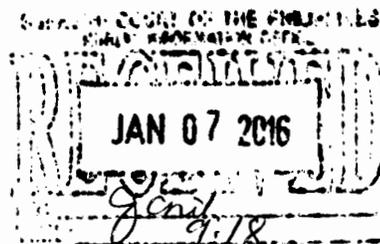




Republic of the Philippines
Supreme Court
 Manila



FIRST DIVISION

SM INVESTMENTS CORPORATION,

G.R. No. 200901

Petitioner,

Present:

SERENO, C.J.,
Chairman,
 LEONARDO-DE CASTRO,
 BERSAMIN,
 PEREZ, and
 PERLAS-BERNABE, JJ.

-versus-

ESTELA MARFORI POSADAS, MARIA ELENA POSADAS AND AIDA MACARAIG POSADAS.

Promulgated:

DEC 07 2015

Respondents.

X-----X

DECISION

PEREZ, J.:

Before this Court is a Petition for Review¹ filed by petitioner SM Investments Corporation (SMIC) assailing the Decision² dated 13 September 2011 of the Court of Appeals in CA-G.R. CV No. 91788, which decision, in turn, reversed and set aside the Decision³ dated 18 December 2007 of the Regional Trial Court of Makati City (Trial Court) in Civil Case No. 97-832.

The material facts of this case, as borne by the records, are as follows:

¹ Rollo, pp. 8-42.
² Id. at 44-66; Penned by Associate Justice Rosalinda Asuncion-Vicente with Associate Justices Jane Aurora C. Lantion and Edwin D. Sorongon concurring.
³ CA rollo, pp. 38-54.

Respondents Estela Marfori Posadas, Maria Elena Posadas and Aida Macaraig Posadas are the owners of several parcels of land with a total area of 27.6 hectares, more or less, and covered by Transfer Certificates of Title Nos. S-37656, 158291 and 158292 of the Register of Deeds of Makati City (Subject Property).

On 08 August 1995, SMIC, through its President, Henry Sy, Jr. (Mr. Sy), sent respondents a written offer for a joint venture for the development of the Subject Property, which in part reads:

Madames:

The undersigned offers a JOINT VENTURE with your realty of more or less 27.6 hectares at the Posadas Subdivision, Sucat, Muntinlupa City, under the following terms:

1. Development of the entire area into a first class commercial/residential subdivision. Development of area presently leased to Worldwide with an area of 2.6 hectares will be after expiration of lease on year 2002.
2. To set values for the property, the set price of P4,000.00 per square meter of areas fronting South Super Highway and P1,500.00 per square meter for the rest of the area. After full development, the set price is P20,000.00 per square meter of said front areas and P10,000.00 for the rest of the areas; with no sale of lots after development for less than the set values herein stated above, except sale to our affiliate company.
3. The sharing of the Joint Venture Partners shall be 60/40 on your favour. The undersigned reserves his right of first choice for a contiguous consolidated area indicated in plan attached herewith, for commercial/residential development. You are granted a choice of your 60% share of developed areas thereafter. Areas used for open spaces and streets required by law shall have no set values.
4. Upon execution of Joint Venture Agreement, the undersigned will pay you the amount of **SEVENTY MILLION PESOS (P70,000,000.00)**, Philippine currency, as goodwill money over and above your 60% share in the Joint Venture and the agents for this joint venture shall be given five percent (5%) of the goodwill payment as their full commission.
5. In case you decide to avail of a third party to sell your lots from your 60% share, I will be given the priority

to exclusively sell the same, subject to terms and conditions that may be agreed upon.

The foregoing offer supersedes and revokes my previous offers and/or proposals. I hope you will favourably consider the foregoing offer.⁴

On 18 August 1995, respondents sent SMIC a written counter-proposal, which, in part, reads as follows:

Dear Mr. Sy Jr.:

Thank you for your interest in our property subject of your Joint Venture proposal dated August 8, 1995.

