



Republic of the Philippines
 Supreme Court
 Manila

THIRD DIVISION

HOME GUARANTY
 CORPORATION,
Petitioner,

G.R. No. 202820

Present:

LEONEN, J.,
Chairperson,
 GESMUNDO,*
 HERNANDO,
 DELOS SANTOS, and
 ROSARIO, JJ.

versus

Promulgated:

ELVIRA S. MANLAPAZ,
*Respondent.***

January 13, 2021

MisRDCBaH

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DECISION

HERNANDO, J.:

This Petition for *Certiorari*¹ assails the April 20, 2012 Decision² and June 14, 2012 Resolution³ of the Court of Appeals (CA) in CA-G.R. SP No. 112466 which set aside the June 26, 2009 Decision⁴ and January 5, 2010 Resolution⁵ of the Office of the President (OP) holding that petitioner Home Guaranty Corporation (HGC) is under no obligation to release the title to the disputed property to respondent Elvira S. Manlapaz (Manlapaz).

* Designated as additional member per raffle dated July 17, 2019 vice *J. Inting* who recused himself due to the prior participation of his sister (then Court of Appeals Associate Justice Socorro B. Inting) in the proceedings before the Court of Appeals.

** The Court of Appeals was dropped as party-respondent pursuant to Section 4, Rule 45 of the Rules of Court.

¹ *Rollo*, pp. 3-19.

² *Id.* at 165-180; penned by Associate Justice Fernanda Lampas Peralta and concurred in by Associate Justices Mario V. Lopez (now a member of this Court) and Socorro B. Inting.

³ *Id.* at 202-203.

⁴ *Id.* at 125-130; O.P. Case No. 08-B-065; penned by Undersecretary Pilita Quizon-Venturanza.

⁵ *CA rollo*, p. 53.

The Facts:

On September 20, 1995, Vive Eagle Land, Inc. (VELI), Planters Development Bank (Bank), and petitioner HGC entered into the VELI Asset Pool Formation and Trust Agreement⁶ (Asset Pool) for the development of the lots in Eagle Crest Village (Village) in Baguio City which included the property in dispute, a parcel of land with an area of 166 square meters located at Lot 2, Block 5, Phase III of the Village.⁷

Housing and Development Participation Certificates backed up VELI's properties and were floated and sold to investors. HGC extended a ₱130 Million guaranty⁸ on the Participation Certificates in the event the Asset Pool fails to service the interest due to the investors or to redeem the said Certificates upon maturity. Meanwhile, the Bank acted as trustee and held the titles to the lots covered by the Asset Pool.⁹

Due to the delay in the project's development, the Asset Pool was declared in default. Consequently, the investors, through the Bank, called on HGC's guaranty. On August 19, 1998, after HGC's payment of the guaranty call in the amount of ₱135,691,506.85, the Bank assigned and transferred the possession and ownership of the assets of the Asset Pool to HGC through a Deed of Assignment and Conveyance.¹⁰ Notably, this included the contested land.¹¹

Prior thereto, or on January 8, 1998, VELI entered into a Contract to Sell¹² with First La Paloma Properties, Inc. (FLPPI) involving the bulk of the properties in the Village which included the property in question. On June 22, 1998, FLPPI, through its President, Marcelino Yumol (Yumol), entered into a Contract to Sell¹³ with respondent Manlapaz over the disputed property for ₱913,000.00.¹⁴

Given that a substantial part of the properties which were assigned to HGC was apparently sold by VELI to FLPPI,¹⁵ on October 8, 1998, VELI, FLPPI and HGC entered into a Memorandum of Agreement¹⁶ (superseding the Contract to Sell dated January 8, 1998 and other agreements between FLPPI and VELI) in which FLPPI assumed to pay HGC the value of the properties in the total amount of ₱153,029,200.00. Accordingly, HGC and FLPPI executed

⁶ *Rollo*, pp. 56-72.

⁷ *Id.* at 27.

⁸ *Id.* at 73-78; Contract of Guaranty.

⁹ *Id.* at 95.

¹⁰ *Id.* at 82-84.

¹¹ *Id.* at 95-96.

¹² *Id.* at 251-255.

¹³ *Id.* at 27-31.

¹⁴ *Id.* at 96, 121.

¹⁵ *Id.* at 86; "WHEREAS, in the course of the review of the Asset Pool it was found out that the bulk of the real estate properties were sold by VELI to [FLPPI] as evidenced by a Contract to Sell between the said parties dated January 8, 1998..."

¹⁶ *Id.* at 85-89.

a Contract to Sell¹⁷ dated October 15, 1998 over the real properties.¹⁸ When FLPPPI failed to pay, HGC informed FLPPPI on November 15, 2000 in a letter¹⁹ addressed to Yumol that it is invoking its right to cancel their contract.²⁰

Meanwhile, after failing to secure the title to the disputed land, Manlapaz filed a Complaint²¹ for delivery of title with prayer for damages with the Legal Services Group (LSG) of the Housing and Land Use Regulatory Board (HLURB). Manlapaz claimed that despite full payment and demands for delivery, FLPPPI failed to execute the final deed of sale and to deliver the title of the lot in her favor. She alleged that she was deprived of her title and ownership to the contested property and prayed for the award of moral and exemplary damages as well as attorney's fees.²²

The Bank contended that Manlapaz has no cause of action against it and that it was not privy to her contract with FLPPPI. The property in question, along with the properties of the Asset Pool, had already been the subject of the Deed of Assignment and Conveyance between the Bank and HGC.²³

Similarly, HGC averred that Manlapaz has no cause of action against it because it is also an unpaid seller based on the Contract to Sell it entered into with FLPPPI. HGC argued that it was not privy to the Contract to Sell dated June 22, 1998 which Manlapaz executed with FLPPPI and that the said contract violated its (HGC's) Contract to Sell dated October 15, 1998 with FLPPPI which prohibited the disposition of the properties without full payment and the written consent of HGC.

