



Republic of the Philippines
Supreme Court
 Manila

CERTIFIED TRUE COPY

WILFREDO V. LAPITAN
 Division Clerk of Court
 Third Division
 AUG 13 2018

THIRD DIVISION

LILY S. VILLAMIL substituted by
 her heirs **RUDY E. VILLAMIL,**
SOLOMON E. VILLAMIL,
TEDDY E. VILLAMIL, JR.,
DEBORAH E. VILLAMIL,
FLORENCE E. VILLAMIL,
GENEVIEVE E. VILLAMIL, and
MARC ANTHONY E. VILLAMIL,
 Petitioner,

G.R. No. 195999

Present:

VELASCO, JR., J., *Chairperson,*
BERSAMIN,*
LEONEN,
MARTIRES, and
GESMUNDO, JJ.

- versus -

SPOUSES JUANITO ERGUIZA
AND MILA ERGUIZA,
 Respondents.

Promulgated:

June 20, 2018

X ----- X

DECISION

MARTIRES, J.:

This is a petition for review on certiorari seeking to reverse and set aside the Decision,¹ dated 29 June 2010, and Resolution,² dated 2 February 2011, of the Court of Appeals (CA) in CA-G.R. SP No. 109813 which nullified the Decision,³ dated 2 October 2008, of the Regional Trial Court, Dagupan City, Branch 44 (RTC), in Civil Case No. 2007-0014-D, an action for recovery of possession.

* On Official Leave.
¹ Rollo, pp. 35-52; penned by Associate Justice Bienvenido L. Reyes (retired member of this Court) with Associate Justice Estela M. Perlas-Bernabe (now member of this Court) and Associate Justice Elihu A. Ybañez, concurring.
² Id. at 54-55.
³ Id. at 89-94; penned by Judge Genoveva Coching Maramba.

THE FACTS

On 6 February 2003, petitioner Lily Villamil (*petitioner*) filed a Complaint⁴ for recovery of possession and damages against respondent-spouses Juanito and Mila Erguiza (*respondent-spouses*) before the Municipal Trial Court in Cities (*MTCC*) of Dagupan City. The complaint alleges, among others, the following:

x x x x

2. Plaintiff is the absolute and exclusive owner of that certain parcel of land more particularly described as follows:

“A parcel of land (Lot 3371-C) of the subdivision plan (LRC) Psd-111002, being a portion of Lot 3371 Dagupan Cadastre, LRC Cad. Record No. 925, situated in the District of Pantal, City of Dagupan, Island of Luzon, x x x containing an area of one hundred ninety-one (191) square meters, more or less. Covered by Transfer Certificate Title No. 31225 with assessed value of ₱2,290.00 under Tax Declaration No. 221092.”

A copy of Transfer Certificate of Title No. 31225 and Tax Declaration No. 221092 are hereto attached and marked as Annexes “A” and “B,” respectively;

3. Previously, said parcel of land was covered by Transfer Certificate of Title No. 23988 registered under the names of plaintiff, Corazon Villamil, Efren Villamil, Teddy Villamil, Florencio Villamil, Rodrigo Villamil, Nicasio Villamil, John Villamil, Marcelina Villamil and Feliciano Villamil, all related. Copy of Transfer Certificate of title No. 23988 is hereto attached as Annex “C”;

4. On 20 September 1972, plaintiff together with her deceased sister, Corazon Villamil, and deceased brother, Teddy Villamil, entered into an agreement with Juanito Erguiza for the purpose of selling the above-described property to the latter subject to the condition that plaintiff and her siblings would file a petition to secure authorization for minor children from the proper courts. Likewise, that in case of failure of the plaintiff and her siblings to obtain said authority, the partial payment made by the defendant Juanito Erguiza shall be applied as rent for twenty (20) years of the premises. A copy of the agreement is hereto attached as Annex “D”;

5. During the course of time, TCT No. 23988 was cancelled and TCT No. 30049 was issued by virtue of a quitclaim executed by Corazon Villamil and her children in favor of the plaintiff. Likewise, TCT No. 30049 was cancelled and TCT No. 31125 (Annex “A”) was issued by virtue of a Deed of Sale executed by Efren Villamil and Teddy Villamil in favor of the plaintiff. Copies of TCT No. 30049 are hereto attached and marked as Annex “E”;



⁴ Records, pp. 1-3.