The terms mentioned in your proposal, except the goodwill money which we submit should be not less than EIGHTY MILLION (P80,000,000.00) PESOS, are acceptable in principle, subject however to our agreement on the specified terms and conditions such as details of development, your plans and specifications therein, period of completion, use of the area allocated to you in the Joint Venture and other details.

If our counter-proposal of goodwill money of EIGHTY MILLION (P80,000,000.00) PESOS is acceptable to you, upon your presentation of the details as stated above, upon our agreement on the same, we will be ready to sign a Joint Venture Agreement with your goodself.⁵

On 24 August 1995, SMIC, through Mr. Sy, Jr., sent respondents another letter containing its acceptance of the counter-offer of respondents, which reads as follows:

Dear Mesdames:

This is to signify acceptance of your counter proposal of goodwill money in the amount of EIGHTY MILLION PESOS (P80,000,000.00), Philippine currency, as contained in your letter of August 18, 1995, for the development of your property in Sucat, Parañaque, subject to the condition that the said amount of goodwill money will be paid and tendered to you upon your signing of the Joint Venture Agreement.⁶

On 02 December 1995, SMIC, in compliance with what it considered as a perfected contract for the joint venture, sent respondents four (4) drawings of the proposed mall and its location within the Subject Property.

⁴ Records, Vol. I, pp. 32-34.

⁵ Id. at 35.

⁶ Id. at 36.

However, on 06 December 1995, after receiving the aforementioned drawings, respondents sent SMIC a letter informing it that they had received several other offers for the Subject Property, and demanding that SMIC better the said offers, before they submit their comments on the drawings. The said letter reads:

Dear Mr. Sy Jr.:

By reason of your failure since August 24, 1995 to present to us the “specified terms and conditions on the details of development” of the 27.6 hectares subject of your offer, up to the present, specifically “its plans and specifications, period of completion, use of allocated area and other details” we have not been able to finalize or even negotiate in the proposed Joint Venture Agreement.

In the interim period of your silence (from August 24, 1995 to December 1, 1995) which indicated lack interest on your part to pursue your offer, various parties submitted offers on the 27.6 hectares, amongst which are:

- a.) Offer of P120 Million goodwill on the 27.5 hectares plus 60% of the proceeds from [the] sale of the developed lots of the 27.5 hectares, with the option to submit offers on the vertical development of the entire 27.6 hectares;
- b.) Offer to purchase 7.2 hectares of the 27.6 hectares at the price of P10,000.00 per square meter on CASH BASIS, with the undertaking to construct a giant commercial complex on the same; and
- c.) Offer to purchase 5.48 hectares of the 27.6 hectares at the price of P5,000.00 per square meter with P10 Million downpayment with undertaking to construct a giant structure to cater on the “warehouse concept of marketing”;

all of which are now under negotiation.

Last Saturday, December 2, 1995, your representative delivered four (4) drawings of your proposed Mall (on the 2.3 hectares with the balance devoted to parking) on your choice area (more or less 8 to 9 hectares) which did not include any plans and specifications of development of the 27.6 hectares.

Considering the various offers presented to us while waiting for your ‘plans and specifications of development of the 27.6 hectares’ which you have not presented up to now, unless you submit a better offer, there is no need to comment on your drawings.⁷ (Underlining supplied)

⁷

Id. at 37-38.

On 27 February 1996, SMIC sent respondents a letter, which reads as follows:

Madames (sic):

The undersigned reiterates our previous offer for a Joint Venture with you on your 27.6 hectares property at Posadas Subdivision, Sucat, Muntinlupa City, under the following revised terms:

As earlier conveyed to you, we will develop the subject property into a first class mixed commercial/residential subdivision and we propose a 60/40 sharing in your favor. The undersigned reserves his right of first choice for a contiguous consolidated area which we will developed (sic) into mixed use development.

Upon execution of the Joint Venture agreement, the undersigned will pay you One Hundred Forty Million Pesos (P140,000.00) as goodwill money over and above your sixty (60%) percent share in the Joint Venture.

