Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

VIVE EAGLE LAND, INC., Petitioner,	**G.R. No. 230817**
	Present:
- versus –	PERALTA, *J.*, *Chairperson*, LEONEN, REYES, A., JR., HERNANDO, and
NATIONAL HOME MORTGAGE FINANCE CORPORATION, JOSEPH PETER S. SISON, and CAVACON CORPORATION, Respondents.	INTING, *JJ.* **Promulgated:** September 4, 2019 MisTDCBaff

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D E C I S I O N

PERALTA, *J.*:

Before the Court is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court assailing the Decision[1] dated August 23, 2016 and the Resolution[2] dated March 30, 2017 of the Court of Appeals (*CA*) in CA-G.R. CV No. 105312, which affirmed the Decision[3] dated September 18, 2014 of the Regional Trial Court (*RTC*), Branch 138, Makati City and the Order[4] dated June 15, 2015 of the RTC, Branch 139, Makati City, in Civil Case No. 06-308.

The antecedent facts are as follows.

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1 Penned by Associate Justice Magdangal M. De Leon, with Associate Justices Elihu A. Ibañez and Victoria Isabel A. Paredes, concurring; *rollo,* Vol. I, pp. 8-34.

2 *Id.* at 36-43.

3 *Id.* at 201-235; penned by Judge Josefino A. Subia.

4 *Id.* at 250-314; penned by Judge Benjamin T. Pozon.

On April 18, 2006, petitioner Vive Eagle Land, Inc., a corporation engaged in the realty business and represented by its President, Virgilio O. Cervantes, filed a complaint for declaration of nullity of rescission, declaration of suspension of payment of purchase price and interest, and other reliefs against respondents National Home Mortgage Finance Corporation (*NHMFC*), a government corporation created by virtue of Presidential Decree No. 1267, Joseph Peter S. Sison, President of NHMFC, and Cavacon Corporation, a domestic corporation engaged in the business of construction. In its complaint, Vive alleged that on November 17, 1999, it entered into a Deed of Sale of Rights, Interests, and Participation Over Foreclosed Assets, whereby it agreed to purchase NHMFC's rights, interests, and participation in the foreclosed property of *Alyansa ng mga Maka-Maralitang Asosasyon at Kapatirang Organisasyon, Inc.* located at Barangay Sta. Catalina, Angeles City, with an area of 73.5565 hectares covered by Transfer Certificate of Title (*TCT*) Nos. 86340 and 86341 for a total purchase price of ₱40,000,000.00 payable in the following manner: (1) the amount of ₱8,000,000.00 as 20% downpayment payable in two equal installments, the first of which shall be due on or before December 4, 1999, and the second, from the execution of the Deed of Conditional Sale, but in no case shall be later than January 4, 2000; and (2) the balance of ₱32,000,000.00 shall be paid in 10 equal installments in the amount of ₱3,200,000.00 per installment, plus 14% interest *per annum*, with the first installment due on July 4, 2000 and every 6 months thereafter until fully paid. Pursuant to the Deed of Sale, Vive paid the first installment of the downpayment in the amount of ₱4,000,000.00.[5]

Vive, however, did not pay the subsequent installments. According to Vive, it failed to pay because it was prevented from exercising its right to avail of a developmental loan under Section 8 of the Deed of Sale due to issues on the subject property, particularly: (1) the issuance of numerous certificates of land awards over the same; and (2) the classification of the same as agricultural, subjecting it to the coverage of the Comprehensive Agrarian Reform Program (*CARP*).[6] While awaiting the resolution of said issues, Vive requested NHMFC for a moratorium or suspension of the period of payment, the corresponding waiver of interest, and a 10% reduction of the purchase price for litigation costs it incurred. On June 17, 2004, NHMFC, through its then President, Atty. Angelico T. Salud, initially agreed on the moratorium but advised Vive to submit its request of waiver and interest reduction to the NHMFC's Board of Directors.[7]

Notwithstanding the agreement, NHMFC, through Sison, notified Vive through a letter dated February 10, 2006 of the rescission/cancellation and/or revocation of the Deed of Sale due to the alleged non-payment of the

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5 *Id.* at 103-104.
6 *Id.* at 107.
7 *Id.* at 108.

balance of the purchase price. It reiterated its decision to rescind in another letter dated February 27, 2006. Said non-payment by Vive of the subsequent installments became NHMFC's defense in its Answer to Vive's complaint. According to NHMFC, its decision to rescind the Deed of Sale was valid in view of Vive's refusal to pay the subject installments. Moreover, since Vive was well aware of the condition of the property prior to its purchase, it was not justified in suspending its payment of the purchase price.

Vive amended its complaint arguing that without its knowledge and consent, NHMFC and Cavacon, in bad faith, entered into a Memorandum of Agreement on August 7, 2008 by virtue of which NHMFC sold the subject property on an "as is-where is" basis to Cavacon for ₱35,000,000.00 despite the pendency of the instant case and Cavacon's knowledge of the prior sale. NHMFC countered that by virtue of Section 5 of the Deed of Sale, it had the right to rescind the Deed of Sale due to Vive's continuous failure to pay the purchase price and to thereafter freely dispose of the subject property as if the Deed of Sale has never been made.[8]

On September 18, 2014, the RTC of Makati City, Branch 138, dismissed Vive's complaint, finding NHMFC's rescission of the Deed of Sale to be valid.[9] It disposed of the case as follows:

> WHEREFORE, in view of the foregoing, finding the rescission of the Deed of Sale to be valid, the complaint filed by the plaintiff Vive Eagle Land, Inc. against defendants National Home Mortgage Finance Corporation, Joseph Peter S. Sison and defendant Cavacon for Declaration of Nullity of Rescission, Declaration of Suspension of Payment of Purchase Price and Interest and Other Reliefs is hereby DISMISSED for lack of merit.
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> SO ORDERED.[10]

On Vive's motion, however, the Presiding Judge of Branch 138 inhibited himself and ordered the re-raffling of the case. Subsequently, the case was raffled to the RTC Branch 133 which, on January 13, 2015, granted Vive's motion for reconsideration, declaring null and void NHMFC's rescission of the Deed of Sale, declaring Vive as the owner of the property, declaring due and demandable the subsequent installments of the downpayment without interest, and ordering NHMFC to pay attorney's fees and litigation expenses. The dispositive portion of the Order provides:

> WHEREFORE, foregoing considered, the Motion for Reconsideration of the plaintiff is GRANTED, the Decision dated September 18, 2014 is REVERSED and SET ASIDE, judgment is hereby rendered against the defendants and in favour of the plaintiff as follows:

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8 *Id.* at 111.
9 *Id.* at 113-114.
10 *Id.* at 234.

a. declaring NULL and VOID defendant NHMFC's rescission/cancellation of the Deed of Sale dated November 17, 1999 between plaintiff VELI and defendant NHMFC;
b. declaring VALID and SUBSISTING the Deed of Sale dated November 17, 1999 between plaintiff VELI and defendant NHMFC;
c. declaring plaintiff VELI as the OWNER of the subject properties covered by Deed of Sale dated November 17, 1999;
d. declaring DUE and DEMANDABLE the second installment of the downpayment under Section 1.01 of the Deed of Sale without imposition of any interest or penalty within thirty (30) days from plaintiff's receipt of this Order;
e. declaring VALID and SUBSISTING the schedule of payments under Section 1.02 of the Deed of Sale with the first ten (10) equal semi-annual installments in the amount of THREE MILLION TWO HUNDRED THOUSAND PESOS (P3,200,000.00) to be paid six (6) months after payment of the second installment of the downpayment under Section 1.01, and the subsequent ones every six (6) months thereafter without imposition of any interest or penalty; and
f. ordering defendants, jointly and severally, to pay plaintiff attorney's fees and litigation expenses in the amount of FIVE HUNDRED THOUSAND PESOS (P500,000.00) and costs of suit.

