



Republic of the Philippines  
 Supreme Court  
 Manila

THIRD DIVISION

**INTEGRATED CREDIT AND  
 CORPORATE SERVICES,**

*Petitioner,*

- versus -

**ROLANDO S. CABREZA,  
 SPOUSES FERNANDO and  
 ROSALINDA AGUILAR,  
 ESTELA GAN, VICTOR GAN,  
 SALLY GAN-ANTONIO,  
 SHELLY GAN-ANG, and  
 EVANGELEE GAN-NG,**

*Respondents.*

**G.R. No. 203420**

Present:

LEONEN, J.,  
*Chairperson,*  
 HERNANDO,  
 INTING,  
 DELOS SANTOS, and  
 LOPEZ, J. Y., JJ.

Promulgated:

February 15, 2021

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**DECISION**

**HERNANDO, J.:**

This Petition for Review on *Certiorari*<sup>1</sup> assails the August 1, 2012 Decision<sup>2</sup> and the September 13, 2012 Amended Decision<sup>3</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 93019, which affirmed with modifications the January 3, 2008 Decision<sup>4</sup> of the Regional Trial Court (RTC), Makati City, Branch 145 in Civil Case No. 95-260.

**The Factual Antecedents:**

This case arose from a *Complaint for Annulment of Sale, Reconveyance, Sum of Money and Damages*<sup>5</sup> filed by respondents Rolando S. Cabreza (Cabreza), and spouses Rosalinda Aguilar (Rosalinda) and Fernando Aguilar

<sup>1</sup> *Rollo*, vol. I, pp. 12-114. Filed on October 31, 2012.

<sup>2</sup> Id. at 115-131; penned by Associate Justice Florito S. Macalino and concurred in by Associate Justices Sesinando E. Villon and Samuel H. Gaerlan (now a Member of this Court).

<sup>3</sup> Id. at 132-150.

<sup>4</sup> Id. at 512-530; penned by Presiding Judge Cesar D. Santamaria.

<sup>5</sup> Id. at 210-222. Filed on February 9, 1995.

(collectively, spouses Aguilar) against petitioner Integrated Credit and Corporate Services (ICCS), spouses Estela Gan (Estela) and Vicente Sy Gan<sup>6</sup> (collectively, spouses Gan), and Citibank, N.A. (Citibank). ICCS is a partnership duly organized and existing under the laws of the Republic of the Philippines.<sup>7</sup> Citibank is a corporation duly organized and existing under the laws of the Philippines engaged in the business of banking.<sup>8</sup>

Cabreza was the registered owner of a house and lot covered by Transfer Certificate of Title (TCT) No. 149759/T-752 (subject property).<sup>9</sup> In 1990, he applied for the opening of a credit line with Citibank and secured it by a real estate mortgage over the subject property.<sup>10</sup> Sometime after availing of the credit line, Cabreza failed to pay prompting Citibank to institute foreclosure proceedings on the real estate mortgage.<sup>11</sup> Public auction, however, was deferred as they agreed on restructuring Cabreza's liability to Citibank.<sup>12</sup> Cabreza again defaulted under the restructured loan, thus, public auction was finally conducted and ICCS emerged as the highest bidder.<sup>13</sup>

Cabreza's sister, Rosalinda, negotiated with ICCS for the repurchase of the subject property. On June 9, 1994, or two days prior to the expiration of the redemption period, Cabreza sent ICCS a letter offering the redemption of the subject property by paying the redemption price of ₱10 million to be paid in installments.<sup>14</sup> Subsequently, the parties entered into a Memorandum of Agreement<sup>15</sup> (MOA). The MOA stipulated that ICCS agreed to postpone the

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<sup>6</sup> Vicente Sy Gan passed away on February 1, 2010 and was substituted by Victor Gan, Sally Gan-Antonio, Shelley Gan-Ang, and Evangelee Gan-Ng.

<sup>7</sup> *Rollo*, vol. I, p. 14.

<sup>8</sup> *Id.* at 15.

<sup>9</sup> *Id.* at 117.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 369, 515.

<sup>15</sup> *Id.* at 401-404. The salient terms of the MOA read (See *id.* at 402):

NOW, THEREFORE, for and in consideration of the foregoing premises and mutual covenants and conditions set forth hereunder, ICCS has agreed to postpone consolidation and allow redemption by the REDEMPTIONER (Cabreza), as secured by the joint and several guarantee of the GUARANTORS (Spouses Aguilar), to wit:

1. The parties have agreed to fix the Redemption Price of the Property at P10,345,914.75 (the "Redemption Price");

2. As initial installment on the Redemption Price, the REDEMPTIONER and/or GUARANTORS shall pay ICCS the sum of P1,900,000.00 upon execution of this Agreement;

3. The sum of P100,000.00 shall be payable by the REDEMPTIONER and/or GUARANTORS on or before July 31, 1994;

4. The sum of P1,845,914.75 shall be payable by the REDEMPTIONER and/or GUARANTORS on or before September 30, 1994;

5. The remaining balance of P6,500,000.00 shall be paid by the REDEMPTIONER and/or GUARANTORS in sixty (60) equal monthly amortizations of P179,522.93 inclusive of 22% per annum interest commencing on October 29, 1994, and every 29<sup>th</sup> day of each succeeding month thereafter;

consolidation of title to the subject property and that it allowed Cabreza, with spouses Aguilar as guarantors, to redeem the subject property on an agreed redemption price of ₱10,345,914.75 to be paid in installments on the dates provided therein.<sup>16</sup> Notably though, the MOA provided in evidence was not dated.<sup>17</sup>