HGC argued that it cancelled the Contract to Sell with FLPPPI due to the latter's breach thereof.²⁴ By way of cross-claim, HGC asserted that in the event that it would be required to pay Manlapaz's claim or to deliver the title, FLPPPI should reimburse it for the awarded amounts and the value required to cover the issuance of title.²⁵

In the same way, VELI asserted that Manlapaz has no cause of action against it since it was not privy to the Contract to Sell between Manlapaz and FLPPPI, and that pursuant to the October 8, 1998 Memorandum of Agreement, VELI is no longer involved in any subsequent transactions involving the lots, which included TCT No. T-64208 or the lot in question.²⁶

¹⁷ Id. at 90-93.

¹⁸ Id. at 96.

¹⁹ Id. at 14.

²⁰ Id. at 126.

²¹ Id. at 21-26; "Elvira S. Manlapaz v. First La Paloma Properties, Inc. and/or its President Marcelino Yumol, Jr., Home Guaranty Corporation, Vive Eagle Land, Inc. and Planters Development Bank."

²² Id. at 96.

²³ Id.

²⁴ Id. at 97.

²⁵ Id.

²⁶ Id.

**Ruling of the Legal Services Group -
Housing and Land Use Regulatory
Board:**

In a Decision²⁷ dated July 26, 2004, the LSG-HLURB held that as the subdivision owner or developer, FLPPPI has the obligation to deliver the title to Manlapaz upon full payment pursuant to Section 25 of Presidential Decree (PD) No. 957.²⁸

Insofar as the Bank is concerned, the LSG-HLURB noted that pursuant to the Deed of Assignment and Conveyance dated August 19, 1998, it already transferred the possession and ownership of the properties of the Asset Pool, including the lot claimed by Manlapaz, to HGC. The trusteeship agreement had been terminated and possession of the Transfer Certificate of Title (TCT) for the contested lot was transferred to HGC. Thus, Manlapaz has no cause of action against the Bank.²⁹

Likewise, Manlapaz has no cause of action against VELI as the latter was not privy to the contract between Manlapaz and FLPPPI. Before the execution of said contract, VELI had already finalized the Contract to Sell with FLPPPI. After Manlapaz transacted with FLPPPI through a Contract to Sell, VELI, HGC and FLPPPI then entered into a Memorandum of Agreement which caused the execution of another Contract to Sell between FLPPPI and HGC involving the same properties.³⁰

However, the LSG-HLURB found that Manlapaz has a cause of action against HGC. When HGC entered into a Memorandum of Agreement with FLPPPI and VELI, and the Contract to Sell with FLPPPI, HGC became aware of the Contract to Sell between VELI and FLPPPI.

Thus, HGC's claim that the Contract to Sell between Manlapaz and FLPPPI violated the Contract to Sell between HGC and FLPPPI has no merit since the contract between Manlapaz and FLPPPI was executed before the contract between HGC and FLPPPI. The HLURB held that the intention of PD No. 957 is to protect innocent lot buyers from scheming subdivision developers. Ergo, HGC is liable to execute the deed of sale and to deliver the title to Manlapaz.³¹

The dispositive portion of the LSG-HLURB's Decision states:

WHEREFORE, judgment is rendered as follows:

1. Dismissing the complaint against PDB and VELI for lack of cause of

²⁷ Id. at 95-100; HLURB Case No. LSG-CAR-REM-071102-0504; penned by Atty. Gina A. Antonio, Housing and Land Use Arbiter; approved by Atty. Cesar A. Manuel, Director, Legal Services Group.

²⁸ Id. at 98.

²⁹ Id.

³⁰ Id.

³¹ Id. at 99.

action;

2. Ordering HGC to execute the Deed of Absolute Sale over Lot 2 Block 5, Phase III of Eagle Crest Villa, Baguio City, in favor of the complainant and deliver the transfer certificate of title thereof to the latter free from liens and encumbrances.

IT IS SO ORDERED.³²

Aggrieved, HGC filed a Petition for Review³³ before the Board of Commissioners (BOC) of the HLURB.

**Ruling of the Board of Commissioners
of the Housing and Land Use
Regulatory Board:**

In a Decision³⁴ dated October 5, 2005, the BOC-HLURB dismissed the complaint filed by Manlapaz. It ruled that “[u]nder the contract to sell executed between HGC and FLPPPI, the latter was not authorized to sell the properties covered thereby without the purchase price first being fully paid to the HGC. Thus, HGC is not under any obligation to honor the contract between FLPPPI and [Manlapaz]. Under the circumstances, only FLPPPI is liable to the [Manlapaz].”³⁵ It ordered FLPPPI to refund the purchase price paid by Manlapaz with interest. The dispositive portion of the BOC-HLURB’s Decision reads:

Wherefore, the petition for review is granted. The decision of the Office below is set aside and a new decision is rendered dismissing the complaint against HGC. Respondent FLPPPI is directed to refund the amounts complainant [Manlapaz] paid plus legal interest per annum from the time of the filing of this complaint. Respondent FLPPPI is further directed to pay the amount of P50,000.00 as moral damages, and P50,000.00 as exemplary damages and P50,000.00 as attorney’s fees.

