



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

REPUBLIC OF THE PHILIPPINES
(Represented by the Social Security
System),

Petitioner,

- versus -

MARAWI-MARANTAO GENERAL
HOSPITAL, INC. and ATTY.
MACAPANTON K. MANGONDATO,
Respondents.

G.R. No. 158920

Present:

SERENO, CJ.,
Chairperson,
LEONARDO-DE CASTRO,
BERSAMIN,
VILLARAMA, JR., and
PEREZ, * JJ.

Promulgated:

NOV 28 2012

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DECISION

LEONARDO-DE CASTRO, J.:

This is a “Petition for Partial Review” on *Certiorari*¹ of the Decision² dated June 19, 2003 of the Court of Appeals in CA-G.R. CV No. 70928, which affirmed with modification the Decision³ dated June 17, 1999 of the

* Per Special Order No. 1356 dated November 13, 2012.

¹ Under Rule 45 of the Rules of Court.

² *Rollo*, pp. 12-31; penned by Associate Justice Remedios A. Salazar-Fernando with Associate Justices Delilah Vidallon Magtolis and Edgardo F. Sundiam, concurring.

³ *Id.* at 135-145; penned by Presiding Judge Santos B. Adiong.

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Regional Trial Court (RTC) of Marawi City, Branch 8 in Civil Case No. 1499-97 by deleting the actual and moral damages, attorney's fees, and costs of litigation awarded to respondents Marawi-Marantao General Hospital, Inc. (MMGHI) and Atty. Macapanton K. Mangondato.

On October 16, 1970, the MMGHI obtained a loan in the total amount of ₱548,000.00 from the Social Security System (SSS). The loan was secured by a mortgage on the property covered by Transfer Certificate of Title (TCT) No. T-379, including the hospital building standing on it. For failure of the MMGHI to pay the monthly amortizations, the SSS extrajudicially foreclosed on the mortgage. The mortgaged property was subsequently sold on March 8, 1991 in a public auction where the SSS was the highest bidder.⁴

On October 16, 1991, the sheriff's certificate of sale was registered. However, the SSS was not able to have a new certificate of title issued in its name.⁵

Sometime in 1992, Atty. Mangondato, Acting Chairman of the MMGHI board of directors and representing MMGHI, negotiated with the SSS for the repurchase of the property and asked for an additional six (6) months within which to make the redemption. As a sign of good faith, Atty. Mangondato tendered ₱200,000.00 as partial payment on November 6, 1992.⁶

After further negotiation, the Social Security Commission (SSC) approved Atty. Mangondato's offer to repurchase/redeem the property

⁴ Id. at 13.

⁵ Id.

⁶ Id.

during its Regular Meeting No. 42 on December 10, 1996.⁷ In particular, the SSC adopted SSC Resolution No. 984-s.96⁸ dated December 10, 1996:

Proposal to repurchase/redeem the Marawi-Marantao General Hospital, approved; Management directed to submit a report on the bidding process for the said property.

Wherefore, on motion duly seconded,

RESOLVED, That the proposal of Atty. Macapanton K. Mang[on]dato, Acting Chairman of the Board of the Marawi-Marantao General Hospital, Inc.[,] to redeem/repurchase the foreclosed property in the amount of ₱2.7 million with a downpayment of ₱2 Million and the remaining balance of ₱500,000.00 (less the ₱200,000.00 already paid) payable in twenty[-]four (24) equal monthly installments plus the interest/surcharges thereon, if any, until fully paid, be, as it is hereby, approved, as indorsed by the Officer-in-Charge in his 1st Indorsement dated December 3, 1996, based on the memorandum of even date of the SDA for Support Services Group;

RESOLVED, HOWEVER, That Management be, as it is hereby, directed to submit to the Commission a report on the bidding process conducted by Management for the said property.

Approved.

Consequently, on January 16, 1997, a deed of conditional sale⁹ of the subject property for ₱2.7 million was executed by MMGHI, through Atty. Mangondato, and the SSS, represented by Atty. Godofredo S. Sison, its Senior Deputy Administrator. The deed of conditional sale reads:

DEED OF CONDITIONAL SALE

KNOW ALL MEN BY THESE PRESENTS:

This contract made and executed by and between:

The **SOCIAL SECURITY COMMISSION** for the **SOCIAL SECURITY SYSTEM**, a government-owned and controlled corporation

⁷ Id.
⁸ Id. at 106.
⁹ Id. at 107-111.

created pursuant to Republic Act No. 1161, as amended, with principal office at East Avenue, Quezon City, Metro Manila, represented herein by its Senior Deputy Administrator, **GODOFREDO S. SISON**, hereinafter referred to as the **VENDOR**;

- and -

ATTY. MACAPANTON K. MANGONDATO, of legal age, married and with postal address at Bgy. Kalaw, Marantao, Lanao Del Sur referred to as the **VENDEE**.