6. Plaintiff has been paying religiously the real estate taxes due on said property;

7. Sometime in 1992 or after the lapse of twenty (20) years and the expiration of the twenty (20) years lease, plaintiff demanded from the defendants to return possession of the property but the latter failed and refused, and still fails (sic) and refuses (sic) to return possession of the property to the damage and prejudice of the plaintiff;

8. The continued occupation by the defendants of the property is by mere tolerance of the plaintiff and has been staying thereon without paying any rent to the plaintiff;

9. On 7 January 2002, plaintiff again demanded from the defendant[s] to return the possession of the property by way of a formal letter dated December 18, 2001 which was received by the defendant[s] on January 11, 2002. Notwithstanding receipt of said letter, defendants just ignored the valid pleas of the plaintiff; Annex "F";

10. A period of thirty (30) [days] had lapsed without the said agreement having been enforced, hence, the defendants have lost whatever rights they have under said agreement;

11. The matter was brought to the Office of the Barangay of Pantalan District but no conciliation or settlement was reached between the parties hence, a certification to file action was issued by said office. A copy of the certification is hereto attached as Annex "G";

x x x x⁵

The Agreement, which petitioner and respondent-spouses entered into in the sale and purchase of the subject property, states:

KNOW ALL MEN BY THESE PRESENTS:

That we, CORAZON G. VILLAMIL, widow, LILY VILLAMIL, married and TEDDY S. VILLAMIL, married, all of legal ages, Filipinos and residents of Dagupan City, Philippines, for and in consideration of the sum two thousand six hundred fifty seven pesos (₱2,657.00), Philippine currency, to us in hand paid and a receipt of which is hereby acknowledged of JUANITO ERGUIZA, married, of legal age, Filipino and a resident of Dagupan City, Philippines, BY THESE PRESENTS do hereby promise to sell absolutely unto the said Juanito Erguiza, his heirs or assigns, a parcel of land covered [by] Transfer Certificate of Title No. 23988 of the land records of Dagupan City, identified as Lot No. 2371, under the following terms and conditions:

1. That the total purchase price of the said land is FIVE THOUSAND ONE HUNDRED FIFTY SEVEN PESOS ₱5,157.00. Because of us receiving today the sum of two thousand six hundred and fifty seven pesos (₱2,657.00), there is still a balance of two thousand five hundred pesos (₱2,500.00);

⁵ Id.

2. That because there is still lacking document or that court approval of the sale of the shares of the minor-owners of parts of this land, the final deed of absolute sale be made and executed upon issuance by the competent court; that the balance of ₱2,500.00 will also be given in this stage of execution of this document;
3. In the event however that the petition for the sale of the shares of the minor-owners of the parts of this land is [disapproved] by the court, the amount of ₱2,657.00 be considered as lease of the land subject matter of this contract for a duration of twenty (20) years.

WITNESS OUR HANDS THIS 29th of September 1972 at Dagupan City, Philippines.⁶

On 26 May 2003, respondent-spouses filed their Answer,⁷ which effectively denied the material allegations in petitioner's complaint and by way of special and affirmative defenses, aver that:

x x x x

5. That plaintiff has no cause of action.
6. The agreement between the co-heirs of plaintiff and defendants is for the sale on condition of the subject property. A sale even if conditional transfers ownership to the vendees. And before plaintiff could claim any right, there are certain proceedings which must first be complied [with].

Defendants did not violate any of the terms and conditions contained in the agreement to which plaintiff is trying to base her cause of action. It was plaintiff who made sure that the condition contained under the contract to sell will not be complied with. She caused the execution of documents to violate such rights and it was only now that defendants learned of the same;
7. That defendants never received a letter coming from the plaintiff regarding the subject property. As a matter of fact, defendants are trying to enforce the agreement although the conditions contained therein will be left to the sole will of the vendors:
8. That granting arguendo that the plaintiff has the right to damages, such could only be in the form of accrued rentals. x x x⁸

On 14 October 2004, the MTCC dismissed the complaint on the ground that the cause of action thereof was one for the interpretation of the agreement and the determination of the parties' respective rights. It reasoned

⁶ Id. at 8.

⁷ Id. at 27-29.