So ordered.³⁶

Manlapaz filed a Motion for Reconsideration,³⁷ arguing that the alleged violation by FLPPPI of its contract with HGC cannot be a valid ground to deprive her of her rights over the contested property. However, the BOC-HLURB denied her motion in a Resolution³⁸ dated October 18, 2007.

³² Id.

³³ Id. at 101-119.

³⁴ Id. at 120-123; HLURB Case No. REM-A-040922-0210; signed by Pamela F. Yabut, Deputy Secretary General, HUDCC and Ex-Officio Commissioner; Eduardo R. Soliman, Jr., Undersecretary of DILG and Ex-Officio Commissioner; Francisco L. Dagñalan, Commissioner.

³⁵ Id. at 123.

³⁶ Id.

³⁷ CA *rollo*, pp. 113-119.

³⁸ Id. at 45-46.

Manlapaz then filed a Notice of Appeal³⁹ with the Office of the President (OP).

Ruling of the Office of the President:

In a Decision⁴⁰ dated June 26, 2009, the OP affirmed *in toto* the October 5, 2005 Decision of the BOC-HLURB.⁴¹ It found that there were two contracts to sell involved in the case: the first contract dated June 22, 1998 between FLPPI and Manlapaz and the second contract dated October 15, 1998 between FLPPI and HGC, pursuant to the Memorandum of Agreement dated October 8, 1998 entered into among FLPPI, VELI and HGC. HGC cancelled the second contract because FLPPI failed to pay the purchase price to HGC.⁴² The OP held that FLPPI's right as a would-be seller was to be derived from the second contract with HGC. However, because of FLPPI's failure to pay the purchase price, HGC cancelled the second contract. As a consequence, FLPPI's authority to sell was likewise cancelled, including its sale to Manlapaz.⁴³

The OP noted that HGC was not privy to the contracts which FLPPI executed with both VELI (on January 8, 1998) and Manlapaz (on June 22, 1998) since HGC became the assignee and transferee of the properties only after the execution of the Deed of Assignment and Conveyance on August 19, 1998. It explained that "[a]ny prior or subsequent transactions between VELI, FLPPI and the latter's buyers cannot bind HGC, as owner, without its acquiescence, knowledge or consent to the transaction."⁴⁴

Also, the OP ruled that there was no express or implied ratification of the first contract by FLPPI and Manlapaz in the second contract by FLPPI and HGC, as the purpose of the Memorandum of Agreement which HGC executed with FLPPI and VELI on October 8, 1998 was for the protection of HGC's rights over the properties and to establish its rightful claim thereto. The execution of the second contract pursuant to the Memorandum of Agreement was to carry the obligation of FLPPI as buyer and to comply with the provisions of the said contract. Pursuant to the second contract, HGC is empowered to retain in its possession all certificates of title, including the one being claimed by Manlapaz, only to be released after FLPPI's payment and compliance with the provisions of the second contract.⁴⁵

The OP explained that in a contract to sell, ownership is retained by the seller whether or not there is delivery, as ownership only passes to the buyer upon full payment of the purchase price.⁴⁶ Since the second contract between

³⁹ *Rollo*, p. 124.

⁴⁰ *Id.* at 125-130.

⁴¹ *Id.* at 130.

⁴² *Id.* at 129.

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.* at 129.

HGC and FLPPPI was cancelled, HGC retained ownership over the subject properties and FLPPPI had no right to sell the same. Additionally, all previous sales or transfers by FLPPPI to its buyers cannot be given effect since it had no authority from the rightful owner to do so.⁴⁷

It declared that “[c]onsidering that no payment was made by FLPPPI to HGC for TCT No. 64208, and considering the cancellation of the contract to sell between FLPPPI and HGC, the latter has no legal obligation to release the title to the former or to any of its assigns or successors. Hence, there is no legal basis to order [HGC] to deliver the TCT covering the subject property or to execute the Deed of Sale in favor of [Manlapaz]. As correctly held by the HLURB-BOC, HGC is not under any obligation to honor the contract between FLPPPI and [Manlapaz], since under the circumstances, only FLPPPI is liable to her.”⁴⁸

Manlapaz asked for reconsideration⁴⁹ which the OP denied in a Resolution⁵⁰ dated January 5, 2010.

Undeterred, Manlapaz appealed⁵¹ to the CA *via* Rule 43 of the Rules of Court.

Ruling of the Court of Appeals:

The CA, in its assailed April 20, 2012 Decision granting Manlapaz’s appeal,⁵² held that PD No. 957 aims to protect innocent lot buyers from fraudulent transactions.⁵³ It extensively explained that:

There is no denying that [HGC] is a party to the VELI Asset Pool Formation and Trust Agreement dated September 20, 1995 and Contract of Guaranty of the same date, that [VELI] was authorized to sell the parcels of land in Eagle Crest, and that on January 8, 1998, [VELI] contracted to sell the parcels of land in Eagle Crest (including the subject property) to [FLPPPI]. Moreover, in the [M]emorandum of [A]greement dated October 15, 1998 entered into by [HGC, VELI and FLPPPI], the existence of the January 8, 1998 [C]ontract to [S]ell between [VELI and FLPPPI] was recognized.

