



Republic of the Philippines
Supreme Court
 Manila

SECOND DIVISION

SALVADOR BUCE,
 Petitioner,

G.R. No. 259066

Present:

– versus –

LEONEN, M.V.,
 Chairperson,
 LAZARO-JAVIER, A.,
 LOPEZ, M.,
 LOPEZ, J., and
 KHO, A., *JJ.*

**HEIRS OF APOLONIO
 GALANG, represented by
 Crispin Galang as Attorney-
 in-Fact,**

Respondents.

Promulgated:

DEC 04 2023

X-----X

D E C I S I O N

M. LOPEZ, J.:

In all transactions involving the sale of real estate on installment payments, the contract shall subsists absent a valid cancellation or rescission. The buyers are also allowed to reinstate the contract and pay their updated accounts with the sellers. This rule finds significance in this Petition for Review on *Certiorari*¹ assailing the Decision² of the Court of Appeals (CA).

¹ *Rollo*, pp. 13–45.

² *Id.* at 47–55. The January 6, 2021 Decision in CA-G.R. CV No. 111746 was penned by Associate Justice Gabriel T. Robeniol and concurred in by Associate Justices Edwin D. Sorongon and Carlito B. Calpatura of the Thirteenth (13th) Division, Court of Appeals, Manila.

Antecedents

In January 1996, Apolonio Galang (Apolonio) offered to sell to Salvador Buce (Salvador) an 80-square meter parcel of land for a total purchase price of PHP 64,000.00. The parties then executed a document denominated as Conditional Sale with the following provisions:³

WHEREAS, the VENDOR offers to sell and [the] VENDEE is willing to buy a portion equivalent to 80 square meters of the above described property, . . . under the following terms and conditions, to wit:

1. That the total purchase price shall be PHP 64,000.00, Philippine Currency;

2. That the VENDEE shall pay the sum of PHP 10,000.00 as down payment upon signing of this contract;

3. *That the balance of PHP 54,000.00 shall be paid by the VENDEE unto the VENDOR by paying PHP 1,000.00 a month starting April 1, 1996 and every end of the month until fully paid for thereafter;*

4. *That upon full payment VENDOR shall execute the corresponding deed of Absolute Sale;*

5. That all the expenses for the titling of the subject property shall be shouldered by the VENDEE;

6. That VENDEE can occupy the premises and introduce improvements thereon upon executing of [sic] this deed;

7. *That VENDEE shall be charged 3% interest per month on the amount due and payable should VENDEE fails to pay her/his installment on the date aforementioned.*

NOW THEREFORE, for and in consideration of the above covenants and the sum of PHP 10,000.00, Phil. Currency, receipt hereof is hereby acknowledged and confessed to the full and entire satisfaction of the VENDOR, by virtue hereof, VENDOR hereby conditionally SELL, TRANSFER and CONVEY the above mentioned 80 square meters parcel of land unto the said VENDEE, his/her heirs and assigns, free from all liens and encumbrances.⁴ (Emphasis supplied)

From February 1996 to July 2007, Salvador paid 90 installments in various amounts totaling PHP 72,000.00.⁵ After Apolonio's death, Salvador demanded from the heirs of Apolonio the execution of a deed of absolute sale but to no avail.⁶ Aggrieved, Salvador filed a Complaint⁷ against the heirs of Apolonio for specific performance for the execution of the deed of absolute sale before the Regional Trial Court (RTC) docketed as Civil Case No. 14-10262. Salvador claimed that he is entitled to a deed of absolute sale after

³ *Id.* at 63-64.

⁴ *Id.*

⁵ *Id.* pp. 65-106.

⁶ *Id.* p. 107.