In case you decide to avail of a third party to sell your lots from your sixty (60%) percent share, I will be given the priority to exclusively sell same subject to the terms and condition that may be agreed upon.

If the foregoing terms and conditions is (sic) acceptable to you please signify your conformity on the space provided herein below.⁸

Thereafter, on 21 August 1996, SMIC, through counsel, sent respondents a letter reminding them to respect the joint venture agreement for the development of the Subject Property.

It appearing that respondents were not willing to honor the joint venture agreement, SMIC, on 21 April 1997, filed Civil Case No. 97-832, a case for Specific Performance and Damages with Prayer for Temporary Restraining Order and Writ of Preliminary Injunction against respondents.

After conducting a full-blown hearing on the merits, the Trial Court, on 18 December 2007, promulgated its Decision, the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered: (a) declaring the existence, validity and enforceability of the contract between [SMIC and respondents] under the terms and conditions embodied in the letters dated 08, 18 & 24 August 1995 for the

⁸

Id. at 39.

development of the subject property and ordering the said [respondents] to faithfully comply with the terms and conditions thereof, particularly to work out with [SMIC], in good faith, the details, plans and specifications of developments of the subject property, and upon agreement thereon, to execute the formal Joint Venture Agreement; (b) ordering said [respondents] to pay [SMIC] the sum of P500,000.00 for attorney's fees and litigation expenses.⁹

Aggrieved by the above-mentioned decision, respondents appealed the same to the Court of Appeals.¹⁰

On 13 September 2011, the Court of Appeals promulgated its Decision reversing and setting aside the Decision of the Trial Court, the dispositive portion of which reads:

WHEREFORE, premises considered, the instant appeal is hereby **GRANTED**. The assailed Decision dated December 18, 2007 is hereby **REVERSED** and **SET ASIDE**. The complaint in Civil Case No. 97-382 for Specific Performance and Damages with Prayer for Temporary Restraining Order and Writ of Preliminary Injunction is **DISMISSED** for lack of merit.¹¹

Thus, SMIC filed this Petition where it attributed grave and serious errors in judgment on the part of the Court of Appeals when it made the following findings:

- a. There was no perfected contract between SMIC and respondents;
- b. The lack of agreement on details and plans of development prevented the perfection of the contract;
- c. The parties are still in the negotiation stage;
- d. The Letter of 24 August 1995 embodied only a qualified acceptance on the part of SMIC; and
- e. The Letter of 27 February 1996 constituted a new offer on the part of SMIC.¹²

⁹ CA rollo, p. 54.

¹⁰ Id. at 61-62.

¹¹ Rollo, p. 65.

¹² Id. at 22-24.

In separate Comments,¹³ respondents refuted the aforesaid assignment of errors, and contended that the exchange of correspondences between SMIC and respondents, in fact, shows that no joint venture agreement for the development of the Subject Property was perfected.

The records will show that, indeed, several correspondences were had between the parties and these constitute the crux of the controversy in this case. It is, thus, incumbent upon Us to determine whether a contract for a joint venture between the parties has, in fact, been perfected.

Inasmuch as the principal issues of this case, raised in the foregoing assignment of errors, are interrelated, we shall proceed to jointly resolve the same.

We find the Petition to be impressed with merit.

It is basic in this jurisdiction that a contract is perfected by mere consent of the parties. Thus, Article 1315 of the Civil Code provides:

Art. 1315. Contracts are perfected by mere consent and from that moment the parties are bound not only to the fulfilment of what has been expressly stipulated but also to all the consequences which, according to their nature, may be in keeping with good faith, usage and law.

In relation to the foregoing, Articles 1318 to 1320 of the Civil Code states the necessary requisites of a contract, to wit:

Art. 1318. There is no contract unless the following requisites concur:

- (1) Consent of the contracting parties;
- (2) Object certain which is the subject matter of the contract;
- (3) Cause of the obligation which is established.