The MOA further stated that the redemption period has already expired without a valid redemption having been effected by the redemptioner; and that ICCS is already entitled to the consolidation of title.<sup>18</sup> It also provided that it shall be deemed automatically terminated and canceled upon default or non-compliance by Cabreza or the spouses Aguilar.<sup>19</sup> Pursuant to the MOA, Rosalinda issued several checks as follows:

	Date	Amount	Particulars
1 <sup>st</sup>	July 21, 1994 <sup>20</sup>	₱1,800,000.00	Initial installment <sup>21</sup>
2 <sup>nd</sup>	July 29, 1994 <sup>22</sup>	100,000.00	Initial installment <sup>23</sup>
3 <sup>rd</sup>	August 5, 1994 <sup>24</sup>	100,000.00	Second installment <sup>25</sup>
4 <sup>th</sup>	September 30, 1994 <sup>26</sup>	1,845,914.75	Third installment <sup>27</sup>
5 <sup>th</sup>	October 30, 1994 <sup>28</sup>	179,522.93	First monthly amortization (out of 60 months)
(Rosalinda likewise issued postdated checks for the monthly amortizations as indicated in the MOA.)			

The first three checks were deposited, cleared, and credited to the bank account of ICCS.<sup>29</sup> The fourth check, however, was dishonored due to insufficient funds.<sup>30</sup> Hence, on October 6, 1994, ICCS sent Cabreza and the spouses Aguilar a letter demanding payment of the amount of the fourth

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6. In the event of default or non-compliance with this Agreement by either the REDEMPTIONER or the GUARANTORS, the same shall be deemed automatically terminated and canceled, and ICCS shall forthwith be entitled to immediately and without need of further notice, consolidate its ownership over the Property, and retain Twenty-Five percent (25%) of all sums received by it pursuant hereto by way of penalty and liquidated damages;

<sup>16</sup> Id.

<sup>17</sup> Id.

<sup>18</sup> Id.

<sup>19</sup> Id.

<sup>20</sup> Id. at 118.

<sup>21</sup> Id. Pursuant to paragraph 2 of the salient terms of the MOA.

<sup>22</sup> Id. at 118.

<sup>23</sup> Id. Pursuant to paragraph 2 of the salient terms of the MOA.

<sup>24</sup> Id. at 118.

<sup>25</sup> Id. Pursuant to paragraph 3 of the salient terms of the MOA.

<sup>26</sup> Id. at 119.

<sup>27</sup> Id. Pursuant to paragraph 4 of the salient terms of the MOA.

<sup>28</sup> Id. at 119.

<sup>29</sup> Id. at 118.

<sup>30</sup> Id. at 118-119.

check, and failure of which will constrain ICCS to consolidate title to the subject property.<sup>31</sup>

Despite the non-payment, Rosalinda still issued the fifth check in favor of ICCS.<sup>32</sup> The fifth check was surprisingly cleared and credited to the bank account of ICCS.<sup>33</sup> The succeeding checks (pertaining to the subsequent monthly amortizations) were no longer encashed by ICCS.<sup>34</sup>

ICCS subsequently informed Cabreza and the spouses Aguilar through a letter dated December 23, 1994 that it had already consolidated its title to the subject property, thereby requiring them to vacate the premises.<sup>35</sup> ICCS then sold the subject property to the spouses Gan as evidenced by a Deed of Sale dated February 1, 1995 (Deed of Sale), for which the latter were issued TCT No. 199445.<sup>36</sup>

The foregoing prompted Cabreza and the spouses Aguilar to file the instant Complaint against ICCS, spouses Gan, and Citibank. They alleged that Rosalinda offered to pay in cash the amount of the dishonored fourth check, but ICCS demanded payment of the whole balance of the redemption price.<sup>37</sup> Rosalinda then offered to fully pay the whole balance, but ICCS refused to receive the payment.<sup>38</sup> Cabreza and the spouses Aguilar argued that the failure to pay the amount of the fourth check (third installment) merely gave ICCS the right to rescind the MOA; but the latter lost this right when it deposited the fifth check to its account.<sup>39</sup>

They added that ICCS' act of selling the subject property to the spouses Gan constituted double sale.<sup>40</sup> Further, they alleged that ICCS and Citibank acted fraudulently in unilaterally rescinding the MOA and selling the subject property to the spouses Gan.<sup>41</sup> The spouses Gan were purchasers in bad faith because they were previously informed of Cabreza and spouses Aguilar's claim on the subject property.<sup>42</sup> The Complaint prayed that: (a) Cabreza and the spouses Aguilar be allowed to pay the balance of the redemption price of the subject property; (b) the Deed of Sale between ICCS and the spouses Gan be annulled; (c) the spouses Gan be ordered to reconvey the subject property in favor of Cabreza and the spouses Aguilar; and, (d) ICCS and Citibank to

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<sup>31</sup> Id. at 119, 370.

<sup>32</sup> Id. at 119.

<sup>33</sup> Id.

<sup>34</sup> Id.

<sup>35</sup> Id. at 119, 371-372.

<sup>36</sup> Id. at 119, 405-407.

<sup>37</sup> Id. at 119.

<sup>38</sup> Id.

<sup>39</sup> Id. at 120.

<sup>40</sup> Id.