It cannot be said that the [C]ontract to [S]ell entered into between [FLPPPI] and [Manlapaz] on June 22, 1998 over the subject property contravened the aforementioned [M]emorandum of [A]greement entered into by [HGC, VELI and FLPPPI] on October 15, 1998, for the simple reason that the [M]emorandum of [A]greement was not yet then in existence when said [C]ontract to [S]ell was executed. Apart from this and more importantly, [Manlapaz] is an innocent purchaser for value and not a party to the [M]emorandum of [A]greement or any other agreement or transaction entered

⁴⁷ Id. at 129-130.

⁴⁸ Id. at 130.

⁴⁹ Not attached in the records.

⁵⁰ CA *rollo*, p. 53.

⁵¹ Id. at 10-29.

⁵² *Rollo*, pp. 165-180.

⁵³ Id. at 172-173.

into by [HGC, VELI and FLPPPI] among themselves. Moreover, the [C]ontract to [S]ell between [FLPPPI and Manlapaz] was made on June 22, 1998, before the Asset Pool was declared in default and before a Deed of Assignment and Conveyance was executed in favor of [HGC] on August 19, 1998. [Manlapaz], who had fully paid the purchase price of the property, should not be made to suffer the consequences of the default of the Asset Pool, including the failure of [FLPPPI] to comply with its obligation to [HGC] under their [C]ontract to [S]ell.⁵⁴

The CA ruled that Manlapaz's full payment of the contract price justifies the execution of the deed of absolute sale in her favor and the transfer in her name of the certificate of title covering the subject property pursuant to Section 25⁵⁵ of PD No. 957.⁵⁶

It held that the ruling of the LSG-HLURB was correct⁵⁷ and that Manlapaz, as an innocent purchaser for value, should be protected from the effects of the transactions entered into by HGC, VELI and FLPPPI in which Manlapaz had no participation.⁵⁸ Moreover, the appellate court ordered FLPPPI to turn over the amounts which Manlapaz paid, to HGC, plus legal interest.⁵⁹ The dispositive portion of the CA's assailed Decision states:

WHEREFORE, the petition is granted and the Office of the President's Decision dated June 26, 2009 and Resolution dated January 5, 2010 are set aside. The Decision dated July 26, 2004 of the Legal Services Group of the HLURB is reinstated, subject to the modification that respondent FLPPPI is ordered to turn over to respondent HGC the amounts paid by petitioner [Manlapaz] to respondent FLPPPI, plus legal interest thereon at six percent (6%) per annum from the time of filing of the complaint until finality of this Decision, and twelve percent (12%) per annum from finality of this Decision until full payment of said amounts.

SO ORDERED.⁶⁰

HGC moved for a reconsideration⁶¹ which the CA denied in a June 14, 2012 Resolution.⁶²

Discontented, HGC elevated this case before Us *via* this Petition for *Certiorari*⁶³ under Rule 65 of the Rules of Court and raised the following –

⁵⁴ Id. at 175-176.

⁵⁵ SECTION 25. Issuance of Title. – The owner or developer shall deliver the title of the lot or unit to the buyer upon full payment of the lot or unit. No fee, except those required for the registration of the deed of sale in the Registry of Deeds, shall be collected for the issuance of such title. In the event a mortgage over the lot or unit is outstanding at the time of the issuance of the title to the buyer, the owner or developer shall redeem the mortgage or the corresponding portion thereof within six months from such issuance in order that the title over any fully paid lot or unit may be secured and delivered to the buyer in accordance herewith.

⁵⁶ *Rollo*, p. 176.

⁵⁷ Id. at 176-177.

⁵⁸ Id. at 178.

⁵⁹ Id. at 179-180.

⁶⁰ Id. at 180.

⁶¹ Id. at 181-190.

⁶² Id. at 202-203.

⁶³ Id. at 3-19.

Issues:

THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION IN PROMULGATING THE ASSAILED DECISION AND RESOLUTION;

A. THE DECISION OF THE OFFICE OF THE PRESIDENT AFFIRMING THE DECISION OF THE HLURB WAS MADE PURSUANT TO LAW AND UNASSAILABLE FACTS[;]

B. UNDER THE LAW, AN ENCUMBRANCER FOR VALUE IS INCLUDED IN THE PHRASE ‘INNOCENT PURCHASER FOR VALUE’;

C. HGC ACTED AS A GUARANTOR SHELLING OUT ONE HUNDRED THIRTY-FIVE MILLION, SIX HUNDRED NINETY-ONE THOUSAND, AND FIVE HUNDRED SIX PESOS AND EIGHTY-FIVE CENTAVOS (PHP135,691,506.85)[;]

D. TCT NO. 64208 HAD NO LIENS OR ENCUMBRANCES UNTIL IT WAS CANCELLED AND REPLACED BY TCT NO. 81750;

E. HGC RECORDED SUCH SALE FIRST IN THE REGISTER OF DEED[S;]

F. MANLAPAZ WAS NOT AN INNOCENT PURCHASER FOR VALUE AND MUST NOT BE PROTECTED BY PD 957;

G. A CONTRACT TO SELL DOES NOT, BY ITSELF, TRANSFER OWNERSHIP TO THE BUYER[.]⁶⁴

Thus, the main issue in this Petition is whether or not HGC should execute a deed of absolute sale and cause the transfer of the certificate of title to the contested lot in favor of Manlapaz.