SECTION 1. CONSENT

Art. 1319. Consent is manifested by the meeting of the offer and the acceptance upon the thing and the cause which are to constitute the

¹³ Id. at 108-A-127 and 149-165.

contract. The offer must be certain and the acceptance absolute. A qualified acceptance constitutes a counter-offer,

Acceptance made by letter or telegram does not bind the offerer except from the time it came to his knowledge. The contract, in such a case, is presumed to have been entered in the place where the offer was made.

Art. 1320. An acceptance may be express or implied.

Based on the above-mentioned provisions of law, we concur with the findings of the Trial Court that the facts in this particular case show that a contract for a joint venture between the parties has, in fact, been perfected.

First, the Letter of 08 August 1995 embodies a complete offer on the part of SMIC in that it contained an object certain, which is the joint venture for the development of the Subject Property, and a specific cause and/or consideration therefor, which are the goodwill money in the amount of ₱70 Million, plus a 60/40 sharing, in favor of respondents of the said development.

Second, the Letter dated 18 August 1995 in return embodies a complete counter-offer on the part of respondents in that they conveyed their acceptance of the joint venture subject only to the counter-proposal to increase the goodwill money from ₱70 Million to ₱80 Million.

Third, the Letter dated 24 August 1995 contains an unqualified acceptance on the part of SMIC of the above-mentioned counter-proposal of respondents, again on the aspect of the goodwill money alone.

At this point, following the above-quoted provisions of the Civil Code, particularly Articles 1318 and 1319 thereof, we agree with the finding of the Trial Court that a joint venture agreement between the parties has been perfected, in that (i) there is consent, or a meeting of the minds, (ii) there is an object certain, which is the joint venture, and (iii) there is a cause and/or consideration, which are the goodwill money and specific sharing scheme.

The controversy arose when respondents sent SMIC the Letter of 6 December 1995, wherein the former stated that they had received more lucrative offers for the Subject Property, noted a three (3)-month period of silence on the part of SMIC and concluded that the said silence was tantamount to a lack of interest on the part of SMIC. Significantly, this

particular letter of respondents immediately followed the submission by SMIC of certain drawings related to the development. Lastly, and more importantly, respondents stated therein that unless SMIC submits a better offer, there would simply be no need for respondents to comment on the said drawings SMIC sent.

The 6 December 1995 Letter of respondents did not have any effect on the perfected joint venture between the parties. At best, the same letter may be considered as a mere proposal, on the part of respondents, to amend the consideration of the joint venture. This is confirmed by the premise laid by respondents therein, particularly that they received better offers from third parties for the purchase and/or development of the Subject Property, or portions thereof. We are all but convinced that respondents were well aware and were acting with the knowledge that the joint venture agreement had indeed been perfected. This is precisely the reason respondents were very careful with their language when they insisted that unless SMIC would propose amending the Joint Venture to include better terms, respondents would withhold their comments on the drawings. It would be important to note that respondents, in the said letter, did not, in any way or manner, disavow the existence of the Joint Venture.

Further, respondents, in arguing that a perfected joint venture agreement does not exist, rely on the statement they made in the letter of 18 August 1995, which states “*subject however to our agreement on the specified terms and conditions such as details of development, your plans and specifications therein, period of completion, use of the area allocated to you in the Joint Venture and other details.*” However, the same, as correctly pointed out by the Trial Court, is not a condition precedent for the perfection of the joint venture agreement.

In *Swedish Match, AB v. Court of Appeals*,¹⁴ we explained the stages of a contract, thus:

In general, contracts undergo three distinct stages, to wit: negotiation; perfection or birth; and consummation. Negotiation begins from the time the prospective contracting parties manifest their interest in the contract and ends at the moment of agreement of the parties. Perfection or birth of the contract takes place when the parties agree upon the essential elements of the contract. Consummation occurs when the parties fulfill or perform the terms agreed upon in the contract, culminating in the extinguishment thereof.¹⁵

¹⁴ 483 Phil. 735 (2004).

¹⁵ Id. at 750-751 citing *Bugatti v. Court of Appeals*, 397 Phil. 376, 388-389 (2000).