<sup>41</sup> Id.

<sup>42</sup> Id.

pay Cabreza and the spouses Aguilar moral damages, exemplary damages, and attorney's fees.<sup>43</sup>

ICCS and Citibank filed a joint Answer.<sup>44</sup> ICCS countered that it did not condone Cabreza and Rosalinda's delinquency with regard to the fourth check.<sup>45</sup> ICCS stated that the fifth check was deposited by mere inadvertence as its check custodian was not informed of the cancellation of the MOA.<sup>46</sup> ICCS further argued that the consolidation of title over the subject property to its name was valid, thereby it had every right to transfer ownership to the spouses Gan.<sup>47</sup> ICCS also intended to refund the amounts Cabreza and Rosalinda paid but it was held in abeyance by the filing of the Complaint.<sup>48</sup>

For their part, the spouses Gan filed a separate Answer<sup>49</sup> with a cross-claim against ICCS. They contended that they were purchasers in good faith. And on the assumption that there was a double sale, the Gans argued that they have superior rights as they were first to register the sale with the Registry of Deeds.<sup>50</sup> They denied the allegation that they were informed of the claim over the subject property prior to the sale; but they admitted knowledge thereof after the perfection of the sale.<sup>51</sup> In their cross-claim against ICCS, the Gans prayed for the return of the purchase price they paid and for the payment of damages, and unrealized interest and profits that they could have earned had it not been for the filing of the case.<sup>52</sup>

Proceedings ensued. Rosalinda testified that ICCS allowed her to continue paying despite the dishonor of the fourth check.<sup>53</sup> She further testified that prior to the sale, she called up Estela to inform her of their claim over the subject property.<sup>54</sup> On the other hand, Estela testified that she verified the status of the subject property with the Register of Deeds and found that the title was clean and unencumbered.<sup>55</sup> She denied the allegation that she was informed of the adverse claim over the property prior to the sale.<sup>56</sup> ICCS' accounting clerk testified that the depositing of the fifth check was by mere inadvertence.<sup>57</sup>

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<sup>43</sup> Id. at 220-221.

<sup>44</sup> Id. at 235-243.

<sup>45</sup> Id. at 120.

<sup>46</sup> Id.

<sup>47</sup> Id.

<sup>48</sup> Id.

<sup>49</sup> Id. at 268-274.

<sup>50</sup> Id. at 120.

<sup>51</sup> Id.

<sup>52</sup> Id. at 514.

<sup>53</sup> Id. at 121.

<sup>54</sup> Id. at 121-122.

<sup>55</sup> Id. at 122.

<sup>56</sup> Id.

<sup>57</sup> Id.

## **Ruling of the Regional Trial Court:**

In its January 8, 2003 Decision,<sup>58</sup> the RTC ruled that the MOA was essentially a contract of sale for the reacquisition of the subject property from ICCS.<sup>59</sup> The trial court found that the redemption period has already expired when the MOA was executed, making ICCS the absolute owner of the subject property.<sup>60</sup> Being a contract of sale, the right to rescind due to substantial breach is implied.<sup>61</sup> In the instant case, Cabreza and Rosalinda's default with regard to the fourth check constituted substantial breach.<sup>62</sup>

The trial court ruled, however, that ICCS is deemed to have waived its right to rescind when it received the proceeds of the fifth check after the dishonor of the fourth check.<sup>63</sup> ICCS is also barred from invoking the

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<sup>58</sup> Id. at 512-530. The dispositive portion reads:

PREMISES CONSIDERED, judgment is rendered as follows:

1. The Deed of Sale entered into between defendant ICCS and defendants spouses (sic) Gan as well as the title issued to the latter over the property in question [are] declared null and void. Accordingly, defendants spouses (sic) Gan are ordered to execute a Deed of Reconveyance of the subject property currently covered by Transfer Certificate of Title No.199445 of the Registry of Deeds of Makati City in favor of defendant ICCS.
2. Defendant ICCS is ordered to pay the plaintiffs P500,000.00 as exemplary damages and another P500,000.00 as attorney's fees.
3. Defendant ICCS is likewise ordered to reimburse/pay defendants spouses Gan the following amounts:
  - a. P13,200,000.00 representing the purchase price of the subject property with twelve (12%) percent interest per annum computed from February 1, 1995 until fully paid;
  - b. P660,00.00 representing payments made by spouses Gan relative to the Creditable Withholding Tax for the transfer of the title of the subject property to them;
  - c. P198,000.00 representing payment by spouses Gan for Documentary Stamp Tax for the same purpose;
  - d. P66,000.00 representing payment by them of the transfer tax for the same purpose;
  - e. P30,433.00 representing payment by them for incidental expenses for the same purpose;
  - f. P345,580.31 representing the payment of real estate taxes by them for the property in question from 1996 until 2007;
  - g. P9,319.00 representing the payment of association dues by them to the Dasmariñas Village Association in Dasmariñas Village, Makati City, where the subject property is located;
  - h. P5,000,000.00 as moral damages and P500,00.00 as exemplary damages and P500,000.00 as reasonable attorney's fees and other litigation expenses.
4. The plaintiffs are ordered to pay defendant Citibank N.A. the sum of P100,000.00 for as attorney's fees and other litigation expenses incurred by the latter.
5. The plaintiffs are likewise given a period of thirty (30) days from receipt of a copy of this decision within which to pay defendant ICCS the balance of the stipulated price under the Memorandum of Agreement in the aggregate amount of P12,439,537.70 by consigning the same with the court. On the other hand, defendant ICCS after actual receipt of the said amount is ordered to execute a Deed of Absolute Sale over the property in question in favor of the plaintiffs. In the event that the latter failed to consign the aforementioned amount within the period given to them, then ownership of the property shall remain with the defendant ICCS. With costs against defendant ICCS.