SO ORDERED.[11]

Pursuant to the court's Order, Vive tendered the second installment of the downpayment in the amount of ₱4,000,000.00 to NHMFC which refused to accept. Thereafter, on NHMFC's motion, the Presiding Judge of Branch 133 voluntarily inhibited himself and again ordered the re-raffling of the case, which was next raffled to RTC Branch 139. In an Order[12] dated June 15, 2015, said court granted NHMFC's motion for reconsideration and reinstated the Decision of RTC Branch 138 finding NHMFC's rescission valid. Thus:

> WHEREFORE, IN LIGHT OF THE FOREGOING, the defendants' Motions for Reconsideration both filed on 5 February 2015 are hereby GRANTED. The Order of this Court (Branch 133) dated 13 January 2015, which granted the Motion of Reconsideration filed by plaintiff VELI, reversed and set aside its (Branch 138) Decision dated 18 September 2014 and rendered judgment against the defendants and in favor of plaintiff, is RECONSIDERED AND SET ASIDE. The Decision of this Court (Branch 138) dated 18 September 2014 finding the rescission of the Deed of Sale to be valid and dismissing for lack of merit the complaint filed by the plaintiff Vive Eagle Land, Inc. against defendants

11 *Id.* at 247-248.
12 *Id.* at 250-314.

National Home Mortgage Finance Corporation, Joseph Peter S. Sison and defendant Cavacon for Declaration of Nullity of Suspension of Payment of Purchase Price and Interest and Other Reliefs, is hereby REINSTATED.

Furnish copies of this Order to the plaintiff, the defendants and their respective counsels.

SO ORDERED."[13]

In a Decision dated August 23, 2016, the CA affirmed the Decision of the RTC Branch 139. *First*, the appellate court held that Vive's failure to pay the purchase price on the date and in the manner prescribed by the Deed of Sale is an event of default giving NHMFC the right to annul/cancel the contract and forfeiting whatever right Vive may have acquired thereunder pursuant to Section 5 thereof.[14] *Second*, it is clear from Section 7[15] of the Deed of Sale that the parties intended their agreement to be a contract to sell or a conditional sale. The title to the property was not immediately transferred, through a formal deed of conveyance, in the name of Vive prior to or at the time of the first payment. Thus, since the title and ownership remains with NHMFC until Vive fully pays the balance of the purchase price, the Deed of Sale was merely a contract to sell. As such, NHMFC can validly exercise its right to annul and/or cancel the Deed of Sale upon failure of Vive to pay the purchase price on the date and manner prescribed. Thus, considering that the Deed of Sale was validly annulled and/or cancelled, the subsequent transaction and MOA entered into between NHMFC and Cavacon is valid.[16]

Moreover, the appellate court, in its Resolution dated March 30, 2017, rejected Vive's contention that NHMFC's grant of the moratorium was proven through a letter dated June 17, 2004 when Atty. Salud, then President of NHMFC, initially agreed to the moratorium on the collection period for the balance of the purchase price.[17] It found nothing in the records to indicate that the NHMFC Board of Directors approved the undertaking made by Atty. Salud. Thus, since it was unilaterally granted without board approval, the CA denied Vive's motion for reconsideration.[18]

On May 22, 2017, Vive filed a Petition for Review on *Certiorari* before the Court assailing the Decision of the CA. It invoked the following arguments:

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13 *Id.* at 314.

14 *Id.* at 121-122.

15 Section 7. TITLE OF PROPERTY

Upon full payment by the VENDEE of the sales price of the rights, interests, and participations in the property and other sums due, the VENDOR shall execute a Certificate of full payment and deliver the Duplicate Original Transfer Certificate of Title Nos. 86340 and 86341 to the VENDEE. Expenses for the Transfer of the title to VENDEE shall be for the VENDEE's account.

16 *Rollo*, Vol. I, p. 127.

17 *Id.* at 135.

18 *Id.* at 135-137.

I.

THE COURT OF APPEALS COMMITTED MANIFEST ERROR AND DEVIATED FROM ESTABLISHED LAW AND JURISPRUDENCE WHEN IT FOUND THAT THE DEED OF SALE OF RIGHTS, INTERESTS, AND PARTICIPATION OVER FORECLOSED ASSETS DATED 17 NOVEMBER 1999 EXECUTED BETWEEN PETITIONER AND RESPONDENT [NHMFC] WAS A CONTRACT TO SELL AND NOT A CONTRACT OF SALE CONSIDERING THAT THERE WAS AN ABSOLUTE TRANSFER OF OWNERSHIP OF THE SUBJECT MATTER OF THE SALE TO PETITIONER UPON EXECUTION THEREOF.

II.

THE COURT OF APPEALS COMMITTED MANIFEST ERROR AND DEVIATED FROM ESTABLISHED LAW AND JURISPRUDENCE WHEN IT FOUND PETITIONER IN DEFAULT CONSIDERING THAT THERE WAS A MORATORIUM ON THE COLLECTION ON THE BALANCE OF THE PURCHASE PRICE OF THE AMAKO PROPERTY.

III.

THE COURT OF APPEALS COMMITTED MANIFEST ERROR AND DEVIATED FROM ESTABLISHED LAW AND JURISPRUDENCE WHEN IT UPHELD THE RESCISSION OF THE DEED OF SALE OF RIGHTS, INTERESTS, AND PARTICIPATION OVER FORECLOSED ASSETS DATED 17 NOVEMBER 1999 CONSIDERING THAT THERE WAS NO SUBSTANTIAL BREACH THEREOF.

IV.

THE COURT OF APPEALS COMMITTED MANIFEST ERROR AND DEVIATED FROM ESTABLISHED LAW AND JURISPRUDENCE WHEN IT EFFECTIVELY UPHELD THE VALIDITY OF THE MEMORANDUM OF AGREEMENT DATED 07 AUGUST 2008 ENTERED INTO BY RESPONDENT [NHMFC] AND [RESPONDENT] CAVACON CORPORATION AND WAS NOT ENTERED INTO IN BAD FAITH.

V.

THE COURT OF APPEALS COMMITTED MANIFEST ERROR AND DEVIATED FROM ESTABLISHED LAW AND JURISPRUDENCE WHEN IT EFFECTIVELY UPHELD THE DISMISSAL OF PETITIONER'S CLAIM FOR ATTORNEY'S FEES.[19]

First, Vive alleged that the Deed of Sale is a valid contract of sale which absolutely transferred to Vive all of NHMFC's rights, interests, and participation over the property. The fact that the contract is bereft of any provision requiring NHMFC to execute a Deed of Absolute Sale in order to transfer ownership to Vive indicates that there was no intention to retain ownership by NHMFC. Had the parties intended on a contract to sell, there would not have been a necessity to annul/cancel a Deed of Sale to allow NHMFC to dispose the property upon default for basic is the rule that contracts to sell need not be annulled for non-payment since such payment is

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[19] *Id.* at 66-68.

a positive suspensive condition, failure of which is not really a breach, but an event that prevents the obligation of NHMFC to convey title from arising.

