

Case Title:

Litonjua v. Fernandez, G.R. No. 147913, 471 Phil. 440 (2001)

Facts:

Sometime in September 1995, brokers Lourdes Alimario and Agapito Fisico offered to sell petitioners Antonio K. Litonjua and Aurelio K. Litonjua, Jr., two parcels of land in San Pablo City owned by the heirs of Paz Ticzon Eleosida and Domingo B. Ticzon. On November 27, 1995, the petitioners and respondent Mary Ann Grace Fernandez, representing some of the owners, met and agreed verbally on the sale for P150 per square meter, but Fernandez had to present a special power of attorney (SPA) from the owners. Subsequent meetings did not materialize, and negotiations fell through. Fernandez clarified later that the sale was off due to tenant issues.

The petitioners sent several letters insisting on finalizing the sale. Eventually, in April 1996, they filed a complaint for specific performance and damages, claiming there was a perfected contract. Fernandez argued no such contract existed, the agreement was unenforceable under the Statute of Frauds, and she lacked authorization via SPA.

Procedural Posture:

The Regional Trial Court (RTC) favored the petitioners, declaring there was a perfected contract to sell. Fernandez and the other respondents appealed to the Court of Appeals (CA), which reversed the RTC decision. The CA found no perfected contract of sale. Hence, the petitioners brought the case before the Supreme Court on certiorari.

Issues:

1. **Was there a perfected contract of sale between the parties?**
2. **Does the agreement fall under the Statute of Frauds, thus requiring written evidence to be enforceable?**
3. **Should the respondents declared in default benefit from the CA decision reversing the RTC ruling?**

Court's Decision:

The Supreme Court denied the petition and affirmed the CA decision.

1. **Perfected Contract of Sale:**

- The Court held there was no perfected contract of sale. For a sale to be perfected, there must be an absolute agreement on the object and the price. The correspondences and testimonies did not conclusively prove that an agreement was reached.

- Notably, the January 16, 1996 letter from Fernandez did not indicate a final decision to sell but only mentioned negotiations and unresolved issues. Therefore, it did not constitute a definite commitment by the respondents.

2. **Statute of Frauds:**

- The alleged agreement did not meet the requirements of the Statute of Frauds under Article 1403(2)(e) of the New Civil Code, which mandates that contracts for the sale of real property should be in writing. The January 16, 1996 letter did not contain all the essential elements of the contract and was signed only by Fernandez, who had no written authority from the other owners.

- Consequently, even if there was an oral agreement, it was unenforceable because it lacked the necessary written memorandum or note signed by the party to be charged or their agent.

3. **Benefit of Reversal to Defaulted Respondents:**

- The Court ruled that the reversal by the appellate court extends to the benefit of respondents declared in default. Procedurally, it underscored that decisions as to co-party respondents should bind all, affirming their right to benefit from the appeal despite their default status.

Doctrines:

1. **Perfection of Contracts:**

- A contract of sale is perfected when there is consent on the object of the contract and on the price. Lack of definite agreement on material terms negates contract perfection.

2. **Statute of Frauds:**

- Contracts for the sale of real property must be in writing and signed by the party or their authorized agent. This law aims to prevent fraud and perjury by requiring certain agreements to be evidenced by a written note or memorandum.

Class Notes:

1. **Contract Perfection:**

- Essential elements: consent, object, and price.

- Absence of a precise agreement on terms and conditions precludes perfection.

2. **Statute of Frauds (Article 1403):**

- Requires specific contracts to be in writing for enforceability.

- Written memoranda should contain essential terms like parties' names, object, and price.

3. **Agency Representation (Article 1878):**

- A special power of attorney is necessary to sell real property on behalf of another.
- Unauthorized acts by an agent are null and void unless ratified in writing by the principal.

Historical Background:

This case underscores the legal principles governing contract formation, the necessity of written agreements in specific transactions, and the proper authority required for agents in real property transactions, highlighting the preventative purposes of the Statute of Frauds and agency law in ensuring enforceable and clear real estate transactions.