SO ORDERED.

<sup>59</sup> Id. at 520-521.

<sup>60</sup> Id. at 520.

<sup>61</sup> Id. at 521.

<sup>62</sup> Id.

<sup>63</sup> Id.

automatic termination clause in the MOA when it chose to give Cabreza and Rosalinda a grace period within which to settle the amount of the dishonored fourth check.<sup>64</sup> Hence, ICCS had no right to sell the subject property to the spouses Gan.<sup>65</sup> It follows then that ICCS engaged in double sale.<sup>66</sup>

In this regard, the RTC found that the spouses Gan are not purchasers in good faith as they were informed of the existence of the MOA prior to the sale; yet, the trial court also opined that they may also not be considered as purchasers in bad faith that will make them liable for damages in favor of Cabreza and the spouses Aguilar.<sup>67</sup> The trial court concluded that the spouses Gan were also victims of ICCS.<sup>68</sup>

The RTC ordered the annulment of the Deed of Sale between ICCS and the spouses Gan, as well as the corresponding title issued thereof. It also ordered ICCS to reimburse the purchase price the spouses Gan paid. Further, the RTC ordered Cabreza and the spouses Aguilar were ordered to pay ICCS the remaining balance under the MOA, after which a deed of absolute sale will be executed in their favor.

Aggrieved, both Cabreza and the spouses Aguilar, as well as ICCS filed their respective notices of appeal.<sup>69</sup>

### **Ruling of the Court of Appeals:**

In its August 1, 2012 Decision,<sup>70</sup> the CA affirmed with modifications the RTC Decision. The appellate court agreed that the MOA is in fact a contract of sale of real property on installments, making Republic Act No. 6552,<sup>71</sup> otherwise known as the Realty Installment Buyer Protection Act or the Maceda Law (Maceda Law), applicable.<sup>72</sup> It cited Section 4 of the Maceda Law, which prohibits the immediate rescission or cancellation of the contract and allows the buyer an additional period of sixty (60) days to pay; only after the expiration of the grace period when the seller may rescind the contract thirty (30) days after sending a notice or demand for rescission through a notarial act.<sup>73</sup> ICCS demanded compliance with the MOA and not rescission

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<sup>64</sup> Id. at 521-522.

<sup>65</sup> Id. at 523.

<sup>66</sup> Id.

<sup>67</sup> Id. at 524.

<sup>68</sup> Id.

<sup>69</sup> Id. at 123.

<sup>70</sup> Id. at 115-131.

<sup>71</sup> Republic Act No. 6552, An Act to Provide Protection to Buyers of Real Estate on Installment Payments [REALTY INSTALLMENT BUYER PROTECTION ACT] (1972).

<sup>72</sup> *Rollo*, vol. I, p. 126.

<sup>73</sup> Id.

thereof; on the assumption that it was a demand for rescission, the same was not a notarial demand as required by law.<sup>74</sup>

The appellate court also ruled that ICCS' act of depositing the fifth check is in effect a waiver of its right to rescind the MOA.<sup>75</sup> It likewise did not give credence to the explanation that the depositing of the check was by mere inadvertence.<sup>76</sup> Therefore, the MOA was still subsisting when ICCS sold the subject property to the spouses Gan as there was no valid rescission due to its valid waiver.<sup>77</sup> The appellate court then stated that the trial court was correct in annulling the Deed of Sale as ICCS was not the owner of the subject property and cannot transmit ownership thereof.<sup>78</sup> As a result, ICCS must return the purchase price and any related amounts paid by the spouses Gan.<sup>79</sup> The CA also agreed that the spouses Gan were not purchasers in good faith as it was proven that they knew of the MOA prior to the sale.<sup>80</sup>

The appellate court ordered the deletion of the award of attorney's fees, and moral and exemplary damages. At the same time, it ordered Cabreza to reimburse the spouses Gan the real property taxes and association dues the latter have paid. It also ordered the Register of Deeds of Makati City to cancel TCT No. 199445 (under the name of the spouses Gan) and issue a new certificate of title in the name of Cabreza. Finally, the CA set a period for Cabreza and the spouses Aguilar to pay the balance of the redemption price under the MOA; in the event of default, ICCS may rescind the MOA under the Maceda Law and may therefore consolidate title in its name.<sup>81</sup>

ICCS filed a Motion for Reconsideration.<sup>82</sup> Subsequently, Rosalinda filed a letter addressed to the *ponente* of the CA Decision, seeking clarification on the period indicated in the dispositive portion.

On September 13, 2012, the CA promulgated an Amended Decision changing the reckoning point of the 30-day period in paragraph four of the dispositive portion from "receipt" to "notice of finality" of the decision.<sup>83</sup> There were no changes with regard to the legal aspect of the Decision. The dispositive portion of the Amended Decision reads:

Premises considered, Plaintiff-Appellant Rosalinda's Manifestation and Motion for Clarification is hereby **GIVEN DUE COURSE**. This Court's Decision dated 1 August 2012 is hereby **AMENDED** and reads as follows:

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<sup>74</sup> Id. at 127.

