft to be drawn payable at its Baguio Casino Branch when the latter had no more authority for the purpose.

As to the check for P17,800.00, dated June 21, 1984 (Exhibit "Q" or "6"), LEA issued it against her current account deposit of P20,000.00 with the Philippine Commercial International Bank (PCIB) which she opened on June 21, 1984 (Exhibits "12", "13" and "13-A"). The deposit was reduced to P19,000.00 as of June 22 (Exhibit "13-B") but still sufficient to cover the check. However, the check was dishonored because CHONNEY presented it for payment on June 27 and before that, or on June 25, he had prematurely encashed LEA's other check, dated July 25, 1984, for P2,000.00 (Exhibit "F"), thereby further reducing her deposit was already short of P800.00 to answer for her check of P17,800.00. Demonstrably, the fault was not LEA's but the drawee bank's and CHONNEY's as evidenced by CHONNEY's encashment of LEA's check for P2,000.00 before its due date on July 25, 1984. In fact, the drawee bank had openly admitted its oversight (Exhibit "14").[11]

Nonetheless, the payment of the mortgage loan and the capital gains tax over the property was enough to cover for the payment of said property. Chonney Lim asserts that this was done in bad faith, merely an afterthought when the bank draft and the check were dishonored. It is however for this reason why Lea Whelan eventually caused the “stop payment” of the checks because she found out that Chonney Lim failed to fulfill his obligations as provided in the deed of sale. She had paid more than enough of what was required from her for the property.

x x x LEA discovered that, contrary to CHONNEY’s representation, he had not yet redeemed the disputed property from the mortgage indebtedness for which it had been given as security to the Bank of the Philippine Island (BPI) which indebtedness had already gone up to P210,297.70, inclusive of interests and penalty charges (Exhibit “22”). To protect her interest in the property, she paid the mortgage indebtedness, and at the same time, stopped the payment of her bank draft and check since what she paid to the BPI was very much more than their aggregate amount of P158,800.00.

LEA furthermore found out that CHONNEY did not also pay for the capital gains tax on their transaction in the total amount of P14,944.00 (Exhibits “39” and “40”); she also paid for it.

The recourse taken by LEA is sanctioned by law and jurisprudence and CHONNEY can be bound thereby although he had no prior knowledge thereof considering that the payments made were clearly to his benefit as he was thus spared of being burdened with interests and penalty charges (*Rehabilitation Finance Corporation vs. Court of Appeals*, 94 Phil. 984).[12]

Article 1236 of the Civil Code is applicable in the case at bar which provides in part:

x x x

Whoever pays for another may demand from the debtor what he has paid, except that if he paid without the knowledge or against the will of the debtor, he can recover only insofar as the payment has been beneficial to the debtor.

Pursuant to the above provision, the respondent Court, thus, ruled that:

The payment of the loan and capital gains tax undoubtedly relieved the appellant from such obligations. The benefit had ever been mutual, both appellant and appellee had obtained advantages on their sides - the appellant from his loan and appellee being secured of the possession.[13]

We find no error with the ruling that petitioner Lim is not entitled to rescission of the contract. It cannot be denied that Chonney Lim is also not without fault in this case. It was Chonney Lim’s obligation to see to it that the property was free from all encumbrances and tax liabilities,[14] among others, which he obviously failed to do. The respondent court’s ruling in considering the payment of the mortgage loan and the capital gains tax by Lea Whelan as her full payment for the property is but a fair disposition which this Court does not see any cogent reason to reverse.

WHEREFORE, the decision of the Court of Appeals is hereby AFFIRMED.
SO ORDERED.

Narvasa, C.J., (Chairman), Romero, and Purisima, JJ., concur.

[1] Penned by Justice Justo P. Torres, Jr. with Justice Ricardo J. Francisco and Justice Consuelo Ynares-Santiago, concurring.

[2] Penned by Judge (now Associate Justice of the Court of Appeals) Salvador Valdez, Jr.

[3] Rollo, pp. 214-215.

[4] Id., at 213-214.

[5] Id., at 20-21.

[6] Tanedo v. CA, 252 SCRA 80 (1996).

[7] Rollo., p. 117.

[8] Id., at 272-273.

[9] Id., at 117.

[10] Records, pp. 265 & 267, Civil Case No. 496-R.

[11] Rollo., pp. 118-119.

[12] Id., at 119.

[13] Id., at 218.

[14] Id., at 115.

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.