⁷ *Id.* pp. 59-61.

paying in excess of the agreed price. In their Answer,⁸ the heirs of Apolonio countered that Salvador has no cause of action because he did not pay the purchase price within the required period. Moreover, Salvador must pay the accrued interests on account of his delay.⁹

At the trial, Salvador testified and presented documents consisting of copies of the contract, receipts, statement of payments, demand letter, and certificate to file action.¹⁰ On the other hand, the heirs of Apolonio sought to dismiss the case for insufficiency of evidence and lack of cause of action. The heirs of Apolonio argued that Salvador admitted the breach of contract after he failed to pay the purchase price inclusive of interests. Thus, Salvador cannot compel the execution of the deed of absolute sale.¹¹

On March 27, 2017,¹² the RTC granted the Demurrer to Evidence and dismissed the Complaint for insufficiency of evidence. The Trial Court explained that the parties entered into a contract to sell as evident from its terms and conditions, which must prevail over the nomenclature of the agreement. The RTC also pointed out that Salvador admitted violating the contract several times and not paying the accrued interests. As such, the heirs of Apolonio cannot be compelled to execute a deed of absolute sale in favor of Salvador:

Salvador admitted that he violated the contract 39 times during the said period of time. That based on the contract, the payment should be [PHP] 54,000.00 balance payable at [PHP] 1,000.00 per month or equivalent to 54 months after April 1, 1996. That counting 54 months from April 1996, it should be complied until October 2000 for [] 4 years and a half. . . . Also, Salvador acceded that there is a covering penalty of 3% interest for every month he delayed payment. Based on his computation in the Statement of Payment he never included the interest because he claims to have fully paid already. In the totality of payment prepared by Salvador, again he clarified that there was no interest included in his computation.

....

As regards the insufficiency of evidence of the plaintiff, the Court is convinced that he failed to prove his claims by preponderant evidence, considering the facts and circumstances present in this case, the improbability of the witnesses testimony, and the weight/credit of the documentary evidence and of similar others[.]

On the second issue, that *plaintiff failed to pay the full contract price of the Conditional Sale within the period, in effect, breached the aforementioned agreement avoiding the execution of the Deed of Sale*. At this point, we have to clarify certain matters, viz.: the nature of the contract. Well established is the rule that it is not the title of the contract but the terms

⁸ *Id.* at 123–129.

⁹ *Id.* at 124–127.

¹⁰ *Id.* at 134–140.

¹¹ *Id.* at 313–334, Respectful Demurrer to Evidence.

¹² *Id.* at 375–389. The March 27, 2017 Order in Civil Case No. 14-10262 was penned by Presiding Judge Mary Josephine P. Lazaro of Branch 74, Regional Trial Court, Antipolo City.

and stipulations of the parties which determine the kind of contract. In the case at bar, although the name/title of the aforementioned contract is "Conditional Sale," it is actually a "Contract to Sell." The Contract stipulated that "upon full payment, Vendor shall execute the corresponding Deed of Absolute Sale," partakes the nature of a suspensive condition, an element of contract to sell. Where the vendor promises to execute a Deed of Absolute Sale upon completion of the vendee of the contract price, it is only a contract to sell. The aforementioned stipulations show that the vendor reserved title to the property until the payment of the said price. *Clearly, the vendee violated the stipulated conditions of the contract, to pay the amount [PHP] 1,000.00 monthly as well as the 3% penalty per month in case of arrears. Based on the documentary and testimonial evidence presented, several times, specifically 39 times plaintiff delayed in the payment of his obligations.*

In addition 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[.]

....

In cases of non-payment of the full contract price of the conditional sale of real property, the vendee, herein plaintiff, is not entitled to the execution of the deed of sale. There exists no cause of action, hence, plaintiff is not entitled to the reliefs prayed for. Upon closed scrutiny of the records of the instant case, the plaintiff miserably failed to show evidence to the satisfaction of this Court to support the grounds anchored upon in his Complaint.

WHEREFORE, the Demurrer to Evidence filed by the defendants, Heirs of Apolonio Galang, represented by Crispin Galang, through counsel, is hereby GRANTED. Accordingly, the instant Complaint is hereby ordered DISMISSED for insufficiency of evidence.

....