In this case, the first and second stage of the contract had been fulfilled. Negotiations took place when the parties made their exchange of correspondences until the letter of 24 August 1995. The perfection of the contract came thereafter, when SMIC, through the letter of 24 August 1995, accepted the counter-offer of respondents in their letter of 18 August 1995.

The same statement of respondents in said letter of 18 August 1995 already deals with the consummation stage of the contract, wherein the parties fulfill or perform the terms agreed upon in the contract. Verily, the details of the development of the Subject Property, particularly the plans and specifications of the same shall come only after the parties have already agreed to enter into a joint venture agreement to develop the same. In other words, the said plans and specifications are but the result of the perfected contract; these were done in execution of the perfected contract.

We agree with the Trial Court that the development of a first class commercial/residential subdivision in a 27.6 hectare property is a complex project, which involves a careful and meticulous preparation of the plans and specifications thereof. And, SMIC for its part have already exerted efforts and incurred cost for the preparation of the above-mentioned drawings, in the implementation of the joint venture agreement.

The fact that the above-mentioned drawings came three and a half (3 ½) months after the joint venture agreement was perfected is not a valid cause for respondents to unilaterally back out from the same. We note that nowhere in the records does it appear that SMIC was given a specific period within which to submit drawings and/or plans. Neither do the records show that respondents corresponded with SMIC to follow up on the same. On the contrary, the records will show that respondents tried to solicit more favourable terms from SMIC, after they received the drawings.

Anent the increase in the goodwill money to the amount of ₱140 million, subject of the 27 February 1996 letter of SMIC, suffice it to say that We concur with the finding of the Trial Court that the same was merely to appease respondents, who were lured by subsequent offers from other parties, and to dissuade respondents from violating or unjustifiably withdrawing from their subsisting contract with SMIC. This finding was supported by the testimony of respondent Ma. Elena Posadas, who admitted that the “better offer” they were asking SMIC to submit referred only to the goodwill money.¹⁶ It is a hornbook doctrine that findings of fact of trial courts are entitled to great weight on appeal and should not be disturbed

¹⁶ CA *rollo*, p. 53; Trial Court Decision.

except for strong and valid reasons because the trial court is in a better position to examine the demeanor of the witnesses while testifying. It is not a function of this Court to analyze and weigh evidence by the parties all over again.¹⁷

Indeed, the letter of SMIC of 27 February 1996 on the increased goodwill money was a post perfection matter, and clearly, was for the purpose of having the issue of breach of the perfected contract settled without further ado.

In view of the foregoing, we affirm the finding of the Trial Court that there is a perfected joint venture agreement between the parties for the development of the Subject Property. Therefore, the said perfected joint venture agreement still stands. In this jurisdiction, obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.¹⁸

WHEREFORE, premises considered, the instant petition is hereby **GRANTED**. The assailed Decision dated 13 September 2011 is hereby **REVERSED and SET ASIDE**. The Decision dated 18 December 2007 of the Regional Trial Court of Makati City in Civil Case No. 97-832 is hereby **REINSTATED**.

SO ORDERED.


JOSE PORTUGAL PEREZ
Associate Justice

WE CONCUR:


MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson

¹⁷ *Local Superior of the Servants of Charity, Inc. v. Jody King Construction & Development Corporation*, 509 Phil. 426, 431 (2005) citing *Uriarte v. People*, 403 Phil. 513, 523 (2001).

¹⁸ *Morla v. Belmonte, et al.*, 678 Phil. 102, 117 (2011) citing *Roxas v. De Zuzuarregui, Jr.*, 516 Phil 605, 622-623 (2006).

Teresita Leonardo de Castro
TERESITA J. LEONARDO-DE CASTRO
Associate Justice

Lucas P. Bersamin
LUCAS P. BERSAMIN
Associate Justice

Estela M. Perlas-Bernabe
ESTELA M. PERLAS-BERNABE
Associate Justice

CERTIFICATION

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

Maria Lourdes P. A. Sereno
MARIA LOURDES P. A. SERENO
Chief Justice