Second, even assuming that the Deed of Sale is a contract to sell, Vive was never in default to pay the balance of the purchase price. It was an essential consideration of the contract for Vive to be able to use the property as collateral for a loan to develop the same into a residential subdivision. But Vive discovered issues, such as the coverage of the CARP, affecting the property after the execution of the Deed of Sale rendering it impossible for Vive to use the same as intended. Thus, further payments are suspended pending resolution of the DARAB of the issues affecting the property. Vive added that since NHMFC itself, in failing to assist Vive with the litigation on the subject property, prevented Vive from obtaining the loan to pay the balance of the purchase price, Vive should be considered as having constructively fulfilled its obligation in view of Article 1186 of the Civil Code which provides that the condition shall be deemed fulfilled when the obligor voluntarily prevents its fulfilment.[20]

Third, Vive further argued that it could not have been in default as it was validly granted a moratorium. Contrary to the CA's finding that there is nothing in the June 17, 2004 letter that would indicate NHMFC's acquiescence to said moratorium, Vive cited the portion of said letter which states that "*In line with our discussion, we initially agreed for a moratorium on the collection period*, we cannot, however, favorably consider your request for discount on purchase price and waiver of interest and penalties without prior approval from our Board." According to Vive, the matter that would be referred for board approval was the request for discount and waiver of interests. There was no mention, however, of the necessity to secure approval for the moratorium. Moreover, Vive added that even NHMFC's actuations showed that it consented to the moratorium since it only demanded payment in its letter dated February 10, 2006, under its new President, Sison, despite the fact that the second installment was scheduled as early as January 4, 2000 and the first 10 semi-annual installments was scheduled on July 4, 2000.[21] Thus, such inaction was an affirmation that there was a valid moratorium.

Fourth, Vive maintained that since there was a valid and subsisting moratorium suspending payment of the purchase price until resolution of the DARAB cases, it did not commit any breach of contract that supposedly entitled NHMFC to unilaterally rescind the Deed of Sale. In fact, Vive points out that in its letter to NHMFC, dated July 4, 2005, it categorically thanked NHMFC for the moratorium it granted. Despite this, NHMFC never replied to said letter. Clearly, NHMFC had full and actual knowledge of the

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20 *Id.* at 75-80.

21 *Id.* 80-83.

moratorium and did not deny nor repudiate the same. It is, therefore, now estopped from denying its existence and validity.[22]

Fifth, Vive asseverated that the subsequent MOA between NHMFC and Cavacon whereby NHMFC sold the subject property to Cavacon was entered into in bad faith because of the fact that they entered into said contract despite their full knowledge of the instant case. In fact, they even conveniently entered into the MOA on August 7, 2008, after the issues over the property have been removed, as when the CLOAs over the property have been decreed cancelled with finality by the Court on March 17, 2008.[23]

In a Resolution[24] dated June 7, 2017, the Court denied Vive's Petition for Review on *Certiorari* for failure to sufficiently show any reversible error in the assailed judgment of the CA to warrant the exercise of discretionary appellate jurisdiction.

On July 19, 2017, Vive filed a Motion for Reconsideration praying that the Court take a second look at the circumstances of the case, especially considering that the lower courts themselves are at odds with one another as to how the issues should be resolved.[25] Aside from reiterating its arguments in the Petition, Vive alleged for the first time that since the Deed of Sale contemplates the sale of two (2) parcels of land which are not classified as commercial or industrial, the payment for which is to be made in installments, the Court should take judicial notice of Republic Act (*R.A.*) No. 6552, known as the *Realty Installment Buyer Act* or the *Maceda Law*. Thus, in view of the fact that NHMFC's cancellation failed to comply with the Act's mandatory twin requirements of a notarized notice of cancellation and a refund of the cash surrender value, the Deed of Sale remains valid and subsisting.[26] Vive added that even assuming that the rescission effected by NHMFC was valid, the lower courts should have ordered mutual restitution and that the parties surrender that which they received, and to place each other in their original position. NHMFC has no basis to lay claim on and reap the benefits of Vive's labor to cleanse the title of the property from any and all adverse claims.[27]

On October 25, 2017, respondents NHMFC and Cavacon filed their Comment refuting the arguments raised by Vive in its Motion for Reconsideration. *First*, they maintained that the Deed of Sale is a conditional sale or contract to sell for as expressly stipulated by Vive in its Offer to Purchase, the downpayment shall be payable within a few days from the signing of a "Deed of Conditional Sale."[28] This is also shown by

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22 *Id.* at 83-88.
23 *Id.* at 88-90.
24 *Id.* at 553-554.
25 *Rollo*, Vol. II, p. 558.
26 *Id.* at 579.
27 *Id.* at 585.
28 *Id.* at 602.

the fact that the original duplicate copies of the titles were not delivered to Vive.

Second, respondents insist that there was no valid moratorium on the collection period. Since Atty. Salud, in initially agreeing to a moratorium, did not secure prior board approval, said moratorium is unenforceable against NHMFC. Moreover, citing the ruling of the RTC, Branch 138, respondents assert that while it may be true that Atty. Salud granted a moratorium on the schedule of payments, but such grant cannot extend beyond the end of the term on January 4, 2005, or until the resolution of the legal issues affecting the property, because this would make the terms of the payment indefinite, in contravention of Article 1182 of the Civil Code which states that "when the fulfillment of the condition depends upon the sole will of the debtor, the conditional obligation shall be void."[29] In addition, respondents reject Vive's invocation of apparent authority, equitable estoppel, and laches in the absence of supporting evidence presented during trial. The government is not bound by unauthorized acts of its agent, even though within the apparent scope of their authority.[30] Also, Vive failed to adduce evidence during trial to show that NHMFC had, indeed, clothed Atty. Salud with apparent power to grant the moratorium by presenting evidence that Atty. Salud, had, in the past, granted similar moratoriums in Vive's or other parties' favor. Furthermore, NHMFC's silence and lack of effort in collecting installments does not amount to implied ratification of Atty. Salud's unauthorized grant of moratorium because for an act of the principal to be considered as ratification, such act must be inconsistent with any other hypothesis than that he approved and intended to adopt what has been done in his name.[31]

Third, respondents asseverate that the Deed of Sale was validly rescinded on the ground of substantial violation of the terms thereof by failing to pay the purchase price within the stipulated period. Vive cannot unilaterally make its principal obligation to pay conditional on the resolution of the issues affecting the properties.[32] Moreover, respondents point to the absence of evidence that Vive had asked NHMFC for some documents needed for the resolution of the DARAB cases nor was there evidence showing that Vive ever attempted to apply for a loan after the execution of the Deed of Sale. In addition, contrary to Vive's contention, respondents allege that the Maceda Law is inapplicable to the instant case for the same covers transactions involving the sale of real estate on installment payments where the buyer has paid at least 2 years of installments. Here, Vive has only paid the first installment of ₱4 million. Because of Vive's failure to pay and NHMFC's valid rescission of the contract, Vive had forfeited whatever rights it might have acquired over the properties and has no right to ask for the refund of the ₱4 million pursuant to Section 5.2 of the Deed of Sale

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29 *Id.* at 607.
30 *Id.* at 606.
31 *Id.* at 611.
32 *Id.* at 613.

which provides that "the sums of money paid shall be considered and treated as rentals for the occupancy and use of the property and VENDEE waives all rights to ask or demand the return thereof."[33] Respondents add that as stipulated in the Offer to Purchase and the Deed of Sale, Vive was fully aware of the limiting conditions inherent in the properties and the legal problems affecting the same. Thus, it is not entitled to the reimbursement for expenses it incurred in the litigation of the same.[34]