SO ORDERED.¹³ (Emphasis supplied)

Unsuccessful at a reconsideration,¹⁴ Salvador elevated the case to the CA, docketed as CA-G.R. CV No. 111746. Salvador insisted that the RTC erred in granting the demurrer to evidence given that he discharged the burden to prove the existence of the contract and the full payment of the purchase price. On January 6, 2021,¹⁵ the CA affirmed the RTC's findings that the contract between the parties is a contract to sell and that Salvador failed to substantiate his cause of action for specific performance. Moreover, Salvador incurred arrearages which should be factored in the computation of the purchase price:

¹³ *Id.* at 380-389.

¹⁴ *Id.* at 390-391.

¹⁵ *Id.* at 47-55.

Significantly, the Receipts and Statement of Payment presented by the plaintiff-appellant show that the payments he made were irregular and intermittent. If the terms of the contract will be followed to the letter, plaintiff-appellant should have completed his payments by September 2000. Yet, he only made three (3) payments in 1996 and 1997. Furthermore, the Statement of Payment shows that payments were made only until July 2007.

Although plaintiff-appellant already made an aggregate payment of [PHP] 72,000.00, that amount cannot qualify as a full and complete payment. Plaintiff-appellant still has to contend with the penalty of 3% interest per month on the amount due and payable in case of default as provided for in the Conditional Sale. *Verily, from his own evidence, it appears that plaintiff-appellant had incurred arrearages which should be factored in [] the computation of the full purchase price of the subject property.*

...

Plaintiff-appellant's arrears in the principal amount as well as the stipulated penalties preclude this Court from finding, even prima facie, that he has paid the purchase price in full.

....

In essence, the parties have entered into a contract to sell where full payment is a suspensive condition for the execution of a deed of absolute sale.

....

Ergo, without plaintiff-appellant having fully paid the purchase price on the subject property inclusive of the penalties due for the delayed payments, he cannot compel defendants-appellants to execute a final deed of absolute sale. More to the point, he had no cause of action therefor.

Thus, the Court perceives neither error of fact, law or both to have tainted the Trial Court's grant of defendants-appellees' Respectful Demurrer to Evidence in the March 27, 2017 Order.

WHEREFORE, the appeal is DENIED. The Order dated March 27, 2017 and Order dated September 11, 2017 of the Regional Trial Court, Branch 74, Antipolo City, in Civil Case No. 14-10262, are AFFIRMED.

SO ORDERED.¹⁶ (Emphasis supplied)

Salvador sought reconsideration, but was denied by the CA.¹⁷

Hence, this Petition.¹⁸

¹⁶ *Id.* at 52-54.

¹⁷ *Id.* at 57-58.

¹⁸ *Id.* at 13-45.

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Salvador reiterates that the CA and the RTC erred in dismissing the action for specific performance despite preponderant evidence of full payment of the purchase price. In contrast, the heirs of Apolonio maintained that the CA and the RTC properly granted the Demurrer to Evidence because Salvador did not prove the complete payment of the purchase price and stipulated interest.¹⁹

Ruling

The title of the contract is not conclusive as to its nature and characteristics. The courts are not bound as to how the parties may call their agreement but by the governing principles of law.²⁰ Moreover, it is a cardinal rule in the interpretation of a contract that the intention of the parties should always prevail because their will has the force of law between them. Hence, the consecrated rule that the literal sense of the stipulations shall be followed if the terms of a contract are clear. Yet, the intention of the parties shall be controlling if the words in the contract appear to be contrary to their evident will.²¹ As such, the courts cannot solely rely on the nomenclature of the contract as it does not adequately capture the true intention of the parties which must be ascertained from the express terms of the agreement and their contemporaneous and subsequent acts.²²

On several occasions, we have decreed that in determining the nature of a contract, courts are not bound by the title or name given by the parties. The decisive factor in evaluating an agreement is the intention of the parties, as shown, not necessarily by the terminology used in the contract but, by their conduct, words, actions and deeds prior to, during and immediately after executing the agreement. Thus, to ascertain the intention of the parties, their contemporaneous and subsequent acts should be considered. Once the intention of the parties is duly ascertained, that intent is deemed as integral to the contract as its originally expressed unequivocal terms.²³ (Citations omitted)

Here, we agree with the unanimous findings of the CA and the RTC that the transaction between the parties was a contract to sell although denominated as a conditional sale. The Court had distinguished a *contract to sell* from a *contract of sale* and a *conditional contract of sale* as to their nature and effects:

¹⁹ *Id.* at 447-450.