⁸ Id. at 27-28.

that such action was incapable of pecuniary estimation and, therefore, jurisdiction lies with the RTC.⁹

On appeal, the RTC reversed the decision of the MTCC on the ground that the cause of action was one for recovery of possession of real property. Considering that the assessed value of the subject property is ₱2,290.00, the MTCC has original and exclusive jurisdiction over the case. Thus, the case was remanded to the MTCC.¹⁰

The MTCC Ruling

In its decision,¹¹ dated 15 November 2006, the MTCC ruled in favor of petitioner. It gave credence to petitioner's claim that she communicated to respondent-spouses the fact of consolidation of ownership in her name. The MTCC held that being an interested party in the collection of the remaining balance, petitioner would naturally have made respondent-spouses aware of the consolidation of ownership over the subject property. It declared that it was unbelievable that respondent-spouses did not exert any effort to inquire from petitioner about the status of their agreement. The MTCC concluded that respondent-spouses had no intention to pay the balance of the purchase price and that they had become lessees of the subject property for twenty (20) years with their down payment being treated as rentals. It ruled that after the lapse of the said period, respondent-spouses were bound to leave the premises. The *fallo* reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff as follows:

1. Ordering the defendants, their assigns, agents or other persons acting for themselves, to vacate the premises in question and to restore possession thereof to the plaintiff;
2. Ordering the defendants to pay the plaintiff, jointly and severally, the amount of **₱500.00** a month from date of demand which was on December 18, 2001, until they finally vacate the premises, as reasonable compensation for the use and occupation of the same;
3. Ordering the defendants to pay the plaintiff, jointly and severally, the amount of **₱5,000.00** as attorney's fees and to pay the costs of suit.

SO ORDERED.¹²



⁹ *Rollo*, pp. 76-80.

¹⁰ *Id.* at 81-82.

¹¹ *Id.* at 83-88; penned by Acting Presiding Judge Edgardo M. Caldoná.

¹² *Id.* at 88.

Aggrieved, respondent-spouses elevated an appeal to the RTC.

The RTC Ruling

In its decision, the RTC affirmed the ruling of the MTCC. It opined that the condition with respect to judicial approval of the sale had become irrelevant when ownership over the subject property was consolidated in favor of petitioner in 1973; thus, at that time, respondent-spouses were bound to comply with their undertaking to pay the balance of the purchase price which they failed to do. The dispositive portion states:

WHEREFORE, judgment is hereby rendered **AFFIRMING** the appealed decision with modification deleting the award of attorney's fees.

SO ORDERED.¹³

Unconvinced, respondent-spouses moved for reconsideration. However, in a Resolution,¹⁴ dated 18 May 2009, the RTC denied the motion for lack of notice of hearing.

The CA Ruling

In its decision, the CA reversed and set aside the decision of the RTC. As to the procedural aspect, it observed that despite omission of the name of petitioner's counsel in the notice of hearing, petitioner appeared at the scheduled hearing and even filed her opposition to respondent-spouses' motion for reconsideration. The CA declared that the right of respondent-spouses to appeal should not be curtailed by the mere expediency of holding that there was lack of notice of hearing since the objective of Sections 4, 5, and 7 under Rule 15 of the Rules of Court to allow the adverse party the opportunity to oppose the motion has been clearly met in this case.

With respect to the substantive issue, the appellate court declared that the agreement between the parties was a contract to sell involving the subject property because the vendors reserved ownership and it was subject to a suspensive condition, i.e., submission of the sellers of lacking documents or court approval of the sale of the shares of the minor owners.

¹³ Id. at 94.

¹⁴ Id. at 102-104.



The CA did not acquiesce with the trial court's reasoning that respondent-spouses were already notified of the transfer of title in petitioner's name because such alleged notice was not supported by any evidence on record. It lends credence to respondent-spouses' evidence that they came to know of the fact that petitioner was already the registered owner of the subject property when a written demand letter was sent to them by the former on 18 December 2001. The CA opined that respondent-spouses' passive and complacent position in not asserting from the sellers what was incumbent under the subject agreement should not be taken against the former. It stressed that the obligation to secure the necessary documents or approval of the court for the minor children to be represented in the Deed of Absolute Sale, was incumbent upon the sellers.

While the appellate court agreed with the lower courts' disquisition that the court's approval for the minor children to be represented in the sale would no longer be necessary as the ownership and title in the subject property were already consolidated to petitioner, it ruled that the same would not operate like a magic wand to automatically make respondent-spouses perform what was required of them in the subject agreement. On the contrary, the sellers had the positive duty to make known to the buyers that they were ready to comply with what was mandated upon them, which act petitioner failed to prove by any evidence. Thus, the CA concluded that respondent-spouses had more right to possess the subject property pending consummation of the agreement or any outcome thereof. The CA disposed of the case in this wise:

WHEREFORE, in consideration of the foregoing premises, the instant petition is perforce **GRANTED**. Accordingly, the Decision dated October 02, 2008 and Resolution dated May 18, 2009 are perforce *reversed and set aside*. Thus, petitioners Erguiza shall remain in actual and peaceful possession of the subject property.