Fourth, respondents argue that the MOA was entered into in good faith, citing the ruling of the RTC, Branch 139, which held that Cavacon disclosed to Vive the fact that it entered into the MOA in its Answer to Vive's Amended Complaint, while NHMFC disclosed the same in its Opposition to the Motion to Admit the Amended Complaint. As to Vive's assertion that NHMFC conveniently sold the property to Cavacon only after the legal issues affecting it had been resolved, respondents allege that Vive failed to present any supporting evidence to show when respondents became aware to the said decision of the Court.[35]

On October 20, 2017, respondent Sison filed its own, separate Comment[36] essentially refuting the arguments raised by Vive in its Motion for Reconsideration and declaring that the Court should not allow Vive to make allegations that are a mere rehash of the ones taken up in the proceedings below and to raise entirely new issues not agreed to a pre-trial nor taken up during trial. On October 25, 2017, Vive filed its Reply[37] refuting the allegations in respondents' Comment. Thereafter, on November 8, 2017, NHMFC and Cavacon filed a Manifestation and Motion seeking to have the Comment filed by respondent Sison and the Reply filed by Vive in response thereto be expunged from the records of the case because they tend to mislead, confuse, and waste the time of the Court. NHMFC and Cavacon assert that Sison's Comment came as a surprise for neither they, nor their counsel, who was also Sison's counsel, were informed that he was getting a separate counsel to file his own Comment. On November 24, 2017, Vive filed its Reply to the Comment of NHMFC and Cavacon. In response, NHMFC and Cavacon filed their Rejoinder on November 29, 2017. Likewise, Sison filed his Rejoinder on December 1, 2017. Thereafter, in a Counter-Manifestation filed also on December 1, 2017, Sison rejects the allegations of NHMFC and Cavacon stating that he has all the right to choose, engage, and be represented by a primary or collaborating counsel either in his personal or private capacity, having been resigned from NHMFC as President thereof. In its Reply filed on December 27, 2017, Vive alleged that since Sison's co-respondents as well as his original counsels were blindsided by the sudden appearance of new collaborating

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33 *Id.* at 615.
34 *Id.* at 616.
35 *Id.* at 617-619.
36 *Id.* at 705-750.
37 *Id.* at 626-652.

counsel, the same is irregular, illegal, and unauthorized, and should be expunged from the records.

In a Resolution[38] dated April 18, 2018, the Court resolved to grant Vive's Motion for Reconsideration, giving due course to the Petition for Review on *Certiorari,* and to require respondents to file their comments on said petition. After an exchange of pleadings wherein the parties essentially reiterated their arguments in their respective Comments and Rejoinders, the Court shall now resolve the conflicting issues presented by the parties.

We rule in favor of the respondents.

At the outset, the Court sustains the appellate court's finding that the nature of the agreement between the parties herein is one akin to a contract to sell. A contract to sell is defined as a bilateral contract whereby the prospective seller, while expressly reserving the ownership of the subject property despite delivery thereof to the prospective buyer, binds himself to sell the said property exclusively to the latter upon his fulfillment of the conditions agreed upon, *i.e.*, the full payment of the purchase price and/or compliance with the other obligations stated in the contract to sell. Given its contingent nature, the failure of the prospective buyer to make full payment and/or abide by his commitments stated in the contract to sell prevents the obligation of the prospective seller to execute the corresponding deed of sale to effect the transfer of ownership to the buyer from arising. A contract to sell is akin to a conditional sale where the efficacy or obligatory force of the vendor's obligation to transfer title is subordinated to the happening of a future and uncertain event, so that if the suspensive condition does not take place, the parties would stand as if the conditional obligation had never existed. In a contract to sell, the fulfillment of the suspensive condition will not automatically transfer ownership to the buyer although the property may have been previously delivered to him. The prospective seller still has to convey title to the prospective buyer by entering into a contract of absolute sale. Conversely, in a conditional contract of sale, the fulfillment of the suspensive condition renders the sale absolute and the previous delivery of the property has the effect of automatically transferring the seller's ownership or title to the property to the buyer.[39]

A plain and simple reading of the contract executed by the parties readily reveals that the same is a contract to sell and not a contract of sale. Section 7 thereof provides:

Section 7. TITLE OF PROPERTY

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38 *Id.* at 901-905.

39 *Villamil v. Spouses Erguiza*, G.R. No. 195999, June 20, 2018.

> **Upon full payment by the VENDEE of the sales price** of the rights, interest and participations in the property and other sums due, **the VENDOR shall execute a Certificate of [full payment] and deliver the Duplicate Original Transfer Certificate of Title Nos. 86340 and 86341 to the VENDEE**. Expenses for the transfer of the title to VENDEE shall be for VENDEE's account.[40]

As clearly stipulated above, it is only upon Vive's full payment of the purchase price shall NHMFC be obligated to deliver the title to the property. Otherwise put, by virtue of the aforequoted provision, NHMFC expressly reserved title and ownership of the subject property in its name pending Vive's payment of the full amount even though possession thereof was already granted in favor of Vive. It is, therefore, clear that the parties intended their agreement to be merely a contract to sell, conditioned upon the full payment of the purchase price. Time and again, the Court has ruled that in a contract of sale, the title to the property passes to the vendee upon the delivery of the thing sold whereas in a contract to sell, the ownership is, by agreement, retained by the vendor and is not to pass to the vendee until full payment of the purchase price. In a contract of sale, the vendee's non-payment of the price is a negative resolutory condition, while in a contract to sell, the vendee's full payment of the price is a positive suspensive condition to the coming into effect of the agreement. In the first case, the vendor has lost and cannot recover the ownership of the property unless he takes action to set aside the contract of sale. In the second case, the title simply remains in the vendor if the vendee does not comply with the condition precedent of making payment at the time specified in the contract. Verily, in a contract to sell, the prospective vendor binds himself to sell the property subject of the agreement exclusively to the prospective vendee upon fulfilment of the condition agreed upon which is the full payment of the purchase price but reserving to himself the ownership of the subject property despite delivery thereof to the prospective buyer.[41]

On this matter, Vive insists that the subject contract is a contract of sale because of the following paragraph therein:

> NOW THEREFORE, for in consideration of the foregoing premises and the sum of FORTY MILLION PESOS (P40,000,000.00) Philippine currency x x x VENDOR hereby SELLS, TRANSFERS and CONVEYS to the VENDEE, whatever rights, interest, and participation the VENDOR has over the above-described parcel of land and all the improvements found thereon by way of negotiated sale x x x.

The contention is not completely accurate. A cursory reading of the above excerpt in its entirety would show that the phrase "subject to the following terms and conditions:" was left out from the citation. As such,

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40 *Rollo*, Vol. I, p. 143. (Emphases ours)

41 *Danan v. Spouses Serrano*, 792 Phil. 37, 46-47 (2016).

Vive cannot argue that by virtue of the foregoing incomplete text, NHMFC absolutely, unconditionally, and without reservation, sold its ownership over the subject property because the same was categorically made "subject to the following terms and conditions," one of which is Section 7 of the agreement. It is well to remember that contracts must always be read and interpreted in its totality, never in isolation only to serve one's claims and interests. Certainly, a more cohesive reading of the parties' agreement herein would lead to no other conclusion than that NHMFC transferred to Vive its rights over the property subject to the condition that the latter fully pays the balance of the purchase price.