- WITNESSETH -

WHEREAS, the **VENDOR** is the registered owner in fee simple of certain real property hereinafter described, to wit:

A parcel of land (lot 2 of the subdivision plan (LRC) Psd-116159, being a portion of the land described on F(VII-5) 2278, LRC (GLRO) Rec. No. F. Pat.), situated in the Barrio of Saduc, City of Marawi, Island of Mindanao. Bounded on the NE., points 2 to 3 by Lot 3 of the subdivision plan; on the SE., points 3 to 4 by National Road and points 4 to 5 by Public Land; on the SW., points 5 to 8 by lot 1 of the subdivision plan; and on the NW., points 1 to 2 by National Road (20.00 m. wide) x x x containing an area of Fourteen Thousand Nine Hundred Fifteen (14,915) square meters, more or less. x x x.

WHEREAS, the **VENDEE** offered to purchase the above-described real property/ies and the improvements thereon and the Social Security Commission (SSC) per its Resolution No. 984 dated December 10, 1996 has approved the offer of **ATTY. MACAPANTON MANGONDATO**, subject to certain conditions;

NOW, THEREFORE, for and in consideration of the sum of ₱2.7 Million, the **VENDEE** having made a down payment of Two Million Pesos (₱2,000,000.00), plus the previous deposit of Two Hundred Thousand Pesos (₱200,000), the **VENDOR** hereby SELLS, TRANSFERS and CONVEYS to the **VENDEE**, his heirs and successors-in-interest, by way of Conditional Sale, the above-described parcel of land together with the buildings existing thereon, subject to the following terms and conditions:

1. The **VENDEE** undertakes and agrees to pay the **VENDOR** at its office in the SSS Building, East Avenue, Quezon City, the balance of the purchase price in the amount of ₱500,000.00 pesos which will be paid in 24 equal monthly installments with interests at 1.33% per month, compounded monthly, until fully paid without demand;
2. The **VENDOR** hereby agrees to give the **VENDEE** a 30-day grace period for the payment of the arrearages in case the **VENDEE** for any reason whatsoever defaults in the

payment of one installment. In case the **VENDEE** fails to pay and settle all his arrearages within the grace period, the **VENDOR** shall have the right to annul the contract. Any installment due and unpaid shall bear interest at the rate of 1.33% per month, compounded monthly, plus penalty of 16% per annum until the entire amount due shall have been fully paid;

3. Conditions Nos. 1 and 2 notwithstanding, the **VENDEE** may pay in full whatever is due under this contract at any time before the expiration of the above stipulated period in which event, the **VENDEE** shall be entitled to interest rebate or reimbursement of whatever interest payment it may make, if any, in excess of what is legally due by reason of accelerated payment;
4. The **VENDEE** shall pay all taxes, real estate or special assessment that may or shall be levied or may be due on the above land and its improvements. Should the **VENDEE** default in the payment of said taxes, the **VENDOR** may pay the same and charge the amount thereof to the **VENDEE** with interest at 16% per annum. The said amount shall then be added to the current annual installment due and shall form part of such installment and its nonpayment shall entitle the **VENDOR** to the rights granted it under Condition Nos. 8 and 9 hereof;
5. The **VENDEE** shall use and administer the property subject of this Contract to all intents and purposes as if it is the owner thereof, his rights to the possession thereof shall continue as long as the terms of this Contract are faithfully complied with by the **VENDEE**;
6. The **VENDEE** shall keep the improvements on this land in good condition and order during the life of this Contract. Should the **VENDEE** fail to keep the improvement on this land in good condition during the life of this Contract, the **VENDOR** or its duly authorized agent shall have the right to enter upon the property and make all necessary repairs and improvements which shall be charged to the **VENDEE** and shall be paid within thirty (30) days from demand plus the prescribed interest. Non-payment of the above amount shall entitle the **VENDOR** to the rights granted under paragraphs 8 and 9 of this Contract;
7. The **VENDEE** hereby agrees to insure the building during the life of this Contract with the GSIS. The amount of insurance shall be equal to the appraised value of the buildings. Coverage shall take effect on the date of the execution of this Deed of Conditional Sale and renewable every year thereafter until the total obligation of the **VENDEE** is fully paid. Renewal of the property insurance shall be automatic and paid for by the **VENDEE**, provided,