²⁰ *Baluran v. Judge Navarro*, 169 Phil. 305, 310 (1977) [Per J. Muñoz-Palma, First Division].

²¹ *Kasilag v. Rodriguez*, 69 Phil. 217, 225-226 (1939) [Per J. Imperial].

²² *Ace Foods, Inc. v. Micro Pacific Technologies Company, Ltd.*, 723 Phil. 742 (2013) [Per J. Perlas-Bernabe, Second Division].

²³ *Rockville Excel International Exim Corporation v. Spouses Culla*, 617 Phil. 328, 335-336 (2009) [Per J. Brion, Second Division].

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A *contract to sell* is 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 prospective buyer upon fulfillment of the condition agreed upon, that is, full payment of the purchase price.

In such contract, the prospective seller expressly reserves the transfer of title to the prospective buyer, until the happening of an event, which in this case is the full payment of the purchase price. What the seller agrees or obligates 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. *Stated differently, 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.*

It is different from *contracts of sale*, since ownership in *contracts to sell* is reserved by the vendor and is not to pass to the vendee until full payment of the purchase price, *while in contracts of sale, title to the property passes to the vendee upon the delivery of the thing sold. In contracts of sale the vendor loses ownership over the property and cannot recover it unless and until the contract is resolved or rescinded, while in contracts to sell, title is retained by the vendor until full payment of the price. In contracts to sell, full payment is a positive suspensive condition while in contracts of sale, non-payment is a negative resolatory condition.*

A *contract to sell* may further be distinguished from a *conditional contract of sale*, in that, the fulfillment of the suspensive condition, which is the full payment of the purchase price, will not automatically transfer ownership to the buyer although the property may have been previously delivered to him. The prospective vendor still has to convey title to the prospective buyer by entering into a contract of absolute sale. *While in a conditional contract of sale, the fulfillment of the suspensive condition renders the sale absolute and affects the seller's title thereto such that if there was previous delivery of the property, the seller's ownership or title to the property is automatically transferred to the buyer.*

Indeed, in *contracts to sell* the obligation of the seller to sell becomes demandable only upon the happening of the suspensive condition, that is, the full payment of the purchase price by the buyer. It is only upon the existence of the *contract of sale* that the seller becomes obligated to transfer the ownership of the thing sold to the buyer. Prior to the existence of the *contract of sale*, the seller is not obligated to transfer the ownership to the buyer, even if there is a *contract to sell* between them.²⁴ (Emphasis supplied, citations omitted)

Under a contract to sell, the prospective seller retains title to the thing to be sold until the prospective buyer fully pays the agreed purchase price. The full payment is a positive suspensive condition, while the non-fulfillment of which is not a breach of contract, but merely an event that prevents the prospective seller from conveying title to the prospective buyer.²⁵ In this case,

²⁴ *Ursal v. Court of Appeals*, 509 Phil. 628 (2005) [Per J. Austria-Martinez, Second Division].

²⁵ *Cordero v. F.S. Management & Development Corporation*, 536 Phil. 1151, 1160 (2006) [Per J. Carpio Morales, Third Division].

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the true intention of the parties was to reserve ownership of the land in Apolonio until Salvador paid the total purchase price. Apolonio shall execute the corresponding deed of absolute sale only upon full payment of the price. Moreover, Apolonio transferred only the possession of the real property and not its ownership when the contract allowed Salvador to occupy the premises and introduce improvements. Verily, the ownership of the land remained with Apolonio and his heirs even after Salvador paid the down payment and possessed the property. Consequently, the crucial question now is whether Salvador completely paid the purchase price which, in turn, will give rise to the obligation of Apolonio and his heirs to convey title to the land.