Contentions of the HGC:

Petitioner HGC argues that before Manlapaz entered into a Contract to Sell with FLPPi (which was not the registered owner of the subject property), it took part in the Asset Pool. No liens or encumbrances were annotated in the certificate of title of the contested lot. It first recorded its acquisition before the Register of Deeds (RD) when it sought the cancellation of TCT No. 64208 and the registration of TCT No. 81750 under its name. As such, HGC did not need to go beyond what the certificate of title provided.

⁶⁴ Id. at 9.

Assuming that the contested lot was a subject of a double sale, ownership shall be transferred to the person who acquired it in good faith and registered it in the RD. Furthermore, as a guarantor, HGC argues that it paid a huge sum of money for the properties including the disputed lot in accordance with Section 32 of PD No. 1529. As a mortgagee or encumbrancer for value, it should likewise be considered as an innocent purchaser for value.⁶⁵

HGC contends that for FLPPPI to acquire ownership and to validly convey the subject property to Manlapaz, it had to consummate the sale of the property from HGC first by remitting the purchase price in accordance with the contract to sell. As an unpaid owner, HGC has no obligation to release the title to FLPPPI or to any of its assigns or successors.⁶⁶

Manlapaz is not an innocent purchaser for value since she did not exercise due diligence in ascertaining FLPPPI's ownership or interest.⁶⁷ HGC avers that it had a better right because it acquired the property in good faith and for value due to its payment of the guaranty call and the execution of the Deed of Assignment and Conveyance in its favor, and because it registered the property in its name.⁶⁸

Arguments of Manlapaz:

Manlapaz counters that HGC was part of the Asset Pool and that VELI had authority to sell the properties, which it did through a Contract to Sell with FLPPPI. Moreover, in the Memorandum of Agreement dated October 15, 1998, HGC, VELI, and FLPPPI acknowledged the existence of the January 8, 1998 Contract to Sell between VELI and FLPPPI. She emphasizes that her Contract to Sell dated June 22, 1998 could not have contravened the Memorandum of Agreement dated October 8, 1998 for the simple reason that the said memorandum was not yet in existence at that time.

She maintains that she is an innocent purchaser for value. As she had fully paid the purchase price, she should not bear the consequences of the default of the Asset Pool, which included FLPPPI's failure to comply with its obligation with HGC.⁶⁹ Additionally, she posits that she should be protected from the effects of the transactions entered into by FLPPPI, VELI and HGC as she had no participation therein.⁷⁰

Manlapaz asserts that a special law (PD No. 957) prevails over general law (Civil Code).⁷¹ She states that FLPPPI was authorized by VELI to sell the lot to her⁷² and that HGC was aware of the sale.⁷³ She argues that the Asset

⁶⁵ Id. at 12.

⁶⁶ Id. at 13-14.

⁶⁷ Id. at 14-16.

⁶⁸ Id. at 16.

⁶⁹ Id. at 287.

⁷⁰ Id. at 289.

⁷¹ Id. at 291-292.

⁷² Id. at 293.

Pool, which is in the nature of a mortgage, was not registered with the HLURB contrary to Section 18 of PD No. 957. Even so, in the event that a mortgaged subdivision or condominium project is foreclosed, as what happened in the Asset Pool, the mortgagee (HGC) which is subrogated to the mortgagor's obligation, should deliver the titles to fully-paid buyers.⁷⁴ Manlapaz avers that the registration of sale of subdivision lots rests with the seller, either VELI or FLPPPI, but eventually with HGC.⁷⁵ She insists that HGC ratified the sale of the lot by FLPPPI to her pursuant to the Memorandum of Agreement dated October 8, 1998 wherein the Contract to Sell dated January 8, 1998 between VELI and FLPPPI was recognized.⁷⁶

HGC counters that the Contract to Sell between VELI and FLPPPI was made without its consent and maintains that the sale between Manlapaz and FLPPPI violated HGC's Contract to Sell dated October 15, 1998 with FLPPPI.⁷⁷ It adds that it did not ratify the Contract to Sell of FLPPPI and Manlapaz.⁷⁸

Our Ruling

Preliminarily, we note that HGC availed of the wrong remedy by filing a Petition for *Certiorari* under Rule 65 instead of a petition for review on *certiorari* under Rule 45. Its arguments could sufficiently be addressed through a petition for review on *certiorari*, especially since the CA did not issue a mere interlocutory order but a final judgment which completely disposed of the case in the appellate level.⁷⁹

Moreover, since the 15-day period within which to file a petition for review on *certiorari* had already expired, HGC settled on a Rule 65 petition as a substitute for its lost remedy of appeal, either by negligence or strategy, hoping for a favorable outcome.⁸⁰ Irrefutably, "a special civil action for *certiorari* may only be resorted to in cases where there is no appeal or any other plain, speedy, and adequate remedy in the ordinary course of law."⁸¹ In this case, it is clear that a petition under Rule 45 was available to HGC but, for reasons only known to it, failed to take advantage of the same. Thus, the instant Petition for *Certiorari* should have been dismissed outright for being the wrong mode of appeal.

Even assuming that HGC correctly availed of the remedy under Rule 45, its petition should still be denied for lack of merit.

⁷³ Id. at 293-294.

⁷⁴ Id. at 294-295.

⁷⁵ Id. at 295-296.

⁷⁶ Id. at 296-297.

⁷⁷ Id. at 325.

⁷⁸ Id. at 326-327.

⁷⁹ See *Lim v. Lim*, G.R. No. 214163, July 1, 2019.

⁸⁰ *Yap v. Heirs of Pantalan*, G.R. No. 199783, April 10, 2019 citing *Malayang Manggagawa ng Stayfast, Phils., Inc. v. National Labor Relations Commission*, 716 Phil. 500, 513 (2013).

