

Case digests on contracts essay sample



**ASSIGN
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SS/Alicante, belonging to Compania Transatlantica de Barcelona was transporting two locomotive boilers for the Manila Railroad Company. The equipment of the ship for discharging the heavy cargo was not strong enough to handle the boilers. Compania Transatlantica contracted the services of Atlantic gulf and Pacific Co., which had the best equipment to lift the boilers out of the ship's hold. When Alicante arrived in Manila, Atlantic company sent out its floating crane under the charge of one Leyden.

When the first boiler was being hoisted out of the ship's hold, the boiler could not be brought out because the sling was not properly placed and the head of the boiler was caught under the edge of the hatch. The weight on the crane was increased by a strain estimated at 15 tons with the result that the cable of the sling broke and the boiler fell to the bottom of the ship's hold. The sling was again adjusted and the boiler was again lifted but as it was being brought up the bolt at the end of the derrick broke and the boiler fell again. The boiler was so badly damaged that it had to be shipped back to England to be rebuilt. The damages suffered by Manila Railroad amounted to P23, 343. 29. Manila Railroad then filed an action against the Steamship Company to recover said damages. The Steamship Company caused Atlantic Company to be brought as co-defendant arguing that Atlantic Company as an independent contractor, who had undertaken to discharge the boilers had become responsible for the damage.

The Court of First Instance decided in favor of Manila Railroad, the plaintiff, against Atlantic Company and absolved the Steamship Company. Manila Railroad appealed from the decision because the Steamship Company was

not held liable also. Atlantic Company also appealed from the judgment against it.

ISSUES:

1. Was the Steamship Company liable to Manila Railroad for delivering the boiler in a damaged condition?
 2. Was Atlantic Company liable to the Steamship Company for the amount it may be required to pay the plaintiff?
1. Was Atlantic Company directly liable to plaintiff as held by the trial court?

RULING:

There was a contractual relation between the Steamship Company and Manila Railroad. There was also a contractual relation between the Steamship Company and Atlantic. But there was no contractual relation between the Railroad Company and Atlantic Company.

There was no question that the Steamship Company was liable to Manila Railroad as it had the obligation to transport the boiler in a proper manner safe and securely under the circumstances required by law and customs. The Steamship Company cannot escape liability simply because it employed a competent independent contractor to discharge the boiler.

Atlantic Company claimed that it was not liable, because it had employed all the diligence of a good father of a family and proper care in the selection of Leyden. Said argument was not tenable, because said defense was not applicable to negligence arising in the course of the performance of a

contractual obligation. The same can be said with respect to the liability of Atlantic Company upon its contract with the Steamship Company. There was a distinction between negligence in the performance of a contractual obligation (*culpa contractual*) and negligence considered as an independent source of obligation (*culpa aquiliana*). Atlantic Company was liable to the Steamship Company for the damage brought upon the latter by the failure of Atlantic Company to use due care in discharging the boiler, regardless of the fact that the damage was caused by the negligence of an employee who was qualified for the work, duly chose with due care.

Since there was no contract between the Railroad Company and Atlantic Company, Railroad Company can had no right of action to recover damages from Atlantic Company for the wrongful act which constituted the violation of the contract. The rights of Manila Railroad can only be made effective through the Steamship Company with whom the contract of affreightment was made

DKC Holdings Corp. v. CA

* DKC entered into a Contract of Lease with Option to Buy with Encarnacion Bartolome, whereby DKC was given the option to lease or lease with purchase a land belonging to Encarnacion, which option must be exercised within 2 years from the signing of the Contract. * In turn, DKC undertook to pay Php 3, 000 a month for the reservation of its option. * DKC regularly paid the monthly Php 3, 000 until Encarnacion's death. Thereafter, DKC coursed its payment to Victor, the son and sole heir of Encarnacion. However, Victor refused to accept these payments. * Meanwhile, Victor executed an Affidavit

of Self-Adjudication over all the properties of Encarnacion, including the subject lot. Thus, a new TCT was issued in the name of Victor. * Later, DKC gave notice to Victor that it was exercising its option to lease the property tendering the amount of Php 15, 000 as rent. Again, Victor refused to accept the payment and to surrender possession of the property. * DKC thus opened a savings account in the name of Victor and deposited therein the rental fee.