It is of no moment that what Section 7 requires from NHMFC is the execution of a "Certificate of Full Payment" and not a "Deed of Absolute Sale." The mere fact that it expressly states that NHMFC shall deliver the titles to the property *upon full payment of the purchase price* suffices to evince the intent of NHMFC to reserve ownership in its name. As pointed out by the CA, this intention was sufficiently established by, and may reasonably inferred from, the fact that title to the subject property was not immediately transferred, through a formal deed of conveyance, in the name of Vive prior to or at the time of Vive's first payment of ₱4,000,000.00.[42] To the Court, moreover, if Vive truly believed that by virtue of the subject contract, it was already acquiring absolute ownership of the property, it should have already demanded the delivery of the Duplicate Original Transfer Certificate of Title Nos. 86340 and 86341 right from the execution of the same. What is more is that the parties even stipulated in their contract that it shall be considered as an event of default should Vive subdivide, lease, sell, transfer, assign, or otherwise dispose of the property without prior written consent of NHMFC. If, indeed, NHMFC absolutely parted with the ownership of the property, it should no longer have any business insofar as Vive's decisions relating to the property is concerned. Settled is the rule that ownership of a property includes the right to enjoy and dispose of the thing owned without other limitations than those established by law.[43]

It is, likewise, of no moment that the contract grants NHMFC the right to rescind the same as a consequence of an event of default. Vive asserts that if the parties truly intended on a contract to sell, there would not have been a necessity to annul or cancel the contract upon default in view of the rule that contracts to sell need not be annulled for non-payment since such payment is a positive suspensive condition, failure of which is not really a breach, but an event that prevents the obligation of NHMFC to convey title from arising. The argument deserves scant consideration. Instead, We concur with the appellate court in finding that it is immaterial that the parties described the cancellation of the agreement as one of rescission, which is not available in contracts to sell. The parties, as laymen, are understandably not adept in the legal terms and their implications. At any rate, courts are not

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42 *Rollo*, Vol. I, p. 123.

43 Civil Code, Article 428.

held captive by the conclusions of the parties in their contracts. It is an established principle in law that a contract is what the law defines it to be and not what the contracting parties call it.[44]

In its Petition, Vive further claims that even assuming that the Deed of Sale is a contract to sell, it was never in default to pay the balance of the purchase price because further payments are suspended pending resolution of the issues affecting the property. According to Vive, it was an essential consideration of the contract for Vive to be able to use the property as collateral for a loan to develop the same into a residential subdivision. But the issues surrounding the property rendered it impossible for Vive to do so. In fact, NHMFC further prevented Vive from obtaining the loan when it failed to assist with the litigation on the property. The assertion, however, fails to persuade. On the contrary, a cursory reading of the agreement would reveal that Vive was in truth aware of the nature of the property it was purchasing. The pertinent provisions explicitly state:

> WHEREAS, pursuant to the disposition policies under Board Resolution No. 2391, dated June 23, 1994, VENDOR was authorized to sell and convey whatever rights, interests, and participation it has on "as is where is basis" the property of ALYANSA NG MGA MAKA-MARALITANG ASOSASYON AT KAPATIRANG ORGANISASYON, INC. (AMAKO), x x x.
>
> WHEREAS, **VENDEE has full knowledge of the nature and extent of the VENDOR's rights, interests, and participation over the foreclosed property subject of this contract including pending litigation involving claims of alleged tenants to the property**.
>
> x x x x
>
> Section 9. EJECTMENT
>
> **VENDEE at his own expense assumes responsibility of ejecting squatters and/or occupants of the property, if any.**[45]

In view of the foregoing, Vive cannot be permitted to place the blame on NHMFC or the issues affecting the property for its failure to comply with its obligation to pay when it explicitly admitted in the contract its awareness thereof. Besides, as aptly pointed out by respondents, there is nothing in the contract giving NHMFC the obligation to assist in the litigation of the issues surrounding the property. Neither was there any evidence presented supporting the allegation that NHMFC even prevented Vive from obtaining the developmental loan.

As for Vive's argument that it could not have been in default as it was validly granted a moratorium, the same must necessarily fail. Vive

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44 *Rollo*, Vol. I, p. 126.

45 *Id.* at 140-144. (Emphases ours)

consistently maintains that NHMFC, through its then President, Atty. Salud, agreed on a moratorium on the collection period as evidenced by Salud's June 17, 2004 letter. Vive cannot deny, however, that the alleged moratorium did not have board approval. It is a fundamental principle in corporate law that a juridical entity cannot act or give its consent except through its board of directors as a collective body, which is vested with the power and responsibility to decide whether the corporation should enter into a contract that will bind the corporation, subject to the Articles of Incorporation, By-Laws, or relevant provisions of law.[46] Section 23 of the Corporation Code provides:

> SEC. 23. *The board of directors or trustees.* — Unless otherwise provided in this Code, the corporate powers of all corporations formed under this Code shall be exercised, all business conducted and all property of such corporations controlled and held by the board of directors or trustees to be elected from among the holders of stocks, or where there is no stock, from among the members of the corporation, who shall hold office for one (1) year and until their successors are elected and qualified.

Thus, NHMFC, being a juridical person, cannot conduct its business, make decisions, or act in any manner without action from its board of directors. Said board must act as a body in order to exercise corporate powers.[47] As such, no person, not even its officers, can validly bind a corporation without the authority of the corporation's board of directors. Nevertheless, the corporation may delegate through a board resolution its corporate powers or functions to a representative, subject to limitations under the law and the corporation's articles of incorporation.[48] Accordingly, without delegation by the board of directors or trustees, acts of a person — including those of the corporation's directors, trustees, shareholders, or officers — executed on behalf of the corporation are generally not binding on the corporation.[49] In view of the absence of a resolution from NHMFC's Board of Directors authorizing Atty. Salud to grant any kind of moratorium, We adopt with approval the CA's finding that NHMFC is not liable under the same.

This notwithstanding, Vive argues that even granting that Atty. Salud did not have power to grant a moratorium, his act can nevertheless bind NHMFC under the doctrine of apparent authority. According to Vive, it cannot be faulted for relying on Atty. Salud's letter because NHMFC made it appear that Salud was empowered to negotiate, administer, and execute the subject Deed of Sale. Vive added that contrary to the findings of the trial court, NHMFC even had knowledge of the moratorium granted in Vive's favor. This is shown by a July 4, 2005 letter written by Vive thanking NHMFC for the moratorium on the collection period. Vive asserts that said

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46 *Ayala Land, Inc. v. ASB Realty Corporation, et al.*, G.R. No. 210043, September 26, 2018.
47 *University of Mindanao, Inc. v. Bangko Sentral ng Pilipinas*, 776 Phil. 401, 440 (2016).
48 *Id.* at 441.
49 *Id.*

letter was addressed to Atty. Rustico P. Cacal, in his capacity as Senior Vice-President, Corporate Legal Counsel, and Board Secretary. Thus, the knowledge gained by Atty. Cacal in said capacity constitutes knowledge of NHMFC for basic is the rule that notice to the agent is notice to the principal. In support of this contention, Vive cites Our ruling in *Francisco v. Government Service Insurance System (GSIS)*,[50] where We held that "knowledge of facts acquired by an officer or agent of a corporation in relation to matters within the scope of his authority is notice to the corporation whether he communicates such knowledge or not." Moreover, even assuming that Atty. Salud was not vested with apparent authority to grant a moratorium, NHMFC is effectively estopped from denying the same in view of its silence following the grant thereof. As shown by the records, NHMFC made no efforts to collect the installments after the moratorium was granted.

The contention is devoid of merit.