however, that when the latter fails to pay the corresponding insurance premium, the **VENDOR** (SSS) shall pay the same, to be added to the total amount due and demandable from the **VENDEE** and the latter shall be charged 16% per annum, compounded monthly, on the cost of the premium. In the event of loss or damage[,] the **VENDEE** shall give immediate notice by mail or by telegram to the **VENDOR** who may make proof of loss if not made promptly by the **VENDEE** and the insurance proceeds thereof may be applied by the **VENDOR**, at its option, either to the reduction of the indebtedness hereby secured or to the restoration or repair of the property damaged;

8. The Contract shall be further subject to the condition that any default in the monthly installment will cause the immediate cancellation of the Deed of Conditional Sale and make the entire obligation due and demandable at the option of the **VENDOR**;
9. The continued exercise of any power, privileges or right granted to or exercised by the **VENDEE**, despite violation by him of any of the terms and conditions of this [C]ontract, or with respect to any of the above-mentioned defaults, shall in no case be interpreted as a relinquishment/waiver by the **VENDOR** of any of its rights herein contained in case of any subsequent defaults/violations on the part of the **VENDEE**;
10. Title to the property [subject] of this Contract remains with the **VENDOR** and shall pass to, and be transferred in the name of the **VENDEE** only upon the former's execution of the final Deed of Sale mentioned in the next succeeding paragraphs;
11. The **VENDEE** shall, at his own expense, be solely responsible for the ejectment and relocation of the squatters or persons found/staying in the premises; and
12. Upon the full payment by the **VENDEE** of the purchase price of above referred to, together with all the interests, penalties, taxes and other charges due thereon, and upon his faithful compliance with all the conditions of this Contract, the **VENDOR** agrees to execute in favor of the **VENDEE** or his heirs and successors-in-interest such Deed of Absolute Sale as full performance by the **VENDEE** of the covenants and undertakings in the Contract.

IN WITNESS WHEREOF, both parties have hereunto set their hands this ___ day of _____, 1997 in Quezon City.

(Sgd.)
MACAPANTON K. MANGONDATO
Vendee

SOCIAL SECURITY COMMISSION
for the SOCIAL SECURITY SYSTEM
Vendor

by: (Sgd.)
GODOFREDO S. SISON
TIN: 118455783¹⁰

On February 17, 1997, Atty. Mangondato issued in favor of the SSS a PNB Check No. 002412 in the amount of ₱500,000.00 representing the full payment of the subject property under the Deed of Conditional Sale.¹¹

Thereafter, in a letter dated April 7, 1997, Atty. Mangondato demanded the SSS to immediately implement the transfer of the subject property in his favor considering that he had already paid the purchase price in full.¹²

However, in a letter¹³ dated May 5, 1997, the SSS informed Atty. Mangondato about the adoption by the SSC of SSC Resolution No. 224-s.97 dated March 20, 1997 declaring the conditional sale a nullity and directing the return of the ₱2.7 million payment made by Atty. Mangondato. SSC Resolution No. 224-s.97¹⁴ dated March 20, 1997 reads:

Sale of the foreclosed assets
of Marawi-Marantao General
Hospital, Inc., pursuant to SSC
Resolution No. 984, dated
December 10, 1996, declared a
nullity based on certain grounds,
approved; Rescission of the
Deed of Conditional Sale between
the SSC for the SSS and Atty.
Macapanton K. Mang[o]ndato, approved;
Management directed to return the

¹⁰ Id. at 107-110.

¹¹ Records, p. 31.

¹² Id. at 32-33.

¹³ Id. at 36.

¹⁴ *Rollo*, p. 112.

total amount of ₱2.2 million paid by Atty. Mang[on]dato with effective prevailing interest rate at the time of issuance of the check/s.