No pronouncement as to costs.

SO ORDERED.¹⁵

Petitioner moved for reconsideration but the CA denied the same in its 2 February 2011 resolution. Hence, this petition.

ISSUES

Petitioner submits the following assignment of errors: 

¹⁵ Id. at 51.

I.

WHETHER OR NOT THE 2 OCTOBER 2008 DECISION OF RTC, BRANCH 44, AFFIRMING THE DECISION OF MTCC, BRANCH 3, DATED 15 NOVEMBER 2006 HAS BECOME FINAL AND EXECUTORY AFTER RESPONDENTS FILED A DEFECTIVE MOTION FOR RECONSIDERATION WHICH DID NOT TOLL THE RUNNING OF THE REGLEMENTARY PERIOD TO FILE A PETITION FOR REVIEW; AND WHETHER THE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR IN EXCESS OF JURISDICTION WHEN IT GAVE DUE COURSE TO THE PETITION.

II.

WHETHER OR NOT THE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR IN EXCESS OF JURISDICTION WHEN IT REVERSED THE DECISION OF RTC, BRANCH 44, AFFIRMING THE DECISION OF MTCC, BRANCH 3, WHICH RULED THAT PETITIONER HAD A BETTER RIGHT TO POSSESS THE PROPERTY AFTER PETITIONERS FAILED TO PAY THE BALANCE OF THE PURCHASE PRICE AND THE SECOND CONDITION HAD SET IN, THAT IS, THE DOWN PAYMENT WAS APPLIED AS RENTALS FOR TWENTY (20) YEARS FROM 1972 TO 1992.¹⁶

Petitioner argues: that the RTC decision has actually become final and executory after respondent-spouses filed a defective motion for reconsideration which did not toll the running of the reglementary period to appeal the decision before the CA; that the motion for reconsideration was a mere scrap of paper as it did not contain notice of the time and place of hearing; that respondent-spouses knew that petitioner was the owner of the subject property because they sought her permission to build their house thereon; and that it is contrary to human experience that, being interested persons, respondent-spouses would not inquire about the status of the subject property.¹⁷

In their Comment,¹⁸ respondent-spouses contend that they complied with the provision of the Rules of Court as regards notice of hearing such that on the day the motion for reconsideration was to be heard, petitioner was present and she even filed her opposition to the motion; that while the notice of hearing was only addressed to the Branch Clerk of Court, petitioner was furnished with a copy of the motion for reconsideration; that petitioner and her siblings did not take steps to fulfil the suspensive condition; that they made an illegal act of transferring the share of the minors in the name of petitioner; that petitioner only informed them of the consolidation of

¹⁶ Id. at 18; petition for review on certiorari.

¹⁷ Id. at 13-28.

¹⁸ Id. at 144-154.



ownership when they received a demand letter on 18 December 2001 and when they were summoned to appear before the office of the Barangay Captain sometime in April 2002; and that if petitioner had the slightest intention of informing them of her ownership of the subject property and for them to pay the remaining balance, she should have done so immediately upon the transfer of the title in her name.

In her Reply,¹⁹ petitioner avers that upon seeing the minor owners reach the age of majority, it would be logical for respondent-spouses to follow up with her and her co-owners since court approval was no longer necessary; that notwithstanding this information, respondent-spouses did not pay the balance of the consideration; and that being an interested party in the collection of the remaining balance, it is more in accord with human experience that she would have informed respondent-spouses about the consolidation of ownership in her name.

THE COURT'S RULING

Petitioner had the opportunity to be heard despite the lack of notice of hearing.

Sections 4 and 5, Rule 15 of the Rules of Court provide that:

Sec. 4. Hearing of motion. – Except for motions which the court may act upon without prejudicing the rights of the adverse party, every written motion shall be set for hearing by the applicant.

Every written motion required to be heard and the notice of the hearing thereof shall be served in such a manner as to ensure its receipt by the other party at least three (3) days before the date of hearing, unless the court for good cause sets the hearing on shorter notice.

Sec. 5. Notice of hearing. – The notice of hearing shall be addressed to all parties concerned, and shall specify the time and date of the hearing which must not be later than ten (10) days after the filing of the motion.