On this point, we refer again to the terms and conditions of the contract that provided how the balance shall be paid: “[t]hat the balance of [PHP] 54,000.00 shall be paid by the VENDEE unto the VENDOR by paying [PHP] 1,000.00 a month starting April 1, 1996 and every end of the month until fully paid for thereafter.”²⁶ The contract likewise stipulated that the corresponding penalty shall be imposed in case of default: “[t]hat VENDEE shall be charged 3% interest per month on the amount due and payable should VENDEE fails to pay her/his installment on the date aforementioned.”²⁷ Thus, Salvador must pay [PHP] 1,000.00 in 54 monthly installments or from April 1996 to September 2000. Admittedly, Salvador defaulted in his obligation when he made *irregular and intermittent* payments or 90 installments in various amounts totaling [PHP] 72,000.00 until July 2007. Worse, Salvador violated the contract *39 times* without paying the accrued interests. Obviously, Salvador cannot ignore the required 54-month period by claiming that he has paid in excess of the purchase price. As the CA and the RTC aptly observed, the accrued interests must be included in the computation of the purchase price. In reciprocal obligations, neither party incurs in delay if the other does not comply or is not ready to comply in a proper manner with what is incumbent upon him. From the moment one of the parties fulfills his obligation, delay by the other begins.²⁸ Here, Apolonio and his heirs performed their part of the obligation by allowing Salvador to continue in possession and use of the property. Clearly, when Salvador did not pay the monthly amortizations in accordance with the terms of the contract, he was in delay and liable for damages. However, the default on the part of Salvador with respect to his obligation could be compensated by the interest imposed upon him under the contract. Considering that Salvador did not pay the full purchase price with the stipulated interest, the obligation of Apolonio and his heirs to convey title to the property did not arise.

²⁶ *Rollo*, p. 63.

²⁷ *Id.* at 64.

²⁸ NEW CIVIL CODE, art. 1169.



Notably, Republic Act No. 6552 or the Realty Installment Buyer Protection Act governs the sale of real estate on installment payments. Pursuant to the law, the actual cancellation of a contract to sell takes place after 30 days from receipt by the buyer of the notarized notice of cancellation, and upon full payment of the cash surrender value to the buyer. In other words, before a contract to sell can be validly and effectively cancelled, the seller has (1) to send a notarized notice of cancellation to the buyer and (2) to refund the cash surrender value. Until and unless the seller complies with these twin mandatory requirements, the contract to sell between the parties remains valid and subsisting.²⁹ Here, the contract to sell was not validly cancelled or rescinded. Apolonio died without cancelling the contract to sell. The heirs of Apolonio also failed to cancel the contract in accordance with law. Corollarily, Salvador has the right to continue occupying the property subject of the contract to sell, and may “*still reinstate the contract by updating the account during the grace period and before the actual cancellation*” of the contract.³⁰

In *Leaño v. Court of Appeals*,³¹ the Court held that should the buyer wish to reinstate the contract to sell, she would have to update her payments with the seller in accordance with the statement of accounts.³² In *Spouses Rayos v. Court of Appeals*,³³ the Court likewise ruled that the buyers may reinstate the contract to sell by tendering the unpaid installment, and the sellers may agree and accept the late payment, provided that the property has not been sold to a third-party who acted in good faith:

However, the respondents may reinstate the contract to sell by paying the [PHP] 29,223.67, and the petitioners may agree thereto and accept the respondents’ late payment. In this case, the petitioners had decided before and after the respondents filed this complaint in Civil Case No. 15639 to accept the payment of [PHP] 29,223.67, to execute the deed of absolute sale over the property and cause the transfer of the title of the subject property to the respondents. The petitioners even filed its amended complaint in Civil Case No. 15984 for the collection of the said amount. The Court of Appeals cannot, thus, be faulted for affirming the [D]ecision of the trial court and ordering the petitioners to convey the property to the respondents upon the latter’s payment of the amount of [PHP] 29,223.67, provided that the property has not been sold to a third-party who acted in good faith.³⁴ (Citation omitted)

²⁹ *Active Realty & Development Corporation v. Daroya*, 431 Phil. 753, 761–762 (2002) [Per J. Puno, First Division].