RESOLVED, That the sale pursuant to SSC Resolution No. 984, dated December 10, 1996 of the foreclosed assets of Marawi-Marantao General Hospital, Inc. and the Contract executed between the Social Security Commission for the Social Security System and Atty. Macapanton K. Mang[on]dato, be, as it is hereby declared a nullity based on the following grounds:

1. There was no full disclosure of facts to the SSS Commission.
2. Violation of the standard operating procedure requiring the conduct of a bidding in the sale of an SSS-acquired asset.
3. Non-compliance with office procedure requiring two signatories in the Deed of Conditional Sale.
4. Title to the property has not been consolidated in the name of [the] SSS.

RESOLVED, LIKEWISE, That Management be, as it is hereby, directed to return the total amount of ₱2.2 million tendered by Atty. Mang[on]dato in partial payment of the selling price of ₱2.7 million, with interest at the prevailing rate at the time the check/s was/were issued to the Social Security System;

RESOLVED, FURTHER, That the memorandum-report of then Officer-in-Charge Leopoldo S. Veroy dated March 11, 1997 relative to the sale of the foreclosed assets of Marawi-Marantao General Hospital, Inc., be, as it is hereby, noted.

Approved.¹⁵

Aggrieved by the action of the SSS, the MMGHI and Atty. Mangondato filed on August 12, 1997 a complaint¹⁶ for specific performance and damages against the SSS in the RTC of Marawi City, Branch 8. The complaint was docketed as Civil Case No. 1499-97.

In its answer,¹⁷ the SSS specifically denied the material allegations in the complaint and averred that the redemption by MMGHI was made long

¹⁵ Id.

¹⁶ Id. at 113-123.

¹⁷ Id. at 124-134.

after the expiration of the period of redemption on October 15, 1992.¹⁸ The SSS also alleged that the deed of conditional sale entered into by the parties was subsequently annulled pursuant to SSC Resolution No. 224-s.97 dated March 20, 1997.¹⁹

After trial, the trial court rendered a Decision dated June 17, 1999 in favor of MMGHI and Atty. Mangondato. Its dispositive portion reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiffs Marawi-Marantao General Hospital[,] Inc., and Atty. Macapanton K. Mangondato and against defendant Social Security System [SSS] directing the latter (SSS) to:

1. Execute an Absolute [D]eed of Sale in favor of the plaintiffs Hospital and/or Atty. Macapanton K. Mangondato as stipulated in the aforesaid Deed of Conditional Sale;
2. Pay plaintiffs the sum of ₱12,487,271.00 by way of actual damages or unrealized income;
3. Pay plaintiffs the sum of ₱500,000.00 by way of moral damages;
4. Pay plaintiffs the sum of ₱100,000.00 by way of attorney's fees; and
5. Pay the cost of litigation.²⁰

Aggrieved, the SSS appealed the trial court's Decision to the Court of Appeals. The appeal was docketed as CA-G.R. CV No. 70928.²¹

¹⁸ Id. at 129-130.

¹⁹ Id.

²⁰ Id. at 145.

²¹ Meanwhile, in Special Order dated June 25, 1999, the trial court granted the motion of MMGHI and Atty. Mangondato for partial execution of the appealed decision dated June 17, 1999. The SSS challenged the Special Order in the Court of Appeals in CA-G.R. SP No. 53502 where it was annulled in a Decision dated August 16, 1999. (Penned by Associate Justice Hector L. Hofileña and concurred in by Associate Justices Omar U. Amin and Jose L. Sabio, Jr., *rollo*, pp. 146-152.)

Also, upon motion of MMGHI and Atty. Mangondato, the trial court issued an Order dated August 16, 1999 declaring its June 17, 1999 decision final and executory as to items 2 (actual damages), 3 (moral damages), 4 (attorney's fees), and 5 (costs of litigation). The SSS assailed this Order in the Court of Appeals in CA-G.R. SP No. 54669 where it was nullified in a Decision dated November 29, 1999. (Penned by Associate Justice Romeo J. Callejo, Sr. and concurred in by Associate Justices Quirino D. Abad Santos, Jr. and Mariano M. Umali, *rollo*, pp. 153-167.) The case was elevated to this Court and docketed as G.R. No. 141008, which was subsequently denied and the Court of Appeals Decision dated November 29, 1999 affirmed. (*See*

On January 25, 2002, the Republic of the Philippines, represented by the SSS, filed its appellant's brief²² in CA-G.R. CV No. 70928. It asserted that the trial court erred in directing the SSS to execute a deed of absolute sale in favor of MMGHI and Atty. Mangondato despite the nullity of the conditional sale.²³ It also claimed that the trial court erred in holding the SSS liable for actual damages, moral damages, attorney's fees, and costs of litigation.²⁴