The general rule is that the three-day notice requirement in motions under Sections 4 and 5 of the Rules of Court is mandatory. It is an integral component of procedural due process.²⁰ "The purpose of the three-day notice requirement, which was established not for the benefit of the movant but rather for the adverse party, is to avoid surprises upon the latter and to grant

¹⁹ Id. at 162-170.

²⁰ *Jehan Shipping Corporation v. National Food Authority*, 514 Phil. 166, 173 (2005).



it sufficient time to study the motion and to enable it to meet the arguments interposed therein."²¹

"A motion that does not comply with the requirements of Sections 4 and 5 of Rule 15 of the Rules of Court is a worthless piece of paper which the clerk of court has no right to receive and which the court has no authority to act upon."²² "Being a fatal defect, in cases of motions to reconsider a decision, the running of the period to appeal is not tolled by their filing or pendency."²³

Nevertheless, the three-day notice requirement is not a hard and fast rule. When the adverse party had been afforded the opportunity to be heard, and has been indeed heard through the pleadings filed in opposition to the motion, the purpose behind the three-day notice requirement is deemed served. In such case, the requirements of procedural due process are substantially complied with. Thus, in *Preysler, Jr. v. Manila Southcoast Development Corporation*,²⁴ the Court ruled that:

The three-day notice rule is not absolute. A liberal construction of the procedural rules is proper where the lapse in the literal observance of a rule of procedure has not prejudiced the adverse party and has not deprived the court of its authority. Indeed, Section 6, Rule 1 of the Rules of Court provides that the Rules should be liberally construed in order to promote their objective of securing a just, speedy and inexpensive disposition of every action and proceeding. Rules of procedure are tools designed to facilitate the attainment of justice, and courts must avoid their strict and rigid application which would result in technicalities that tend to frustrate rather than promote substantial justice.²⁵

Likewise, in *Jehan Shipping Corporation v. National Food Authority*,²⁶ the Court held that despite the lack of notice of hearing in a motion for reconsideration, there was substantial compliance with the requirements of due process where the adverse party actually had the opportunity to be heard and had filed pleadings in opposition to the motion. The Court declared:

This Court has indeed held time and again, that under Sections 4 and 5 of Rule 15 of the Rules of Court, mandatory is the notice requirement in a motion, which is rendered defective by failure to comply with the requirement. As a rule, a motion without a notice of hearing is considered pro forma and does not affect the reglementary period for the appeal or the filing of the requisite pleading.



²¹ *United Pulp and Paper Co. Inc. v. Acropolis Central Guaranty Corporation*, 680 Phil. 64, 79 (2012).

²² *Pallada v. RTC of Kalibo, Aklan, Br. 1*, 364 Phil. 81, 89 (1999).

²³ *Nuñez v. GSIS Family Bank*, 511 Phil. 735, 747-748 (2005).

²⁴ 635 Phil. 598 (2010).

²⁵ *Id.* at 604.

²⁶ *Supra* note 20.

As an integral component of procedural due process, the three-day notice required by the Rules is not intended for the benefit of the movant. Rather, the requirement is for the purpose of avoiding surprises that may be sprung upon the adverse party, who must be given time to study and meet the arguments in the motion before a resolution by the court. Principles of natural justice demand that the right of a party should not be affected without giving it an opportunity to be heard.

The test is the presence of opportunity to be heard, as well as to have time to study the motion and meaningfully oppose or controvert the grounds upon which it is based. x x x²⁷

A perusal of the records reveals that the trial court gave petitioner ten days within which to comment on private respondents' motion for reconsideration.²⁸ Petitioner filed its Opposition to the Motion on 7 January 2009, and in fact, filed a Motion for Entry of Judgment.²⁹ Thus, it cannot be gainsaid that petitioner was not given her day in court as she in fact contested private respondents' motion for reconsideration. While it is true that the name of petitioner's counsel was not indicated in the notice of hearing, nonetheless, she was furnished a copy thereof which she received before the date of the scheduled hearing. The requirement of notice of time and hearing in the pleading filed by a party is necessary only to apprise the other party of the actions of the former.³⁰ Under the circumstances of the present case, the purpose of a notice of hearing was served. Hence, the Court finds no reversible error committed by the CA in ruling that the motion for reconsideration was not *pro forma*.

Parties entered into a contract to sell.