The doctrine of apparent authority is a species of the doctrine of estoppel. Article 1431 of the Civil Code provides that through estoppel, an admission or representation is rendered conclusive upon the person making it and cannot be denied or disproved as against the person relying thereon. Estoppel rests on the rule that when a party has, by his own declaration, act, or omission, intentionally and deliberately led another to believe a particular thing true, and to act upon such belief, he cannot, in any litigation arising out of such declaration, act or omission, be permitted to falsify it.[51] In certain instances, therefore, the Court has recognized presumed or apparent authority or capacity to bind corporate representatives in cases when the corporation, through its silence or other acts of recognition, allowed others to believe that persons, through their usual exercise of corporate powers, were conferred with authority to deal on the corporation's behalf.[52]

The present case, however, does not involve any of those instances. First of all, there is no proof to show that Atty. Salud was, in truth, represented to be "the face" of NHMFC. As NHMFC correctly maintained, Vive failed to adduce evidence during trial to establish that NHMFC had, indeed, clothed Atty. Salud with apparent power to grant the moratorium or that Atty. Salud, had, in the past, granted similar moratoriums in Vive's favor. It bears stressing, moreover, that even the mere execution of the subject deed of sale was accomplished not by Atty. Salud, but by NHMFC's then President Augusto A. Legasto, Jr.[53] Second, just because Vive sent a letter to Atty. Rustico P. Cacal, in his capacity as Senior Vice-President, Corporate Legal Counsel, and Board Secretary, does not mean that NHMFC already had knowledge of the moratorium. While it may be true that

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50 117 Phil. 586, 595 (1963).

51 *Ayala Land, Inc. v. ASB Realty Corporation, et al., supra* note 46, citing *Nogales v. Capitol Medical Center*, 540 Phil. 225, 246 (2006).

52 *University of Mindanao, Inc. v. Bangko Sentral ng Pilipinas, supra* note 47, at 449.

53 *Rollo*, Vol. I, p. 140.

knowledge of an officer is considered knowledge of the corporation, this rule applies only when the officer is acting within the authority given to him or her by the corporation.[54] In *University of Mindanao, Inc. v. Bangko Sentral ng Pilipinas*, We ratiocinated:

> The public should be able to rely on and be protected from the representations of a corporate representative acting within the scope of his or her authority. This is why an authorized officer's knowledge is considered knowledge of corporation. **However, just as the public should be able to rely on and be protected from corporate representations, corporations should also be able to expect that they will not be bound by unauthorized actions made on their account.**
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> **Thus, knowledge should be actually communicated to the corporation through its authorized representatives. A corporation cannot be expected to act or not act on a knowledge that had not been communicated to it through an authorized representative. There can be no implied ratification without actual communication. Knowledge of the existence of contract must be brought to the corporation's representative who has authority to ratify it. Further, "the circumstances must be shown from which such knowledge may be presumed."**
>
> The Spouses Guillermo and Dolores Torres' knowledge cannot be interpreted as knowledge of petitioner. Their knowledge was not obtained as petitioner's representatives. It was not shown that they were acting for and within the authority given by petitioner when they acquired knowledge of the loan transactions and the mortgages. The knowledge was obtained in the interest of and as representatives of the thrift banks.[55]

On the basis of the foregoing pronouncement, Atty. Cacal's alleged knowledge acquired through a letter addressed to him cannot instantly be assumed as knowledge of NHMFC itself. This is especially so in view of the fact that apart from its mere allegation, Vive failed to present any evidence to establish that Atty. Cacal was actually appointed by the corporation as its authorized representative. Neither did it present any explanation as to why it chose to send its "thank you" letter to Atty. Cacal instead of the board of directors itself considering the fact that Atty. Salud, in his June 17, 2004 letter, stated that he "will submit the request to the Board for consideration and guidance" and that he "will seek authority to negotiate" with Vive. Said statements should have already alerted Vive, an established business entity engaged in real estate, of the need for board approval.

Unfortunately for Vive, moreover, it cannot rely on our ruling in *Francisco*. There, Francisco sought the redemption of a property that GSIS acquired in a foreclosure proceeding due to the failure of the former's daughter to pay the loan she obtained from the latter. Thus, he sent a telegram of his proposal to the general manager of GSIS who, in turn, stated in another telegram that the GSIS approved the proposal. In fulfillment of his proposed redemption scheme, Francisco began remitting several amounts to GSIS, which received the same and issued corresponding official receipts

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54 *University of Mindanao, Inc. v. Bangko Sentral ng Pilipinas, supra* note 47, at 448.

55 *Id.* at 448-449. (Emphases ours)

therefor. After a few months, however, GSIS sent Francisco a letter demanding for the payment of the loan and informing the latter that the one-year redemption period had already expired. It also consolidated the title to the property in its name. Aggrieved, Francisco filed a complaint alleging that the GSIS must honor their agreement in the telegram he sent. In ruling in Francisco's favor, the Court held that first, the GSIS did not disown its general manager's telegram of acceptance but only alleged mistake in the wording thereof. Second, when Francisco made his first remittance to GSIS, he accompanied the same with a telegram wherein he referred to the acceptance made by GSIS's general manager. This notwithstanding, GSIS made no effort to correct the telegram of acceptance as it later on claimed to be erroneous. More importantly, it even received the payments made by Francisco. Thus, the Court ruled that this silence, taken together with the unconditional acceptance of three other subsequent remittances from [Francisco], constitutes in itself a binding ratification of the original agreement.[56]

The same cannot be said in this case, however, under the obtaining undisputed facts. Unlike GSIS, NHMFC never accepted any form of payment from Vive in furtherance of their alleged amended contract. Also, unlike GSIS, NHMFC made no representation making Atty. Cacal as its representative authorized to receive notice of a supposed moratorium on NHMFC's behalf. In view of this absence of evidence pointing to similar acts that can be interpreted as NHMFC holding Atty. Cacal to receive information or even Atty. Salud to grant a moratorium in its behalf, there can be no apparent authority that would render NHMFC as estopped from denying the binding effect of the unauthorized acts of these officers. Certainly, consent of NHMFC cannot simply be presumed from representations of its individual officers without authority from the board, especially if obligations will be incurred as a result.[57]

Neither can NHMFC be deemed to have ratified the unauthorized acts of its officers. Time and again, the Court has held that "ratification is a voluntary and deliberate confirmation or adoption of a previous unauthorized act. It converts the unauthorized act of an agent into an act of the principal. It cures the lack of consent at the time of the execution of the contract entered into by the representative, making the contract valid and enforceable. It is, in essence, consent belatedly given through express or implied acts that are deemed a confirmation or waiver of the right to impugn the unauthorized act."[58] But as already mentioned, not only was it proven that the grant of the moratorium was unauthorized by the board, it was also shown that NHMFC was not duly informed about the same. It is rather impossible for NHMFC to ratify, whether expressly or impliedly by its silence, an unauthorized act of its agent which it had no knowledge of.

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56 *Francisco v. Government Service Insurance System, supra* note 50.

57 *University of Mindanao, Inc. v. Bangko Sentral ng Pilipinas, supra* note 47, at 442.

58 *Id.* at 445-446.

Indeed, silence, acquiescence, retention of benefits, and acts that may be interpreted as approval of the act do not by themselves constitute implied ratification. For an act to constitute an implied ratification, there must be no acceptable explanation for the act other than that there is an intention to adopt the act as his or her own. It cannot be inferred from acts that a principal has a right to do independently of the unauthorized act of the agent.