On the other hand, MMGHI and Atty. Mangondato failed to file their brief. Thus, the Court of Appeals declared the case submitted for decision without the appellees' brief.²⁵

Subsequently, the Court of Appeals rendered the assailed Decision dated June 19, 2003 affirming with modification the trial court's Decision dated June 17, 1999:

WHEREFORE, premises considered, the assailed Decision dated June 17, 1999 of the Regional Trial Court, Branch 8, Marawi City in Civil Case No. 1499-97 is **AFFIRMED WITH MODIFICATION**, deleting the awards of damages, attorney's fees and liability to pay costs of litigation, specifically, items nos. 2, 3, 4 and 5 of the dispositive portion.²⁶

Hence, this "Petition for Partial Review." It assails the Court of Appeals Decision for failing to nullify the deed of conditional sale and instead directing the Republic to execute an absolute deed of sale in favor of MMGHI and Atty. Mangondato pursuant to the provision of the said deed of conditional sale.

Marawi Marantao General Hospital, Inc. v. Court of Appeals, 402 Phil. 356 [2001].)

²² CA rollo, pp. 14-98.

²³ Id. at 56-76.

²⁴ Id. at 76-84.

²⁵ Id. at 120; Resolution dated April 1, 2003.

²⁶ Rollo, p. 30.

The Republic basically argues in this petition that no valid redemption could have been effected by entering into the deed of conditional sale as the period of redemption had already expired. It further alleges that certain requirements were not complied with, such as the office procedure requiring the counter-signature of another Deputy Administrator in a contract and public bidding.²⁷

The Republic states:

the deed of conditional sale was executed on January 16, 1997, long after the redemption period had expired on December 21, 1992. It will be recalled that the subject property was foreclosed by petitioner and sold at public auction on March 8, 1991, wherein petitioner was declared the winning bidder. The Sheriff issued a certificate of sale on the same date which was registered on October 16, 1991. In October 1992, respondents manifested their intention to repurchase the subject property and asked for a period of six months within which to repurchase the same. Atty. Godofredo S. Sison, gave respondents instead a period of sixty (60) days or until December 21, 1992, within which to repurchase the subject property. It was only after five (5) years, or on August 5, 1996 that respondents (thru Atty. Macapanton K. Mangondato) reiterated their proposal to repurchase the subject property. The deed of conditional sale was executed on January 16, 1997 between Atty. Sison and Atty. Mangondato. Clearly, redemption was made after the period of redemption had long expired.²⁸

The Republic further claims that then SSS Senior Deputy Administrator Atty. Godofredo Sison exceeded his authority when he alone signed the deed of conditional sale which he entered in behalf of the SSS. This was allegedly in violation of SSC Resolution No. 207-s.91 dated April 5, 1991 approving Office Order No. 15-V dated April 2, 1991 which requires the counter-signature of another Deputy Administrator in a contract.

²⁷ Id. at 50.

²⁸ Id. at 60. There is an attempt to cast a cloud of doubt on the authority of Atty. Sison to grant the extension (id. at 61). Such lack of authority, however, had been cured by the SSC's ratification of Atty. Sison's act when the SSS accepted the ₱200,000.00 tendered by Atty. Mangondato and treated it as a "deposit" or advanced payment in SSC Resolution No. 984-s.96 dated December 10, 1996.

Moreover, the redemption or repurchase was made without public bidding.²⁹

In their comment,³⁰ MMGHI and Atty. Mangondato assert that the arguments presented by the Republic in this case have been adequately discussed and disposed of by the Court of Appeals Decision. As regards the issue of Atty. Sison's alleged lack of authority to enter into the deed of conditional sale without the signature of another Deputy Administrator, it simply rendered the contract unenforceable pursuant to Article 1317 of the Civil Code. Unenforceable contracts are susceptible of ratification and the Republic, through the SSS, ratified the deed of conditional sale when it accepted the repurchase price.

Had MMGHI and Atty. Mangondato validly redeemed the property under the deed of conditional sale? That is the issue to be determined by this Court in this petition.

Upon careful consideration of the contentions of the parties, this Court answers the issue affirmatively.