A contract to sell is defined as a bilateral contract whereby the prospective seller, while expressly reserving the ownership of the subject property despite delivery thereof to the prospective buyer, binds himself to sell the said property exclusively to the latter upon his fulfillment of the conditions agreed upon, i.e., the full payment of the purchase price and/or compliance with the other obligations stated in the contract to sell. Given its contingent nature, the failure of the prospective buyer to make full payment and/or abide by his commitments stated in the contract to sell prevents the obligation of the prospective seller to execute the corresponding deed of sale to effect the transfer of ownership to the buyer from arising.³¹ A contract to sell is akin to a conditional sale where the efficacy or obligatory force of the vendor's obligation to transfer title is subordinated to the happening of a

²⁷ Id. at 173-174

²⁸ Records, p. 442.

²⁹ Id. at 445-447.

³⁰ *CMH Agricultural Corp. v. Court of Appeals*, 428 Phil. 610, 621-622 (2002).

³¹ *Ventura, et al. v. Heirs of Spouses Endaya*, 718 Phil. 620, 630 (2013).



future and uncertain event, so that if the suspensive condition does not take place, the parties would stand as if the conditional obligation had never existed.³² In a contract to sell, the fulfillment of the suspensive condition will not automatically transfer ownership to the buyer although the property may have been previously delivered to him. The prospective seller still has to convey title to the prospective buyer by entering into a contract of absolute sale.³³ On the other hand, in a conditional contract of sale, the fulfillment of the suspensive condition renders the sale absolute and the previous delivery of the property has the effect of automatically transferring the seller's ownership or title to the property to the buyer.³⁴

In *Coronel v. Court of Appeals*,³⁵ the Court declared:

The Civil Code defines a contract of sale, thus:

Art. 1458. By the contract of sale one of the contracting parties obligates himself to transfer the ownership of and to deliver a determinate thing, and the other to pay therefor a price certain in money or its equivalent.

Sale, by its very nature, is a consensual contract because it is perfected by mere consent. The essential elements of a contract of sale are the following:

- a) Consent or meeting of the minds, that is, consent to transfer ownership in exchange for the price;
- b) Determinate subject matter; and
- c) Price certain in money or its equivalent.

Under this definition, a Contract *to* Sell may not be considered as a Contract *of* Sale because the first essential element is lacking. 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. In other words the full payment of the purchase price partakes of a suspensive condition, the non-fulfillment of which prevents the obligation to sell from arising and thus, ownership is retained by the prospective seller without further remedies by the prospective buyer. In *Roque vs. Lapuz*, this Court had occasion to rule:



³² *Sps. Serrano and Herrera v. Caguiat*, 545 Phil. 660, 667 (2007).

³³ *Coronel v. CA*, 331 Phil. 294, 310-311 (1996).

³⁴ *Id.* at 311.

³⁵ *Id.*

Hence, We hold that the contract between the petitioner and the respondent was a contract to sell where the ownership or title is retained by the seller and is not to pass until the full payment of the price, such payment being a positive suspensive condition and failure of which is not a breach, casual or serious, but simply an event that prevented the obligation of the vendor to convey title from acquiring binding force.

Stated positively, upon the fulfillment of the suspensive condition which is the full payment of the purchase price, the prospective seller's obligation to sell the subject property by entering into a contract of sale with the prospective buyer becomes demandable as provided in Article 1479 of the Civil Code which states:

Art. 1479. A promise to buy and sell a determinate thing for a price certain is reciprocally demandable.

An accepted unilateral promise to buy or to sell a determinate thing for a price certain is binding upon the promisor if the promise is supported by a consideration distinct from the price.³⁶

In this case, the parties entered into an agreement with the following terms and conditions:

KNOW ALL MEN BY THESE PRESENTS:

That we, CORAZON G. VILLAMIL, widow, LILY VILLAMIL, married and TEDDY S. VILLAMIL, married, all of legal ages, Filipinos and residents of Dagupan City, Philippines, for and in consideration of the sum two thousand six hundred fifty seven pesos (₱2,657.00), Philippine currency, to us in hand paid and a receipt of which is hereby acknowledged of JUANITO ERGUIZA, married, of legal age, Filipino and a resident of Dagupan City, Philippines, BY THESE PRESENTS do hereby **promise to sell absolutely** unto the said Juanito Erguiza, his heirs or assigns, a parcel of land covered [by] Transfer Certificate of Title No. 23988 of the land records of Dagupan City, identified as Lot No. 2371, under the following terms and conditions:

6. That the total purchase price of the said land is FIVE THOUSAND ONE HUNDRED FIFTY SEVEN PESOS ₱5,157.00. Because of us receiving today the sum of two thousand six hundred and fifty seven pesos (₱2,657.00), there is still a balance of two thousand five hundred pesos (₱2,500.00);
7. **That because there is still lacking document or that court approval of the sale of the shares of the minor-owners of parts of this land, the final deed of absolute sale be made and executed upon issuance**



³⁶ Id. at 309-310.

by the competent court; that the balance of ₱2,500.00 will also be given in this stage of execution of this document;

8. In the event however that the petition for the sale of the shares of the minor-owners of the parts of this land is [disapproved] by the court, the amount of ₱2,657.00 be considered as lease of the land subject matter of this contract for a duration of twenty (20) years.

WITNESS OUR HANDS THIS 29th of September 1972 at Dagupan City, Philippines.³⁷ (emphases supplied)

An examination of the agreement would reveal that the parties entered into a contract to sell the subject property. *First*, petitioner and her siblings who were then co-owners merely promised to sell the subject property, thus, signifying their intention to reserve ownership. *Second*, the execution of a deed of absolute sale was made dependent upon the proper court's approval of the sale of the shares of the minor owners. *Third*, the agreement between the parties was not embodied in a deed of sale. The absence of a formal deed of conveyance is a strong indication that the parties did not intend immediate transfer of ownership.³⁸ *Fourth*, petitioner retained possession of the certificate of title of the lot. This is an additional indication that the agreement did not transfer to private respondents, either by actual or constructive delivery, ownership of the property.³⁹ *Finally*, respondent Juanito admitted during trial that they have not finalized the sale in 1972 because there were minor owners⁴⁰ such that when they constructed their house thereon, they sought the permission of petitioner.⁴¹

Now, the next question to be resolved is whether the suspensive condition, i.e., judicial approval of the sale of the minor owners' shares, upon which the obligation of the sellers to execute a deed of sale depends, is fulfilled.

Principle of constructive fulfillment applies

Article 1186 of the Civil Code reads:

Article 1186. The condition shall be deemed fulfilled when the obligor voluntarily prevents its fulfillment.

This provision refers to the constructive fulfillment of a suspensive condition, whose application calls for two requisites, namely: (a) the intent of the obligor to prevent the fulfillment of the condition, and (b) the actual

³⁷ Records, p. 8.

³⁸ *Chua v. Court of Appeals*, 449 Phil. 25, 42 (2003).

³⁹ *Id.* at 43.

⁴⁰ Records, p. 236.

⁴¹ *Id.* at 247.

prevention of the fulfillment. Mere intention of the debtor to prevent the happening of the condition, or to place ineffective obstacles to its compliance, without actually preventing the fulfillment, is insufficient.⁴²

Petitioner and her then co-owners undertook, upon receipt of the down payment from respondent-spouses, the filing of a petition in court, after which they promised the latter to execute the deed of absolute sale whereupon the latter shall, in turn, pay the entire balance of the purchase price. The balance of the consideration shall be paid only upon grant of the court's approval and upon execution of the deed of absolute sale.

Here, there is no doubt that petitioner prevented the fulfillment of the suspensive condition. She herself admitted that they did not file any petition to seek approval of the court as regards the sale of the shares of the minor owners.⁴³ In addition, the other co-owners sold their shares to petitioner such that she was able to consolidate the title in her name.⁴⁴ Thus, the condition is deemed constructively fulfilled, as the intent to prevent fulfillment of the condition and actual prevention thereof were definitely present. Consequently, it was incumbent upon the sellers to enter into a contract with respondent-spouses for the purchase of the subject property.

Respondent-spouses' obligation to pay the balance of the purchase price arises only when the court's approval of the sale of the minor owners' shares shall have been successfully secured, in accordance with Article 1181 of the New Civil Code.⁴⁵ Judicial approval is a condition the operative act of which sets into motion the period of compliance by respondent-spouses of their own obligation, i.e., to pay the balance of the purchase price. Accordingly, an obligation dependent upon a suspensive condition cannot be demanded until after the condition takes place because it is only after the fulfillment of the condition that the obligation arises.⁴⁶ Petitioner cannot invoke the non-fulfillment of the condition in the contract to sell when she and her then co-owners themselves are guilty of preventing the fulfillment of such condition. When it has become evident that the condition would no longer be fulfilled, it was incumbent upon petitioner to inform respondent-spouses of such circumstance because the choice whether to waive the condition or continue with the agreement clearly belongs to the latter. Petitioner's claim that respondent-spouses should have known that the condition would no longer be necessary because the latter knew that the minor owners had already reached the age of majority and that they should have been more proactive in following up the status of the contract to sell, deserves scant consideration. While petitioner may have been right in the

⁴² *International Hotel Corporation v. Joaquin, Jr. and Suarez*, 708 Phil. 361, 373 (2013).