<sup>75</sup> Id.

<sup>76</sup> Id.

<sup>77</sup> Id.

<sup>78</sup> Id. at 128.

<sup>79</sup> Id.

<sup>80</sup> Id. at 129.

<sup>81</sup> Id. at 129-130.

<sup>82</sup> Id. at 151-200.

<sup>83</sup> Id. at 150.

**WHEREFORE**, premises considered, the Decision dated 3 January 2008 of the Regional Trial Court (RTC) of Makati City, Branch 145, in Civil Case No. 95-260 is hereby **AFFIRMED** with the following **MODIFICATIONS**:

1. The award of attorney's fees in favor of Plaintiffs-Appellants, Defendants Spouses Gan and Defendant Citibank and the award of moral and exemplary damages in favor of Defendants Spouses Gan are hereby **DELETED**;
2. Plaintiff-Appellant Rolando is ordered to **REIMBURSE** Defendants Spouses Gan the amounts of P345,580.31 and P9,319.00 representing their payment of real property taxes and association dues, respectively;
3. The Register of Deeds of Makati City is **ORDERED** to cancel TCT No. 199445 in the name of Defendants Spouses Gan and **ISSUE** a new certificate of title in the name of Plaintiff-Appellant Rolando;
4. Plaintiffs-Appellants are given a period of thirty (30) days from **notice of finality**<sup>84</sup> of this decision within which to pay Defendant-Appellant ICCS the balance of the redemption price under the Second MOA, in the total amount of P8,166,391.82. In the event of Plaintiffs-Appellants' default, Defendant-Appellant ICCS may rescind the Second MOA in accordance with R.A. 6552 or the Maceda Law and thereafter, consolidate title over the subject property in its name.

Other awards not otherwise modified or deleted stand.

**SO ORDERED.**<sup>85</sup>

Still aggrieved, ICCS filed the instant Petition praying that the validity of the following be upheld: (a) termination and cancellation of the MOA pursuant to its automatic termination clause; (b) consolidation of title to the subject property in the name of ICCS; and, (c) Deed of Sale between ICCS and spouses Gan.<sup>86</sup>

ICCS claims that the MOA is a voluntary agreement between ICCS and Cabreza with the spouses Aguilar that pertains to the extension of the redemption period.<sup>87</sup> The MOA expressly provides that "ICCS has agreed to postpone consolidation and allow redemption by [Cabreza], as secured by the joint and several guarantee of [spouses Aguilar]."<sup>88</sup> It claims that under prevailing jurisprudence, the one (1) year redemption period provided in Act. No. 3135<sup>89</sup> can be extended by agreement of the parties.<sup>90</sup> ICCS posits that

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<sup>84</sup> The original CA Decision dated August 1, 2012 states "Plaintiffs are given a period of thirty (30) days from **receipt** of this decision within which to pay..."

<sup>85</sup> *Rollo*, vol. I, pp. 149-150.

<sup>86</sup> *Id.* at 109.

<sup>87</sup> *Id.* at 46-49.

<sup>88</sup> *Id.* at 48.

<sup>89</sup> Act No. 3135, An Act to Regulate the Sale of Property Under Special Powers Inserted In or Annexed to Real-Estate Mortgages (1924).

what had transpired was not the execution of a contract of sale, but a conversion of legal redemption to conventional redemption.<sup>91</sup> And as the MOA is not a repurchase agreement or a contract of sale, the Maceda Law will not apply.<sup>92</sup>

ICCS further claims that the MOA expressly provides that it shall be deemed automatically cancelled or terminated upon breach of any of its provisions.<sup>93</sup> It claims that this Court has upheld the validity of contractual stipulations providing for automatic rescission upon non-payment.<sup>94</sup> ICCS further states that there is no evidence that its automatic termination of the MOA was attended with bad faith.<sup>95</sup>

Relevantly, ICCS argues that it did not waive its right to rescind when it inadvertently deposited the fifth check after the default on the fourth check.<sup>96</sup> There was no valid waiver as there was no valid abandonment of a right; the depositing was done through inadvertence and mistake.<sup>97</sup> Assuming that ICCS has indeed waived its right to rescind, Cabreza and the spouses Aguilar would not have been able to comply with the terms of the MOA because they had maintained insufficient funds in the deposit account and subsequently closed the same.<sup>98</sup> If Cabreza and the spouses Aguilar believe that ICCS waived its right to rescind, they should have ensured compliance with the MOA and continued making payments.<sup>99</sup>

After the termination of the MOA, ICCS consolidated title to the subject property and became the absolute owner thereof.<sup>100</sup> Hence, there is no legal impediment for ICCS to sell the property to the spouses Gan. Consequently, there is no basis for ICCS to reimburse the payments made by the spouses Gan.<sup>101</sup>

In their Comment,<sup>102</sup> the spouses Gan contend that in a contract of sale, there is an implied warranty that the seller is the owner of the thing to be sold, and the same is free from any charge or encumbrance.<sup>103</sup> Further, in the Deed of Sale, ICCS warranted that it had valid title on the subject property.<sup>104</sup> Also

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<sup>90</sup> Id. at 50-51.

<sup>91</sup> Id. at 51-61, 66-67.

<sup>92</sup> Id. at 67-73.

<sup>93</sup> Id. at 73-74.

<sup>94</sup> Id. at 74-75.

<sup>95</sup> Id. at 91-97.

<sup>96</sup> Id. at 77.