The alleged nullity of the deed of conditional sale because the period of redemption had expired is wrong. When SSC Resolution No. 984-s.96 dated December 10, 1996 approved the proposal of Atty. Mangondato to "redeem/repurchase" the property, the SSC is deemed to have waived, or even agreed to extend, the original limited period of redemption.³¹ As this Court held in *Development Bank of the Philippines v. West Negros College, Inc.*³²:

²⁹ Id. at 51-61.

³⁰ Id. at 405-412.

³¹ It is also significant to note here that, when it approved SSC Resolution No. 984-s.96 dated December 21, 1996, the SSC was well aware of the fact that the reckoning point of the one (1) year period to redeem, which is the date of registration of the certificate of sale, was on October 16, 1991. (See Exhibit "A," Excerpts of TSN Re: Repurchase of the Marawi-Marantao General Hospital; records, pp. 82-90.)

³² G.R. No. 152359, May 21, 2004, 429 SCRA 50, 58.

The right of legal redemption must be exercised within specified time limits. However, the statutory period of redemption can be extended by agreement of the parties. x x x. (Citations omitted.)

Also, this Court's ruling in *Ramirez v. Court of Appeals*³³ is relevant:

The Court of Appeals unfortunately was not entirely correct since the PNB accepted the redemption price from the petitioner after the one (1) year period had expired. By accepting the redemption price after the statutory period for redemption had expired, PNB is considered to have waived the one (1) year period within which Ramirez could redeem the property. There is nothing in the law which prevents such a waiver. **Allowing a redemption after the lapse of the statutory period, when the buyer at the foreclosure does not object but even consents to the redemption, will uphold the policy of the law** recognized in such cases as *Javellana v. Mirasol and Nuñez*, and in the more recent case of *Tibajia, et al. v. Honorable Court of Appeals, et al.*, which is to aid rather than defeat the right of redemption. Thus, there is no doubt that the redemption made by petitioner Ramirez is valid. x x x. (Emphasis supplied; citations omitted.)

It is also worthy to note that the grounds mentioned in Resolution No. 224.-s.97 dated March 20, 1997 as basis for the declaration of nullity of the deed of conditional sale did not include the alleged expiration of the redemption period. Clearly, the inclusion of that ground has been belatedly made and appears to be a mere afterthought.

The violation of an alleged requirement for the conduct of bidding in the sale of an SSS-acquired asset merely referred to "standard operating procedure." The Republic failed to point to a specific law, rule or public policy that has been violated by the resale to the previous owner of a property acquired by foreclosure. In view of such failure on the part of the Republic, the execution of the deed of conditional sale enjoys the presumptions that the ordinary course of business has been followed and that the law has been obeyed.³⁴ More importantly, the transaction between the

³³ G.R. No. 98147, March 5, 1993, 219 SCRA 598, 603.

³⁴ These presumptions are provided under paragraphs (q) and (ff), respectively, of Section 3, Rule

parties involves the redemption by MMGHI of the property covered by TCT No. T-379 mortgaged to and foreclosed by the SSS. The policy of the law is to aid rather than defeat the right of redemption,³⁵ thus, public bidding is not a condition for redemption.

The alleged lack of authority on the part of Atty. Sison is flimsy. MMGHI and its representative, Atty. Mangondato, could not have been faulted for non-compliance with the so-called office procedure as they could not have been reasonably expected to know that the signature of only one Deputy Administrator is insufficient because the said office procedure seems to be internal in nature. Moreover, even the very resolution invoked by the Republic, SSC Resolution No. 207-s.91 dated April 5, 1991 approving Office Order No. 15-V dated April 2, 1991, negates the contention of the Republic:

RESOLUTION NO. 207-s.91

Office Order No. 15-V,
dated April 2, 1991,
approved.

This refers to Office Order No. 15-V, dated April 2, 1991, pertaining to the rules to be observed in connection with the signing of contracts entered into by the SSS with other parties, after the same have been approved by the Social Security Commission. The following rules shall be observed.

The Administrator has the authority to sign any contract with or without a co-signatory. However, other officials of the SSS are also delegated the authority to sign contracts.

The Administrator shall sign the contract when:

- (1) the amount involved is over ₱10 Million
- (2) the signatory of the other contracting party is the head of the government office or the Administrator's counterpart in that office, irrespective of the amount involved. However, the

³⁵ 131, Rules of Court.
Cometa v. Court of Appeals, 404 Phil. 107, 118 (2001).

Administrator may designate any official in the SSS to sign in his behalf.

