

Title:

Vicente L. Go vs. Pura V. Kalaw, Inc., G.R. No. 129161

Facts:

1. **Contract Execution**: On July 13, 1980, Vicente Go (petitioner) agreed to purchase Unit 1-A of a building under construction by Pura V. Kalaw, Inc. (respondent) for P665,200.00.
2. **Down Payment**: The petitioner made an initial payment of P327,600.00, representing half of the purchase price, as per the executed Contract to Sell.
3. **Occupancy and Demand**: The petitioner occupied the unit in February 1982. On February 25, 1982, the respondent demanded the remainder of the balance.
4. **Bank Loan**: The petitioner sought to settle the balance by applying for a bank loan.
5. **Condominium Approval**: On June 5, 1982, the respondent informed the petitioner that the Human Settlement Regulatory Board denied approval for the building's status due to inadequate parking spaces. The respondent requested petitioner to sign a "waiver of parking space," but he declined citing building defects.
6. **Rescission Offer**: The respondent proposed to reimburse the petitioner with interest. However, the petitioner persisted in his refusal.
7. **Unilateral Rescission**: On March 14, 1983, the respondent rescinded the Contract to Sell and considered previous payments as rentals.
8. **Alternative Offers**: On December 6, 1988, and February 15, 1989, the respondent offered to sell the entire building to the petitioner, but he did not respond.
9. **Illegal Detainer**: Eventually, the respondent's legal counsel demanded rent and vacate the premises. Subsequently, a complaint for Illegal Detainer was filed against the petitioner.
10. **Specific Performance Case**: In response, the petitioner filed a complaint for Specific Performance or Rescission of Contract with the Regional Trial Court.

Procedural Posture:

- **RTC Decision**: The RTC declared the contract rescinded, ordered the petitioner to vacate the premises, and directed the respondent to refund the down payment with interest. The respondent was also ordered to pay P1,000,000 for actual damages, P1,000,000 for moral damages, and other fees.
- **Appeal to CA**: The respondent appealed to the Court of Appeals, which affirmed the rescission but applied the down payment as rentals and ordered the petitioner to pay P200,000.00 for attorney's fees.
- **SC Petition**: The petitioner sought review by the Supreme Court, questioning the rescission and subsequent rulings.

Issues:

1. **Contract Interpretation**: Whether the Court of Appeals erred in rescinding the Contract to Sell.
2. **Application of Down Payment**: Whether the down payment was correctly applied as rentals.
3. **Entitlement to Damages**: Whether the petitioner was entitled to damages, exemplary damages, and attorney's fees.

Court's Decision:

1. **Contract Interpretation**:
 - **Affirmation of Rescission**: The Court affirmed that the contract was a Contract to Sell, with ownership retained by the respondent until full payment.
 - **Remedies Available to Respondent**: Due to the petitioner's non-payment, the respondent had the right to rescind the contract and reclassify the down payment as rentals.
2. **Application of Down Payment**:
 - **Rentals**: The down payment of P327,600.00 was deemed rental payments due to the petitioner's eight-year occupancy without further payment.
3. **Damages Award**:
 - **Petitioner's Liability**: Since the petitioner failed to fulfill his obligations, he was not entitled to additional damages. The Court upheld the award of attorney's fees to the respondent.

Doctrine:

- **Contract to Sell**: Ownership is retained by the seller until the buyer fully pays the purchase price. In a Contract to Sell, non-fulfillment of payment terms allows the seller to rescind the contract and apply payments as rentals.
- **Remedies for Non-Payment**: The seller is entitled to rescind the contract and apply all received payments as rent if the buyer defaults.

Class Notes:

1. **Contract to Sell vs. Contract of Sale**:
 - **Contract to Sell**: Ownership remains with the seller until full payment.
 - **Contract of Sale**: Ownership transfers upon contract execution.
2. **Remedies for Buyer's Default**:
 - **Unilateral Rescission**: Seller can rescind and retain payments as rent.
 - **Right to Sell to Third Parties**: After rescission, the seller may offer the property to

others.

3. **Article 1370, Civil Code of the Philippines**: Emphasizes literal interpretation of clear contractual terms and the binding nature of written agreements.

Historical Background:

This case highlights the importance of precisely fulfilling contractual agreements, and the court's role in interpreting and enforcing such contracts. In the context of the real estate market in the Philippines during the 1980s, stringent regulatory approvals such as those under the Human Settlement Regulatory Board were critical. This case also underscores the protection offered to developers to ensure that property transactions comply with legal and contractual obligations, particularly regarding ownership transfer conditions and remedies available in the event of default.