<sup>97</sup> Id. at 83-84.

<sup>98</sup> Id. at 89.

<sup>99</sup> Id. at 89, 104-107.

<sup>100</sup> Id. at 97-98.

<sup>101</sup> Id. at 98-101.

<sup>102</sup> *Rollo*, vol. II, pp. 828-837.

<sup>103</sup> Id. at 833.

<sup>104</sup> Id. at 833-834.

upon inquiry, the registered title of ICCS at the time of the sale did not contain any adverse claim or annotation from Cabreza and the spouses Aguilar.<sup>105</sup> Based on these, the spouses Gan ascribe bad faith on the part of ICCS in entering into a contract of sale with them.<sup>106</sup> Therefore, the spouses Gan claim that the CA was correct in finding that ICCS is liable to return to them the purchase price of the subject property and other fees, plus interest.<sup>107</sup> In other words, the spouses Gan is for the nullification of the Deed of Sale and the return of the payments they made to ICCS.

In their separate comment,<sup>108</sup> Cabreza and the spouses Aguilar contend that the MOA is a contract of sale but merely an extension of the redemption period.<sup>109</sup> They also argue that ICCS had no right to unilaterally rescind the MOA and sell the subject property to the spouses Gan.<sup>110</sup> The dishonor of the fourth check is not sufficient basis for ICCS to unilaterally and unjustly rescind the MOA.<sup>111</sup> Cabreza and the spouses Aguilar pray for the dismissal of the instant Petition.

Citibank manifested that it will no longer file a comment.<sup>112</sup>

ICCS filed its Consolidated Reply<sup>113</sup> to the separate comments. As against the spouses Gan's Comment, it maintains that it acted in good faith in entering into transactions covering the subject property.<sup>114</sup> As against Cabreza and the spouses Aguilar's Opposition, ICCS states that the opposition did not present any new arguments.<sup>115</sup>

### **Issues**

Considering the foregoing, the issues for the resolution of the Court are as follows:

1. Whether the MOA between ICCS and Cabreza with the spouses Aguilar as guarantors is a contract of sale.
2. Whether ICCS validly rescinded the MOA.

### **Our Ruling**

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<sup>105</sup> Id. at 834.

<sup>106</sup> Id. at 835.

<sup>107</sup> Id. at 835-836.

<sup>108</sup> Id. at 857-870. Pleading is titled as "Opposition."

<sup>109</sup> Id. at 860-864.

<sup>110</sup> Id. at 864.

<sup>111</sup> Id.

<sup>112</sup> Id. at 820-823.

<sup>113</sup> Id. at 924-937.

<sup>114</sup> Id. at 924-925, 927.

<sup>115</sup> Id. at 933-936.

The Petition is partially meritorious. The Court resolves to affirm the CA's Amended Decision with modifications.

On the first issue of whether the MOA is a contract of sale, there is no reason for this Court to disturb the finding of the RTC and CA that it is a contract of sale.

To recall, Cabreza sent a letter to ICCS on June 9, 1994 (around two days prior to expiration of the redemption period), offering to redeem the property at a price to be paid in installments. This, however, does not reflect ICCS' acceptance to the offer. The MOA constituted ICCS' acceptance to the offer. The MOA admitted in evidence, however, was not dated, making it doubtful as to when a voluntary agreement for the extension of the redemption period was reached by the parties.

As the Court noted in *GE Money Bank, Inc. v. Spouses Dizon*,<sup>116</sup> for there to be a valid extension of the redemption period, two requisites must be established: (a) voluntary agreement of the parties to extend the redemption period; and (b) the debtor's commitment to pay the redemption price on a fixed date.<sup>117</sup> The first requisite is not met in the instant case. A valid extension must be made before the expiration of the redemption period. Though there is a meeting of the minds in the MOA, the Court is not convinced as to when the redemption period was voluntarily extended by the parties.

The MOA itself provides that the redemption period has already expired without a valid redemption having been effected by Cabreza, and that ICCS is entitled to immediately consolidate ownership over the subject property.<sup>118</sup> It also provides that what was deferred was the consolidation of title, not the postponement and extension of the redemption period.<sup>119</sup> As correctly found by the RTC, the redemption period has already lapsed and ICCS became the absolute owner of the subject property.<sup>120</sup> As provided in jurisprudence, the purchaser of a foreclosed property in a public auction becomes the absolute owner of the property upon expiration of the redemption period without a valid redemption exercised by the mortgagor.<sup>121</sup>

The MOA nevertheless remains to be a valid agreement that is in the form of a contract of sale of real property in installments. Despite not being denominated as a "Deed of Sale," a contract is what the law defines it to be,

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<sup>116</sup> 756 Phil 502 (2015).

<sup>117</sup> *Id.* at 514.

<sup>118</sup> *Rollo*, vol. I, p. 401.

<sup>119</sup> *Id.*

<sup>120</sup> *Id.* at 520.

<sup>121</sup> See *Bank of the Philippine Islands v. Spouses Co*, 772 Phil. 291, 305 (2015).

and not what the contracting parties call it.<sup>122</sup> Article 1458 of the Civil Code<sup>123</sup> defines a contract of sale to be a contract where “one of the contracting parties obligates himself to transfer the ownership and to deliver a determinate thing, and the other to pay therefor a price certain in money or its equivalent.” The essential elements of a contract of sale are: (a) consent; (b) object; and (c) price in money or its equivalent.<sup>124</sup> Here, the MOA contains all the essential elements of a contract of sale. As previously stated, it was sufficiently shown that ICCS and Cabreza with the spouses Aguilar consented to the execution of the MOA. The subject property, that is owned by ICCS, is the object of the contract. Lastly, the ₱10,345,914.75 to be paid in installments on the period set by the parties constitutes the price. Hence, the MOA is a contract of sale of the subject property entered into by ICCS and Cabreza with the spouses Aguilar.