In an attempt to save its plight, Vive raised for the first time in its Motion for Reconsideration before the Court the argument that the Deed of Sale must remain valid and subsisting in view of NHMFC's failure to comply with the mandatory twin requirements of a notarized notice of cancellation and a refund of the cash surrender value under the Maceda Law. Specifically, Vive argues that since the instant transaction involves the sale of real estate payable in installments, and that the subject property is not one that is excluded in Section 3[59] of the Maceda Law, the provisions under Section 4[60] thereof should apply. Thus, NHMFC may only cancel their contract after giving Vive a grace period of not less than sixty days from the date the installment became due and upon the expiration of said grace period, only after thirty days from receipt by Vive of a notice of cancellation or demand for rescission by a notarial act. But since NHMFC failed to comply with the requirements of Section 4, its notice to rescind not being a notarized document, their contract must be deemed valid and subsisting.

The contention is untenable.

In the first place, it has not escaped the Court's attention that the argument was raised for the first time before the Court, not in Vive's Petition for Review on *Certiorari,* but only in its Motion for Reconsideration. It is a rudimentary principle of law that matters neither alleged in the pleadings nor raised during the proceedings below cannot be ventilated for the first time on appeal before the Supreme Court. It would be offensive to the basic rules of fair play and justice to allow Vive to raise an issue that was not brought up before the trial court and appellate court. While it is true that litigation is not a game of technicalities, it is equally true that elementary considerations of due process require that a party be duly apprised of a claim against him before judgment may be rendered.[61]

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[59] SECTION 3. In all transactions or contracts involving the sale or financing of real estate on installment payments, including residential condominium apartments but excluding industrial lots, commercial buildings and sales to tenants under Republic Act Numbered Thirty-eight hundred forty-four, as amended by Republic Act Numbered Sixty-three hundred eighty-nine, where the buyer has paid at least two years of installments, the buyer is entitled to the following rights in case he defaults in the payment of succeeding installments: x x x.

[60] SECTION 4. In case where less than two years of installments were paid, the seller shall give the buyer a grace period of not less than sixty days from the date the installment became due. If the buyer fails to pay the installments due at the expiration of the grace period, the seller may cancel the contract after thirty days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act.

[61] *Ejercito v. Hon. Commission on Elections, et al.*, 748 Phil. 205, 257-258 (2014).

But even if We make an exception and give due course to the belated assertion, Vive's argument still would not alter the outcome of the case. Contrary to Vive's claims, the Maceda Law does not apply to the instant contract to sell.

In *Active Realty Development Corporation v. Daroya*,[62] the Court unequivocally pronounced that the declared policy of the Maceda Law is to protect the innocent, low-income buyers of real estate who are eager to acquire property upon which to build their homes from the exploitative and onerous installment schemes of private housing developers who get to forfeit all payments upon default by the buyer and resell the same property under the same exigent conditions. We elucidated in the following wise:

> The contract to sell in the case at bar is governed by Republic Act No. 6552 — "The Realty Installment Buyer Protection Act," or more popularly known as the Maceda Law — which came into effect in September 1972. Its declared public policy is to protect buyers of real estate on installment basis against onerous and oppressive conditions. The law seeks to address the acute housing shortage problem in our country that has prompted thousands of middle- and lower-class buyers of houses, lots and condominium units to enter into all sorts of contracts with private housing developers involving installment schemes. Lot buyers, mostly low-income earners eager to acquire a lot upon which to build their homes, readily affix their signatures on these contracts, without an opportunity to question the onerous provisions therein as the contract is offered to them on a "take it or leave it" basis. Most of these contracts of adhesion, drawn exclusively by the developers, entrap innocent buyers by requiring cash deposits for reservation agreements which oftentimes include, in fine print, onerous default clauses where all the installment payments made will be forfeited upon failure to pay any installment due even if the buyers had made payments for several years. Real estate developers thus enjoy an unnecessary advantage over lot buyers who they often exploit with iniquitous results. They get to forfeit all the installment payments of defaulting buyers and resell the same lot to another buyer with the same exigent conditions. To help especially the low-income lot buyers, the legislature enacted R.A. No. 6552 delineating the rights and remedies of lot buyers and protect them from one-sided and pernicious contract stipulations.[63]

Seen in the foregoing light, the Court, in *Spouses Garcia v. Court of Appeals*, refused to apply the Maceda Law to the contract to sell between buyers, the Spouses Garcia, and seller, Emerlita Dela Cruz, covering five (5) parcels of land in Cavite. There, the spouses refused to pay the last installment claiming to have discovered an infirmity on the subject lots. Consequently, Dela Cruz rescinded their contract and sold the property to another buyer. When the spouses questioned Dela Cruz' rescission, the Court ruled that their contract was clear in the sense that Dela Cruz had the

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62 *Active Realty & Development Corp. v. Daroya*, 431 Phil. 753 (2002).
63 *Id.* at 760-761.

right to cancel the contract upon the failure of the spouses to pay the purchase price on the stipulated dates. In particular, We held that while the Maceda Law applies to contracts of sale of real estate on installment payments, including residential condominium apartments but excluding industrial lots, commercial buildings and sales to tenants, the subject lands, comprising five (5) parcels and aggregating 69,028 square meters, do not comprise residential real estate within the contemplation of the Maceda Law.[64]

By the same token, the Court, in *Spouses Dela Cruz v. Court of Appeals*, ruled that the Maceda Law does not govern the contract to sell entered into by sellers, the Spouses Dela Cruz and buyers, the Spouses Aguila, of a house located in Town and Country Executive Village, Antipolo, Rizal, because it is not a contract involving a subdivision owner or developer but only between two couples, *i.e.*, the original house-owners and the subsequent buyers of the house and lot.[65]

Guided by the foregoing precepts, the Court cannot apply the provisions of the Maceda Law to the present case. The contract to sell herein is between Vive, a corporation engaged in the realty business, and NHMFC, a government corporation mandated to increase the availability of loans for Filipinos who seek to acquire their own homes by operating a secondary market for home mortgages.[66] As such, it is rather obvious that the contract before Us is not the kind of onerous contract of adhesion under the Maceda Law drawn up by private real estate developers designed to entrap innocent low-income earners by requiring installment payments for several years only to be forfeited by the former upon failure to make a single payment. In fact, Vive, the buyer of the subject property, has been insisting that it was an essential consideration of the contract for Vive to be able to use the property as collateral for a loan to develop the same into a residential subdivision. It cannot be denied, therefore, that Vive is not the "innocent, low-income buyer" that the Maceda Law was enacted to protect. Neither is NHMFC the "real estate developer" that said law intends to regulate in order to prevent the enjoyment of any unnecessary exploitation. To repeat, the Maceda law was enacted to remedy the plight of low and middle-income lot buyers, save them from the exacting default clauses in real estate sales, and assure them of a home they can call their own.[67]

In a last-ditch effort to protect its interests, Vive similarly raised for the first time in its Motion for Reconsideration that even assuming that the rescission effected by NHMFC was valid, the lower courts should have ordered mutual restitution and that the parties surrender that which they received and to place each other in their original position. Referring to its

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64 *Spouses Garcia, et al. v. Court of Appeals, et al.*, 633 Phil. 294, 303 (2010).
65 *Spouses Dela Cruz v. Court of Appeals*, 485 Phil. 168, 180 (2004).
66 https://www.nhmfc.gov.ph/index.php/corporate-profile/history (last visited August 2, 2019).
67 *Active Realty & Development Corp. v. Daroya, supra* note 62, at 763.