⁸¹ *Spouses Bernardo v. Union Bank of the Philippines*, G.R. No. 208892, September 18, 2019 citing RULES OF COURT, Rule 65, § 1.

Attention should be directed to the timeline concerning the relevant parties and contracts involved in this case. The CA aptly recounted it as follows:

(1) September 20, 1995 – [VELI, HGC and the Bank] entered into an Asset Pool Formation and Trust Agreement (Asset Pool) for the development of [the Village]. Under said Asset Pool, [VELI] had the authority to sell the parcels of land, [and] housing development participation certificates were floated and sold to investors for the development of [the Village], while [HGC] guaranteed to answer for failure of the Asset Pool to service the interests due to investors or redeem the certificates upon maturity, and [the Bank] acted as trustee and held the properties of the [A]sset [P]ool.

(2) January 8, 1998 – [VELI] entered into a contract to sell with [FLPPI] for the sale of the parcels of land in [the Village].

(3) June 22, 1998 – [FLPPI] entered into a contract to sell with [Manlapaz] over the subject lot for a contract price of [PhP 913,000.00].

(4) August 19, 1998 – [HGC] paid [the Bank] the guaranty call in the amount of [PhP 135,691,506.85] as the [A]sset [P]ool was declared in default due to the delay in the development of the project. As a consequence, [the Bank] transferred to [HGC], through a Deed of Assignment and Conveyance, the parcels of land in [the Village].

(5) October 8, 1998 – Since [a] substantial part of the assigned real properties to [HGC] was sold by [VELI] to [FLPPI], [VELI, FLPPI, and HGC] entered into a Memorandum of Agreement whereby [FLPPI] agreed to assume to pay to [HGC] the parcels of land in [the Village] sold to it by [VELI] in the amount of [PhP 153,029,200.00].

(6) October 15, 1998 – [HGC and FLPPI] entered into a contract to sell to put into effect the October 8, 1998 [M]emorandum of [A]greement.

(7) November 15, 2000 – [HGC] cancelled the contract to sell [it] executed with [FLPPI] because of the latter's failure to pay its obligation.⁸²

The foregoing shows that HGC, VELI and the Bank entered into the Asset Pool. Thereafter, VELI, through a Contract to Sell (first contract), sold properties to FLPPI. In turn, FLPPI, also through a Contract to Sell (second contract), sold the disputed property to Manlapaz. Almost two months later, the Asset Pool defaulted, causing the Bank to execute the Deed of Assignment and Conveyance in favor of HGC.

It is clear that FLPPI sold the contested property to Manlapaz **prior** to the declaration of default of the Asset Pool and **before** the Bank issued the Deed of Assignment and Conveyance to HGC. The sale to Manlapaz likewise occurred **prior** to the execution of the Memorandum of Agreement among VELI, FLPPI and HGC, and **before** the execution of the Contract to Sell (third contract) between HGC and FLPPI pursuant to the said memorandum. Even so, HGC cancelled the Contract to Sell with FLPPI due to the latter's failure to

⁸² *Rollo*, pp. 173-175.

fulfill its obligations.

The Memorandum of Agreement dated October 8, 1998 specifically provided that:

10. This Agreement supersedes the Contract to Sell dated January 8, 1998 entered into between [FLPPI] and VELI, and all other agreements between them pertinent thereto are hereby deemed of no force and effect.⁸³

Similarly, the third contract or the Contract to Sell dated October 15, 1998 between HGC and FLPPI expressly stated that:

12. This Agreement supersedes the Contract to Sell, dated January 8, 1998 entered into between [FLPPI] and VELI, and all other agreements between them pertinent thereto are hereby deemed of no force and effect.⁸⁴

Since it duly entered the Memorandum of Agreement and the third contract with full knowledge of the inclusion of the aforementioned provisions, HGC cannot feign ignorance of the fact that VELI sold the bulk of the properties, including the disputed property, to FLPPI. The first contract between VELI and FLPPI authorized the latter to sell to Manlapaz, which eventually came to fruition through the second contract.

Thus, after the execution of the Memorandum of Agreement, there is already a presumption that HGC was aware of the previous transactions made by VELI, and especially FLPPI. HGC should have been aware that sales to entities or individuals may have already been made before the Asset Pool was declared in default and before the properties were transferred to its name. Withal, there is no basis to declare that the second contract contravened the Memorandum of Agreement and the third contract since the second contract was executed by FLPPI and Manlapaz even **before** the said memorandum and the third contract came into the picture.

To stress, the second contract was executed **before** the Asset Pool was declared in default and **before** the Deed of Assignment and Conveyance was issued in HGC's favor. Moreover, it should be noted that Manlapaz was not privy to the contracts (Memorandum of Agreement and 3rd contract) which VELI, FLPPI and HGC entered into as she only dealt with FLPPI, which did not apprise her of the subsequent contracts involving VELI and HGC. According to Article 1311 of the Civil Code:

Article 1311. Contracts take effect only between the parties, their assigns and heirs, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law. x x x

⁸³ Id. at 88.

⁸⁴ Id. at 92.