The CA, therefore, is correct in finding that the Maceda Law is applicable as the MOA is a contract of sale of real property in installments.

This proceeds to the second issue—the validity of the rescission of the MOA. The Court finds that there is also no reason to disturb the ruling of the CA in this issue that there was no valid rescission of the MOA, primarily for the reason that the requisites of the Maceda Law were not complied with.

The Maceda Law protects buyers of real estate against onerous and oppressive conditions.<sup>125</sup> Section 4 in particular provides remedies for the defaulting buyer who has paid less than two years of installments in a purchase of real property, to wit:

Section 4. In case where less than two years of installments were paid, the seller shall give the buyer a grace period of not less than sixty days from the date the installment became due.

If the buyer fails to pay the installments due at the expiration of the grace period, the seller may cancel the contract after thirty days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act.

In *Pryce Properties Corp. v. Nolasco, Jr.*,<sup>126</sup> the Court laid down the four conditions under Section 4 of the Maceda Law that should be met before the seller may cancel the contract:

Section 4 of RA 6552 requires four (4) conditions before the seller may actually cancel the contract thereunder: *first*, the defaulting buyer has paid less

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<sup>122</sup> See *Tolentino v. Philippine Postal Savings Bank, Inc.* G.R. No. 241329, November 13, 2019.

<sup>123</sup> Republic Act No. 386, An Act to Ordain and Institute the Civil Code of the Philippines [CIVIL CODE] (1949).

<sup>124</sup> *Uy v. Heirs of Uy-Renales*, G.R. No. 227460, December 5, 2019.

<sup>125</sup> MACEDA LAW, Sec. 2.

<sup>126</sup> G.R. No. 203990, August 24, 2020.

than two (2) years of installments; *second*, the seller must give such defaulting buyer a sixty (60)-day grace period, reckoned from the date the installment became due; *third*, if the buyer fails to pay the installments due at the expiration of the said grace period, the seller must give the buyer a notice of cancellation and/or a demand for rescission by notarial act; and *fourth*, the seller may actually cancel the contract only after the lapse of thirty (30) days from the buyer's receipt of the said notice of cancellation and/or demand for rescission by notarial act.<sup>127</sup>

In finding that the MOA was not rescinded, the CA noted that ICCS waived its right when it demanded compliance instead of rescission; a demand for compliance effectively barred rescission of the MOA. It further stated that on the assumption that there was a demand for rescission, there was no showing that it complied with the requirements of the Maceda Law.

This Court agrees that the MOA was not validly rescinded but not on the same ground as held by the appellate court. We find that there was no valid rescission because the requirements of the Maceda Law were not complied with. The letter dated December 23, 1994 informing Cabreza and the spouses Aguilar that the ICCS is already “consolidating title to the subject property,” should have effectively canceled the MOA; the said letter, however, did not comply with the Maceda Law which requires that the seller must give a notice or a demand for rescission by notarial act.<sup>128</sup> The notarial rescission contemplated in the law “is a unilateral cancellation by a seller of a perfected contract thereunder acknowledged by a notary public and accompanied by competent evidence of identity.”<sup>129</sup> In the instant case, the letter is not notarized. It is not accompanied by an acknowledgment or even a jurat. It is a simple letter addressed to Cabreza and the spouses Aguilar, and signed by the managing partner of ICCS.

Further, the Maceda Law provides that actual cancellation can only be effected after 30 days from buyer's receipt of the notarial rescission. In this case, there is no showing that this requirement was observed by ICCS as it intended that the letter dated December 23, 1994 to be the termination of the MOA.

The MOA, therefore, remains to be valid and subsisting as its rescission was invalid. There is no need to discuss the issue on ICCS' waiver of the right to rescind due to the deposit of the fifth check as the MOA remains to be valid. In passing, regardless of ICCS' waiver or non-waiver of its rights, the MOA should be regarded as still subsisting because of the invalid rescission thereof.

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<sup>127</sup> Id.

<sup>128</sup> Id.

<sup>129</sup> Id. citing *Orbe v. Filinvest Land, Inc.*, 817 Phil. 934, 959-965 (2017).

In fine, the MOA is still valid and subsisting when ICCS sold the subject property to the spouses Gan. The lower courts annulled the Deed of Sale with the spouses Gan for differing reasons: the CA relied on the principle that one cannot transmit or dispose what he does not have, while the RTC ruled that ICCS engaged in double sale and gave preference to Cabreza and the spouses Aguilar.