The delegation of the authority to sign contracts to other lower officials are hereby prescribed, requiring two (2) signatories. If the amount involved in the contract is from ₱5 Million to ₱10 Million, the rules below shall apply:

- (1) The contract shall be signed by the Senior Deputy Administrator and countersigned by the Deputy Administrator in whose area of responsibility the contract pertains.
- (2) In the absence of any of the signatories in the next preceding paragraph, any Deputy Administrator can sign for the absent signatory.
- (3) In the absence of all the Deputy Administrators to counter-sign the contract, any Assistant Administrator can counter-sign the same.

If the amount involved is not over ₱5 Million, the following shall be observed:

- (1) The contract shall be signed by the Deputy Administrator in whose area of responsibility the contract pertains and countersigned by another Deputy Administrator.
- (2) In the absence of any of the signatories mentioned in the next preceding paragraph, **the contract shall be signed by the Senior Deputy Administrator** or any Deputy Administrator or any Assistant Administrator available, in the said order of preference.

In the Regional Offices, if the amount involved in the contract is below ₱1 Million, it shall be signed by the Deputy Administrator for Regional Operations or by the Assistant Administrator of the region concerned and to be counter-signed by the Regional Manager or in his absence, by the Assistant Regional Manager, where the contract is to be implemented.

In the absence of the Administrator, contracts already approved by the Social Security Commission may be signed by the Senior Deputy Administrator to be counter-signed by any of the Deputy Administrators.

Wherefore, on motion duly seconded,

RESOLVED, That Office Order No. 15-V, dated April 2, 1991, prescribing the rules to be observed in the signing of contracts with other parties, after the same have been approved by the Social Security Commission, be, as it is hereby, approved (Appendices "25" & "25-a").

Approved. (As amended by Res. 428-s.1991)³⁶ (Emphases supplied.)

Atty. Sison as then Senior Deputy Administrator of the SSS enjoys the presumption of regularity in the performance of his duties.³⁷ In accordance with that presumption, he is presumed to have complied with SSC Resolution No. 207-s.91 dated April 5, 1991 approving Office Order No. 15-V dated April 2, 1991. In the absence of competent countervailing evidence, the presumption stands,³⁸ especially since the records show that, from the earliest stage of the effort of Atty. Mangondato to redeem the property in October 1992, it has always been Atty. Sison who has represented the SSS thereby giving a reasonable expectation that the subject of the contract is within his area of responsibility and that he may be a sole signatory as the Senior Deputy Administrator because the contract is not over ₱5 million. In other words, the Republic should have presented competent evidence to rebut the presumption of regularity in the performance of duties by Atty. Sison. Unfortunately, other than the bare allegation that Atty. Sison failed to comply with SSC Resolution No. 207-s.91, no evidence was shown to discharge the Republic's burden of proof.

Furthermore, assuming that Atty. Sison lacked authority when he signed the deed of conditional sale, the SSS ratified his act when it accepted the ₱2.7 million payment made by MMGHI and Atty. Mangondato. In *Tacalinar v. Corro*,³⁹ this Court considered the act of a father, whose children sold his 40-hectare *hacienda* without his authority, of collecting the

³⁶ Records, pp. 166-168.

³⁷ This presumption is given in his favor under paragraph (m) of Section 3, Rule 131, Rules of Court. It is confirmed by case law, e.g., *Galvante v. Casimiro* (G.R. No. 162808, April 22, 2008, 552 SCRA 304, 318) and *Salma v. Miro* (541 Phil. 685, 696 [2007]).

³⁸ This Court held in *Magsucang v. Judge Balgos* (446 Phil. 217, 224 [2003]): "The presumption of regularity of official acts may be rebutted by affirmative evidence of irregularity or failure to perform a duty. The presumption, however, prevails until it is overcome by no less than clear and convincing evidence to the contrary. Thus, unless the presumption is rebutted, it becomes conclusive."

³⁹ 34 Phil. 898, 909 (1916).

purchase price as “ratifying and approving the said sale,” and this Court further took such act as a waiver of his right of action to avoid the contract as it “implies the tacit, if not express, confirmation of the said sale.”