Jurisprudence teaches that “the parties to a contract are the real parties-in-interest in an action upon it.”⁸⁵ As such, “[t]he basic principle of relativity of contracts is that contracts can only bind the parties who entered into it, and cannot favor or prejudice a third person, even if he is aware of such contract and has acted with knowledge thereof.”⁸⁶

Indeed, “[w]here there is no privity of contract, there is likewise no obligation or liability to speak about.”⁸⁷ HGC cannot expect Manlapaz to meddle in its dealings with VELI and FLPPPI as she has no business doing so, and, as she alleged, she was not made aware of these developments in the first place. Notably, Manlapaz remitted all her installment payments⁸⁸ to FLPPPI and eventually paid the purchase price for the disputed property in full. She has been religiously paying the installments to FLPPPI and completed the payments in November 1999. This is another indication that she did not have knowledge of the subsequent transactions involving FLPPPI, VELI and HGC, as she solely transacted with FLPPPI.

Moreover, FLPPPI itself did not notify her of the changes and continued to receive her payments and issued the corresponding receipts therefor. HGC did not sufficiently dispute Manlapaz’s claim that she had no information about the said contracts involving HGC, VELI and FLPPPI; it merely insisted that Manlapaz was not an innocent purchaser for value.

Indeed, “[i]n a long line of cases, the Court has defined a purchaser in good faith or innocent purchaser for value as one who buys property and pays a full and fair price for it at the time of the purchase or before any notice of some other person’s claim on or interest in it.”⁸⁹

A “contract to sell is textually 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 prospective buyer upon fulfillment of the condition agreed upon.’⁹⁰ The obligation of the prospective seller, which is in the nature of an obligation to do, is to sell the property to the prospective buyer upon the happening of the positive suspensive condition, that is, the full payment of the purchase price.”⁹¹

Since Manlapaz already fully paid the purchase price, she is entitled to the issuance of the deed of absolute sale and the transfer certificate of title in her

⁸⁵ *Vda. De Rojas v. Dime*, 780 Phil. 698, 708 (2016) citing *Spouses Oco v. Limbaring*, 516 Phil. 691, 704 (2006).

⁸⁶ *Asian Terminals, Inc. v. Padoson Stainless Steel Corp.*, G.R. No. 211876, June 25, 2018, citing *Spouses Borromeo v. Court of Appeals*, 573 Phil. 400, 412 (2008).

⁸⁷ *Id.*, citing *Philippine National Bank v. Dee*, 727 Phil. 473, 480 (2014).

⁸⁸ *Rollo*, pp. 38-48.

⁸⁹ *Heirs of Spouses Suyam v. Heirs of Julaton*, G.R. No. 209081, June 19, 2019 citing *Spouses Tanglao v. Spouses Parungao*, 561 Phil. 254, 262 (2007).

⁹⁰ *Solid Homes v. Spouses Jurado*, G.R. No. 219673, September 2, 2019 citing *Coronel v. Court of Appeals*, 331 Phil. 294, 310 (1996).

⁹¹ *Id.*, citing CIVIL CODE, Art. 1479.

favor, even if the disputed property has already been transferred to HGC's name due to FLPPi's default in the third contract. By virtue of the Memorandum of Agreement and the third contract, HGC not only acquired the rights to the assets, but also the obligations attached thereto. Since Manlapaz paid the full price, FLPPi, as the seller when the second contract was executed, should issue the title in her favor.

However, given that the assets were already transferred to HGC, it is now HGC's obligation to turn over the disputed property to Manlapaz and then issue the corresponding deed of absolute sale and certificate of title in her name. As found by the CA, "[Manlapaz], who had fully paid the purchase price of the property, should not be made to suffer the consequences of the default of the Asset Pool, including the failure of [FLPPi] to comply with its obligation to [HGC] under their contract to sell [3rd contract]."⁹²

Considering the foregoing observations, and given that Manlapaz had fully paid the purchase price of the contested lot, the property should now be transferred in her name. It is settled that "the seller's obligation to deliver the corresponding certificates of title is simultaneous and reciprocal to the buyer's full payment of the purchase price."⁹³ Relevantly, Section 25 of P.D. No. 957 states:

SEC. 25. Issuance of Title. – The owner or developer shall deliver the title of the lot or unit to the buyer upon full payment of the lot or unit. No fee, except those required for the registration of the deed of sale in the Registry of Deeds, shall be collected for the issuance of such title. In the event a mortgage over the lot or unit is outstanding at the time of the issuance of the title to the buyer, the owner or developer shall redeem the mortgage or the corresponding portion thereof within six months from such issuance in order that the title over any fully paid lot or unit may be secured and delivered to the buyer in accordance herewith. (Emphasis supplied)

Indeed, "[o]ne of the purposes of P.D. No. 957 is to discourage and prevent unscrupulous owners, developers, agents and sellers from renegeing on their obligations and representations to the detriment of innocent purchasers."⁹⁴ Manlapaz should be treated fairly, as she fulfilled her end of the bargain. As she claimed, she already erected a house⁹⁵ in the contested lot and it would be unwarranted to deprive her of the use of the said property in spite of full payment.

Nevertheless, HGC is not without recourse. In order to prevent unjust enrichment⁹⁶ and to abide by the intent of the Memorandum of Agreement and

⁹² *Rollo*, pp. 175-176.

⁹³ *Solid Homes, Inc. v. Spouses Jurado*, supra, note 90, citing *Gotesco Properties, Inc. v. Spouses Fajardo*, 705 Phil. 294, 300-304 (2014).

⁹⁴ *Cantemprate v. CRS Realty Development Corp.*, 605 Phil. 574, 598 (2009).

⁹⁵ *Rollo*, p. 142; *CA rollo*, pp. 120-124.