⁴³ Records, p. 258.

⁴⁴ Id.

⁴⁵ Art. 1181. In conditional obligations, the acquisition of rights, as well as the extinguishment or loss of those already acquired, shall depend upon the happening of the event which constitutes the condition.

⁴⁶ *Catungal, et al. v. Rodriguez*, 661 Phil. 484, 508 (2011).

aforementioned instances, the same will not negate her obligation to inform respondent-spouses of the non-fulfillment of the condition especially in view of the fact that it was her fault that the condition became irrelevant and unnecessary.

Who has better right of possession?

Inasmuch as petitioner has not yet complied with her obligation to execute a deed of sale after the condition has been deemed fulfilled, respondent-spouses are still entitled to possess the subject property. Petitioner cannot anchor her claim on the supposed conversion of their agreement from a contract to sell into a contract of lease as provided in the third paragraph of the agreement which provides that should the court disapprove the sale of the shares of the minor owners, the down payment would be treated as rentals for twenty (20) years. The agreement, however, could not have been converted into a contract of lease for the simple reason that there was no petition filed before any court seeking the approval of the sale as regards the shares of the minor owners. Hence, the court did not have any occasion to approve much less disapprove the sale of such shares. As a result, there was no reason for the contract to sell to be converted into a contract of lease.


Respondent-spouses did not become lessees. They remained to be prospective buyers of the subject property who, up to now, are awaiting fulfillment of the obligation of the prospective sellers to execute a deed of sale. Hence, inasmuch as the sellers allowed them to have the subject property in their possession pending the execution of a deed of sale, respondent-spouses are entitled to possession pending the outcome of the contract to sell.

WHEREFORE, the petition is **DENIED**. The Decision, dated 29 June 2010, and Resolution, dated 2 February 2011, of the Court of Appeals in CA-G.R. SP No. 109813 are **AFFIRMED**. The Entry of Judgment in Civil Case No. 2007-0014-D is hereby **LIFTED**.

SO ORDERED.

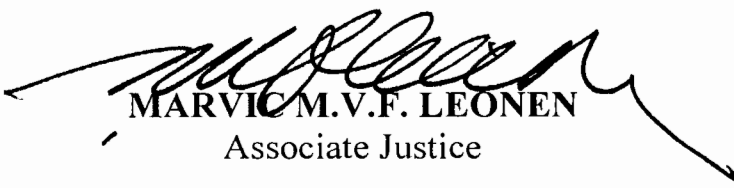

SAMUEL R. MARTIRES
Associate Justice

WE CONCUR:




PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

(On Official Leave)
LUCAS P. BERSAMIN
Associate Justice



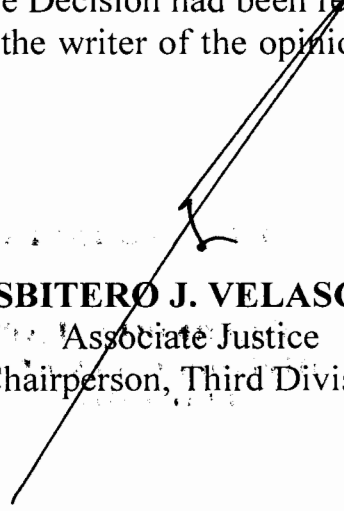
MARVIC M.V.F. LEONEN
Associate Justice



ALEXANDER G. GESMUNDO
Associate Justice

ATTESTATION

I attest 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.



PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson, Third Division

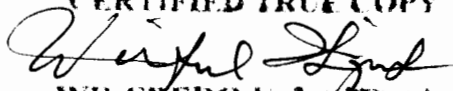
CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, 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.



ANTONIO T. CARPIO
Senior Associate Justice
(Per Section 12, R.A. No. 296,
The Judiciary Act of 1948, as amended)

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WILFREDO V. LUPTAN
Division Clerk of Court
Third Division

AUG 13 2018