In view of the validity of the redemption made by MMGHI and Atty. Mangondato through the contract of conditional sale between the parties, the SSS must faithfully comply with its obligations under the said contract. This is in accordance with the principle of obligatoriness of contracts, that obligations arising from contract have the force of law between the parties and should be complied with in good faith.⁴⁰

What obligation must the SSS perform in good faith under the deed of conditional sale? Paragraphs 10 and 12 of the deed hold the answer:

10. Title to the property [subject] of this Contract remains with the **VENDOR** and shall pass to, and be transferred in the name of the **VENDEE** only upon the former’s execution of the [F]inal Deed of Sale mentioned in the next succeeding paragraphs;

X X X X

12. Upon the full payment by the **VENDEE** of the purchase price of above referred to, together with all the interests, penalties, taxes and other charges due thereon, and upon his faithful compliance with all the conditions of this Contract, the **VENDOR** agrees to execute in favor of the **VENDEE** or his heirs and successors-in-interest such Deed of Absolute Sale as full performance by the **VENDEE** of the covenants and undertakings in the Contract.⁴¹

The above provisions provide that title to the property remains with the seller and will only be transferred to the buyer-redemptioner upon the execution of a final deed of sale and that upon full payment of the purchase price by the buyer-redemptioner, the SSS as seller has the obligation to execute a deed of absolute sale in favor of the former. The above provisions

⁴⁰ CIVIL CODE, Article 1159.

⁴¹ *Rollo*, p. 110.

further reveal that the true nature of the deed of conditional sale between the parties is a contract to sell. It is established case law that where the seller promises to execute a deed of absolute sale upon the completion by the buyer of the payment of the price, the contract is only a contract to sell. Thus, while the contract is denominated as a Deed of Conditional Sale, the presence of the above-quoted provisions identifies the contract as being a mere contract to sell.⁴²

A contract to sell is defined as a bilateral contract whereby the prospective seller, while expressly reserving the ownership of the property despite delivery thereof to the prospective buyer, **binds himself to sell the property exclusively to the prospective buyer** upon fulfillment of the condition agreed, *i.e.*, full payment of the purchase price.⁴³ In a contract to sell, the prospective seller explicitly reserves the transfer of title to the prospective buyer, meaning, the prospective seller does not as yet agree or consent to transfer ownership of the property subject of the contract to sell until the happening of an event, which for present purposes we shall take as the full payment of the purchase price. **What the seller agrees or obliges himself to do is to fulfill his promise to sell the subject property when the entire amount of the purchase price is delivered to him.**⁴⁴

The SSS acknowledges that the purchase price of ₱2.7 million had already been paid in full. Pursuant to paragraph 12 of the deed of conditional sale and the nature of the parties' agreement as a contract to sell, therefore, the SSS has the obligation to execute a deed of absolute sale in favor of MMGHI/Atty. Mangondato.

⁴² *Tan v. Benolirao*, G.R. No. 153820, October 16, 2009, 604 SCRA 36, 49.

⁴³ *Id.* at 48.

⁴⁴ *Coronel v. Court of Appeals*, 331 Phil. 294, 309 (1996).


All told, the trial court and the Court of Appeals did not err when they ordered the SSS to execute a deed of absolute sale in favor of MMGHI/Atty. Mangondato.

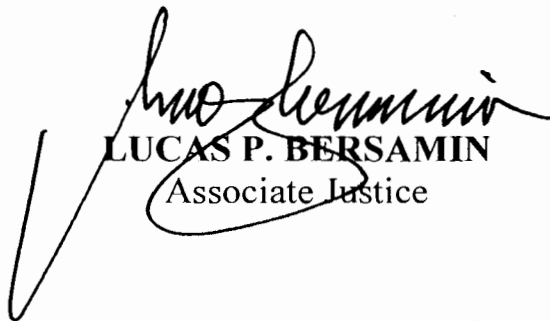
WHEREFORE, the petition is hereby **DENIED**.

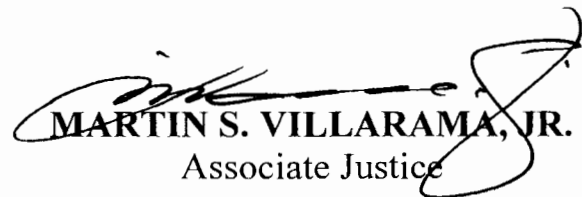
SO ORDERED.


TERESITA J. LEONARDO-DE CASTRO
Associate Justice

WE CONCUR:


MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson


LUCAS P. BERSAMIN
Associate Justice


MARTIN S. VILLARAMA, JR.
Associate Justice


JOSE PORTUGAL PEREZ
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO
Chief Justice