efforts in cleansing the title of the property from adverse claims, Vive added that NHMFC should not be permitted to benefit therefrom especially when it conveniently sold the property to Cavacon only after the legal issues affecting it had been resolved. The Court remains unconvinced. For one, there is no proof of NHMFC's bad faith in allegedly waiting for the resolution of the legal issues before it decided to sell the property to Cavacon. As NHMFC asserted, Vive did not present any evidence to show when it became aware of the said resolution. For another, We go back to the provisions of the contract itself, the pertinent portions of which state:

> WHEREAS, pursuant to the disposition policies under Board Resolution No. 2391, dated June 23, 1994, VENDOR was authorized to sell and convey whatever rights, interests, and participation it has on "as is where is basis" the property of ALYANSA NG MGA MAKA-MARALITANG ASOSASYON AT KAPATIRANG ORGANISASYON, INC. (AMAKO), x x x.
>
> WHEREAS, **VENDEE has full knowledge of the nature and extent of the VENDOR's rights, interests, and participation over the foreclosed property subject of this contract including pending litigation involving claims of alleged tenants to the property**.
>
> x x x x
>
> Section 5: EFFECTS OF DEFAULT
>
> Upon the occurrence of an event of default, NHMFC shall have the right to:
>
> x x x x
>
> 5.2 VENDOR shall then be at liberty to dispose of the same as if this Deed of Sale of Rights, Interest and participation over Foreclosed Assets has never been made, and in the event of such annulment, the sums of money paid shall be considered and treated as rentals for the occupancy and use of the property and **VENDEE waives all rights to ask or demand the return hereof.** VENDEE further agrees to peacefully and quickly vacate the property. All permanent / fixed improvements found in the premises shall belong to the VENDOR without liability on the part of VENDOR to reimburse VENDEE of the cost of said improvements;
>
> x x x x
>
> Section 9. EJECTMENT
>
> **VENDEE at his own expense assumes responsibility of ejecting squatters and/or occupants of the property, if any.**[68]

[68] *Rollo*, pp. 140-144. (Emphases ours)

It is a cardinal rule in the interpretation of contracts that if the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control. A court's purpose in examining a contract is to interpret the intent of the contracting parties, as objectively manifested by them. Where the written terms of the contract are not ambiguous and can only be read one way, the court will interpret the contract as a matter of law.[69] The contract to sell executed by the parties herein could not be any clearer. In a language too clear to be mistaken, Vive entered into the agreement fully aware of the nature and condition of the subject property and expressly assumed responsibility over the pending legal issues affecting the same. It also deliberately waived all its rights to demand for the return of any and all amounts it had paid NHMFC prior to its commission of an event of default. As such, and as We have declared above, Vive cannot now be permitted to put the blame on NHMFC or the issues affecting the property for its failure to adhere to the clear provisions of the contract.

Stripped of all complexities, the simple fact remains that Vive failed to comply with its obligation to pay the stipulated amounts for the purchase of the property subject of the agreement. This comprises as an event of default which, under the contract, produces the following effects:

> Section 5: EFFECTS OF DEFAULT
>
> Upon the occurrence of an event of default, NHMFC shall have the right to:
>
> 5.1 **Declare the contract annulled / cancelled. VENDEE shall forfeit and waive whatever rights he might have acquired over the property**.
>
> 5.2 **VENDOR shall then be at liberty to dispose of the same as if this Deed of Sale of Rights, Interest and participation over Foreclosed Assets has never been made**, and in the event of such annulment, **the sums of money paid shall be considered and treated as rentals for the occupancy and use of the property and VENDEE waives all rights to ask or demand the return hereof.** VENDEE further agrees to peacefully and quickly vacate the property. All permanent / fixed improvements found in the premises shall belong to the VENDOR without liability on the part of VENDOR to reimburse VENDEE of the cost of said improvements; x x x.[70]

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[69] *The Wellex Group, Inc. v. U-Land Airlines, Co., Ltd.*, 750 Phil. 530, 568 (2015), citing *Norton Resources and Development Corporation v. All Asia Bank Corporation*, 620 Phil. 381, 388 (2009) [Per J. Nachura, Third Division].

[70] *Rollo*, Vol. I, p. 143. (Emphases ours)

Indubitably, by the clear and express provisions of the agreement, the default on the part of Vive unequivocally gave NHMFC the right to: (1) annul and cancel the contract; (2) dispose of the property as if the contract was never executed; and (3) treat the sums of money paid by Vive as rentals for the latter's use and occupancy thereof. As a matter of fact, Vive even consciously and categorically waived any and all rights to demand for the return of the sums of money it paid to NHMFC. It is for this reason that the Court cannot give credence to Vive's argument that the subsequent sale between NHMFC and Cavacon was entered into in bad faith. As far as NHMFC was concerned, it was merely acting in accordance with the provisions of the contract to sell, having every right to dispose of the property as if the sale of the same to Vive was never executed. As the Court similarly held in *Spouses Garcia v. Court of Appeals,*[71] Dela Cruz, the seller of the property, was within her rights to sell the subject lands to another buyer as a result of the Spouses Garcia's failure to pay the balance of the purchase price on the stipulated date of their contract to sell.

All told, the Court finds no cogent reason to reverse the conclusions reached by the appellate court. At the risk of being repetitive, Vive consistently failed to pay the balance of the purchase price on the date and in the manner prescribed by the contract to sell. Unfortunately for Vive, moreover, this failure could not be justified by its contentions that ownership was already transferred to it in the absolute sense, that it was granted a moratorium or that the issues inherent in the subject property suspended all subsequent payments. The provisions of the contract are clear. To begin with, the agreement executed by the parties is a contract to sell as shown by the fact that NHMFC expressly reserved its title to the subject property. As such, Vive's non-payment constituted an event of default that granted NHMFC the right to cancel their contract. The argument that Vive was granted a moratorium on the collection period hardly persuades in the absence of proof that NHMFC's board of directors approved the same or that NHMFC authorized its officers to grant the suspension on its behalf.

At the end of the day, there is no denying that Vive was well aware of the complications surrounding the property. Yet, despite knowledge of the pending issues, Vive still endeavored to acquire the lots and even assumed all responsibility for the resolution thereof. It cannot, therefore, take refuge on this condition of the property as an excuse for its breach of contract. Thus, in view of Vive's failure to comply with its obligations under the agreement, We rule that NHMFC validly cancelled the same. That the cancellation was not executed in compliance with the Maceda Law is of little relevance for said law is inapplicable to the present contract. Ultimately, as a legal consequence of Vive's default, and by the express authority of the agreement, NHMFC cannot be faulted for selling the

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71 *Supra* note 64.

property to Cavacon. The subsequent transaction entered into between NHMFC and Cavacon is, therefore, valid.

WHEREFORE, premises considered, the instant petition is **DENIED.** The assailed Decision dated August 23, 2016 and the Resolution dated March 30, 2017 of the Court of Appeals in CA-G.R. CV No. 105312 are **AFFIRMED.**

SO ORDERED.

DIOSDADO M. PERALTA
Associate Justice

WE CONCUR:

MARVIC MARIO VICTOR F. LEONEN
Associate Justice

ANDRES B. REYES, JR.
Associate Justice

RAMON PAUL L. HERNANDO
Associate Justice

HENRI JEAN PAUL B. INTING
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.

DIOSDADO M. PERALTA
Associate Justice
Chairperson, Third Division

CERTIFICATION

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

LUCAS P. BERSAMIN
Chief Justice