⁹⁶ See *Tan, Jr. v. Hosana*, 780 Phil. 258, 272 (2016) citing *Gonzalo v. Tarnate, Jr.*, 724 Phil. 198, 208 (2014).

"Unjust enrichment exists 'when a person unjustly retains a benefit at the loss of another, or when a person retains money or property of another against the fundamental principles of justice, equity, and good conscience.' The prevention of unjust enrichment is a recognized

the third contract, FLPPPI should turn over Manlapaz's full payment to HGC,⁹⁷ with legal interest in accordance with *Nacar v. Gallery Frames*,⁹⁸ viz.:

[I]n the absence of an express stipulation as to the rate of interest that would govern the parties, the rate of legal interest for loans or forbearance of any money, goods or credits and the rate allowed in judgments shall no longer be twelve percent (12%) *per annum* — as reflected in the case of *Eastern Shipping Lines* and Subsection X305.1 of the Manual of Regulations for Banks and Sections 4305Q.1, 4305S.3 and 4303P.1 of the Manual of Regulations for Non-Bank Financial Institutions, before its amendment by BSP-MB Circular No. 799 — but will now be six percent (6%) *per annum* effective July 1, 2013. It should be noted, nonetheless, that the new rate could only be applied prospectively and not retroactively. Consequently, the twelve percent (12%) *per annum* legal interest shall apply only until June 30, 2013. Come July 1, 2013 the new rate of six percent (6%) *per annum* shall be the prevailing rate of interest *when applicable*.

x x x x

Nonetheless, with regard to those judgments that have become final and executory prior to July 1, 2013, said judgments shall not be disturbed and shall continue to be implemented applying the rate of interest fixed therein.

To recapitulate and for future guidance, the guidelines laid down in the case of *Eastern Shipping Lines* are accordingly modified to embody BSP-MB Circular No. 799, as follows:

I. When an obligation, regardless of its source, i.e., law, contracts, quasi-contracts, delicts or quasi-delicts is breached, the contravenor can be held liable for damages. The provisions under Title XVIII on "Damages" of the Civil Code govern in determining the measure of recoverable damages.

II. With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

1. When the obligation is breached, and it consists in the payment of a sum of money, i.e., a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 6% *per annum* to be computed from default, i.e., from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.

2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% *per annum*. No interest, however, shall be adjudged on unliquidated claims or damages, except when or until the

public policy of the State and is based on Article 22 of the Civil Code."

⁹⁷ *Rollo*, p. 87; Memorandum of Agreement dated October 8, 1998, Section 5:

5. With respect to the parcels of land consisting of 45,534 square meters subject of the Contract to Sell between VELI and [FLPPI], it is hereby agreed that [FLPPI] assumes the payment of the corresponding value of said property in the amount of P153,029,200.00, to HGC under such terms and conditions or arrangement they may deem appropriate.

⁹⁸ 716 Phil. 267 (2013). See *Bangko Sentral ng Pilipinas* Monetary Board Circular No. 799, Series of 2013.

demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code), but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.

3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 6% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.

And, in addition to the above, judgments that have become final and executory prior to July 1, 2013, shall not be disturbed and shall continue to be implemented applying the rate of interest fixed therein.⁹⁹ (Citations omitted.)

Based on the foregoing, the amount of ₱913,000.00 representing Manlapaz's full payment and which FLPPPI should turn over to HGC, shall be subject to interest at the rate of twelve (12%) per *annum* from the date of the filing of the Complaint or on July 11, 2002¹⁰⁰ until June 30, 2013, and thereafter, six percent (6%) per *annum* from July 1, 2013 until finality of this judgment. Moreover, once the judgment in the case at bench becomes final and executory, the awarded monetary amounts shall be subject to legal interest at the rate of six percent (6%) per *annum* from such finality until its satisfaction.


WHEREFORE, the Petition for *Certiorari* is hereby **DISMISSED**. The assailed April 20, 2012 Decision and June 14, 2012 Resolution of the Court of Appeals in CA-G.R. SP No. 112466 are **AFFIRMED with MODIFICATIONS**, *viz.* :

- (i) First La Paloma Properties, Inc. (FLPPPI) should turn over the full amount of ₱913,000.00 to Home Guaranty Corporation (HGC). Such amount shall be subject to interest at the rate of twelve percent (12%) per *annum* from July 11, 2002 until June 30, 2013, and at the rate of six percent (6%) per *annum* from July 1, 2013 until the date of finality of this judgment; and
- (ii) All the monetary amounts shall be subject to interest at the rate of six percent (6%) per *annum* from the date of finality of this judgment until full satisfaction of the same.

⁹⁹ Id. at 280-283.

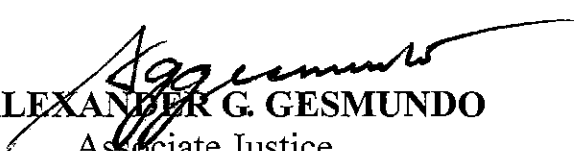
¹⁰⁰ Date of actual filing with the LSG-HLURB.

SO ORDERED.

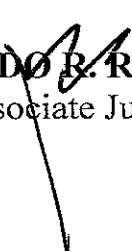

RAMON PAUL L. HERNANDO
Associate Justice

WE CONCUR:


MARVIC M. V. F. LEONEN
Associate Justice
Chairperson



ALEXANDER G. GESMUNDO
Associate Justice


EDGARDO L. DELOS SANTOS
Associate Justice


RICARDO B. ROSARIO
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