At this juncture, the Court points out that the spouses Gan are for the cancellation of the Deed of Sale despite its consummation and subsequent issuance of a TCT under their names. As stated in their Comment, they pray for the nullification of the Deed of Sale and the return of the purchase price they paid to ICCS.<sup>130</sup>

Considering these, and in order to lay to rest this long running dispute over the subject property, the Court resolves to dispose this aspect of the case in an equitable manner, thereby upholding the validity of the Deed of Sale to the spouses Gan. The Court draws support from *Orbe v. Filinvest Land, Inc.*,<sup>131</sup> where a refund of the partial payments to the defaulting buyer was allowed as the property has already been sold to a third party while there was no valid rescission of the contract.<sup>132</sup>

Applying this to the instant case, the Court reverses the CA's ruling with regard to the Deed of Sale between ICCS and the spouses Gan: it remains valid. The spouses Gan, therefore remains to be the valid owners of the subject property pursuant to the Deed of Sale. There is no need for the cancellation of the transfer certificate of title under their names and the issuance thereof under ICCS' name. It follows therefore that as the subject property is no longer available after being sold to the spouses Gan, ICCS should, applying the resolution in *Orbe*, return the payments made by Cabreza and the spouses Aguilar under the MOA subject to legal interest at the rate of twelve percent (12%) per *annum* from filing of the Complaint until June 30, 2013, and the rate of six percent (6%) per *annum* from July 1, 2013 until full payment.<sup>133</sup>

In arriving at this ruling, the Court seeks to avoid the situation where the ownership of the subject property is subjected to an even longer period in limbo given that the case was already on-going for almost 25 years. Further, the parties have prayed for other just and equitable reliefs in their pleadings.

The Court deems it no longer necessary to discuss the issue on damages already ruled upon by the CA.

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<sup>130</sup> *Rollo*, vol. II, p. 835.

<sup>131</sup> *Supra* note 121.

<sup>132</sup> *Id.* at 969-971, citing *Active Realty & Development Corporation v. Daroya*, 431 Phil. 753, 760-764 (2002).

<sup>133</sup> See *Nacar v. Gallery Frames*, 716 Phil. 267-283, 281-283 (2013).

To recap, the Court affirms that the MOA between ICCS and Cabreza with the spouses Aguilar as the latter's guarantors: (a) was a contract of sale of real property in installments; and, (b) was not validly rescinded in accordance with the Maceda Law. Proceeding from this, the Court nonetheless rules on the basis of equity that the Deed of Sale between ICCS and the spouses Gan, and the corresponding TCT No. 199445 under the latter's names remain valid and subsisting. In this relation, ICCS shall return the amounts actually paid by Cabreza and the spouses Aguilar, *i.e.*, ₱2,179,522.93, pursuant to the MOA, with legal interest. All other awards not otherwise deleted or modified stand.

**WHEREFORE**, the Petition is **PARTIALLY GRANTED**. The September 13, 2012 Amended Decision of the Court of Appeals in CA-G.R. CV No. 93019 is **AFFIRMED** with the following **MODIFICATIONS**:

1. The portion ordering respondent Rolando S. Cabreza to reimburse the spouses Vicente and Estela Gan the amounts pertaining to real property taxes and association dues is **DELETED**;
2. The portion ordering the Register of Deeds of Makati City to cancel Transfer Certificate of Title No. 199445 under the names of the spouses Vicente and Estela Gan and to issue a new certificate of title under the name of respondent Rolando S. Cabreza is **DELETED**;
3. The portion giving respondents Rolando S. Cabreza and the spouses Fernando and Rosalinda Aguilar a period of thirty (30) days from notice of finality of the decision to pay petitioner Integrated Credit and Corporate Services the balance of the redemption price under their Memorandum of Agreement, and that upon default, petitioner may rescind the Memorandum of Agreement in accordance with Republic Act No. 6552, and thereafter consolidate title over the subject property in its name is **DELETED**;
4. Finally, petitioner Integrated Credit and Corporate Services is **ORDERED** to **REFUND** the amounts actually paid by respondents Rolando S. Cabreza and the spouses Fernando and Rosalinda Aguilar, *i.e.*, ₱2,179,522.93, pursuant to the Memorandum of Agreement, subject to legal interest at the rate of twelve percent (12%) per *annum* from filing of the Complaint on February 9, 1995 until June 30, 2013, and the rate of six percent (6%) per *annum* from July 1, 2013 until full payment.

All other awards not otherwise deleted or modified stand.

**SO ORDERED.**

  
**RAMON PAUL L. HERNANDO**  
Associate Justice

**WE CONCUR:**

  
**MARVIC M.V.F. LEONEN**  
Associate Justice  
Chairperson

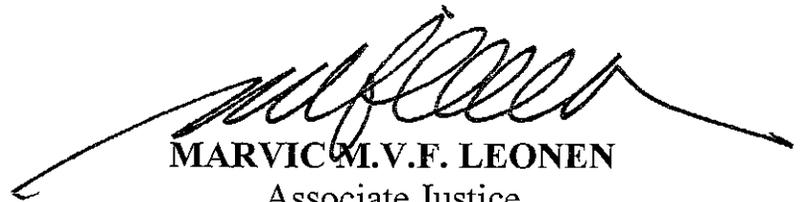
  
**HENRI JEAN PAUL B. INTING**  
Associate Justice

  
**EDGARDO L. DELOS SANTOS**  
Associate Justice

  
**JHOSEP Y. LOPEZ**  
Associate Justice

## ATTESTATION

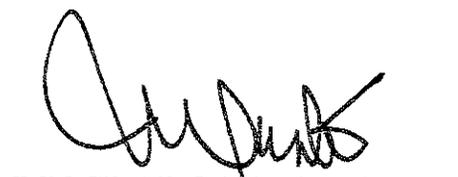
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**MARVIC M.V.F. LEONEN**  
Associate Justice  
Chairperson

## 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.



**DIOSDADO M. PERALTA**  
Chief Justice