³⁰ *Communities Cagayan, Inc. v. Spouses Arsenio (deceased) and Angeles Nanol*, 698 Phil. 648, 659 (2012) [Per J. Del Castillo, Second Division].

³¹ 420 Phil. 836 (2001) [Per J. Pardo, First Division].

³² *Id.* at 847.

³³ 478 Phil. 477 (2004) [Per J. Callejo, Sr., Second Division].

³⁴ *Id.* at 496.

In *Pagtalunan v. Dela Cruz Vda. de Manzano*,³⁵ the Court agreed with the CA that it is only right to allow the buyer to pay her arrears and settle the balance of the purchase price absent valid cancellation of the contract to sell:

The Court notes that this case has been pending for more than ten years. Both parties prayed for other reliefs that are just and equitable under the premises. Hence, the rights of the parties over the subject property shall be resolved to finally dispose of that issue in this case.

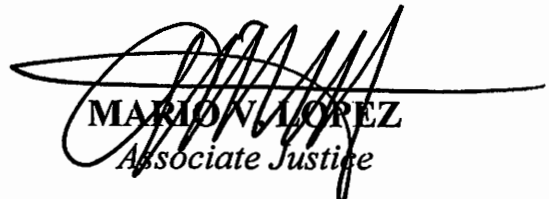
Considering that the Contract to Sell was not cancelled by the vendor, Patricio, during his lifetime or by petitioner in accordance with R.A. No. 6552 . . . the Court agrees with the CA that it is only right and just to allow respondent to pay her arrears and settle the balance of the purchase price.

For respondent's delay in the payment of the installments, the Court, in its discretion, and applying Article 2209 of the Civil Code, may award interest at the rate of 6% per annum on the unpaid balance considering that there is no stipulation in the Contract to Sell for such interest[.]³⁶ (Citations omitted)

Based on the records, the land has not been sold to another buyer for value in good faith. Applying the case law, the Court finds it just and equitable for both parties that Salvador be allowed to pay the balance of the purchase price with the stipulated interest in accordance with the terms and conditions of the contract to sell. The heirs of Apolonio shall then be required to execute the corresponding deed of absolute sale in favor of Salvador after complete payment of the updated accounts. To determine the updated purchase price, the case is remanded to the trial court for computation of the unpaid balance inclusive of accrued interest.

ACCORDINGLY, the Court of Appeals' Decision dated January 6, 2021 in CA-G.R. CV No. 111746 is **REVERSED**. Salvador Buce is ordered to pay the balance of the purchase price with the stipulated interest. Thereafter, the heirs of Apolonio Galang are required to execute a deed of absolute sale in favor of Salvador Buce. The case is **REMANDED** to the Regional Trial Court for computation of the updated accounts.

SO ORDERED.


MARION LOREZ
Associate Justice

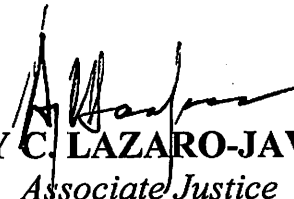
³⁵ 559 Phil. 658 (2007) [Per J. Azcuna, First Division].

³⁶ *Id.* at 670.

WE CONCUR:



MARVIC M.V.F. LEONEN
Associate Justice
 Chairperson



AMY C. LAZARO-JAVIER
Associate Justice



JHOSEPH N. LOPEZ
Associate Justice



ANTONIO T. KHO, JR.
Associate Justice

ATTESTATION

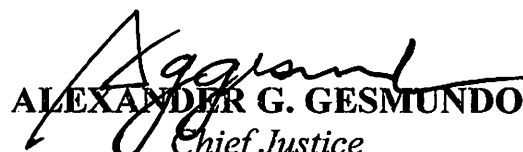
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



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

CERTIFICATION

Pursuant to Article VIII, Section 13 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.



ALEXANDER G. GESMUNDO
Chief Justice