* DKC also tried to register and annotate the Contract on the title of Victor but the Register of Deeds refused to register or annotate the same. * Thus, DKC filed a complaint for specific performance and damages. * In the course of the proceedings, a certain Lozano, who claimed that he was and has been a tenant-tiller of the lot for 45 years, filed a Motion for Intervention. * The RTC denied Lozano's Motion and dismissed the complaint filed by DKC. * Whether the Contract of Lease with Option to Buy entered into by the late Encarnacion Bartolome with DKC was terminated upon her death or whether it binds her sole heir, Victor, even after her demise. * The SC held that Victor is bound by the Contract of Lease with Option to Buy. * Article 1311 of the NCC provides: Contracts take effect only between the parties, their assigns and heirs, except in case where the rights and obligations arising therefrom are not transmissible by (1) their nature, (2) stipulation or (3) provision of law.

* In this case, there is neither contractual stipulation nor legal provision making the rights and obligation under the contract intransmissible. More importantly, the nature of the rights and obligations therein are, by their nature, transmissible. * Where the service or act is of such a character that it may be performed by another, or where the contract, by its terms, shows the

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performance by others was contemplated, death does not terminate the contract or excuse nonperformance. * In this case, there is no personal act required from the late Encarnacion. Rather, the obligation of Encarnacion to deliver possession of the property may very well be performed by Victor. * Also, the subject matter of the contract is a lease, a property right. The death of a party does not excuse nonperformance of a contract which involves a property right, and the rights and obligations thereunder pass to the personal representatives of the deceased. * Since DKC exercised its option in accordance with the contract, the SC held that Victor has the obligation to surrender possession of and lease of premises for 6 years. However, SC held that the issue of tenancy should be ventilated in another proceeding.

* The general rule, therefore, is that heirs are bound by contracts entered into by their predecessors-in-interest except when the rights and obligations arising therefrom are not transmissible by (1) their nature, (2) stipulation or (3) provision of law. * Where acts stipulated in a contract require the exercise of special knowledge, genius, skill, taste, ability, experience, judgment, discretion, integrity, or other personal qualification of one or both parties, the agreement is of personal nature, and terminates on the death of the party who is required to render such service.

* There is privity of interest between an heir and his deceased predecessor – he only succeeds to what rights his predecessor had and what is valid and binding against the latter is also valid and binding against the former. The death of a party does not excuse nonperformance of a contract which involves a property right, and the rights and obligations thereunder pass to

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the personal representatives of the deceased. Similarly, nonperformance is not excused by the death of the party when the other party has a property interest in the subject matter of the contract. Gutierrez Hermanos Vs Orense (Gr. No. L-9188 1914)

Facts: Orense is the owner a parcel of land (with masonry house, and with the nipa roof erected) situated in the pueblo of Guinobatan, Albay. This property has been recorded in the new property registry in his name. Feb 14, 1907. Jose DURAN, a nephew of Orense, executed before a notary a public instrument that he sold and conveyed to the plaintiff company the said property for P1, 500 and that the vendor Duran reserved to himself the right to repurchase it for the same price within a period of four years.

Gutierrez Hermanos had not entered into possession of the purchased property, because of its continued occupancy by ORENSE and DURAN by virtue of a contract of lease executed by the plaintiff to Duran, effective up to February 14, 1911. After the lapse of the four years stipulated for the redemption, the defendant refused to deliver the property to the purchaser. Gutierrez Hermanos then charged DURAN with estafa, for having represented himself in the said deed of sale to be the absolute owner of the land.

During that trial, when ORENSE was called as a witness, he admitted that he consented to Duran's selling of property under right of redemption. Because of this, the court acquitted DURAN for charge of estafa. Mar 5, 1913

Gutierrez Hermanos then filed a complaint in the CFI Albay against Engracio Orense. Petitioner Claims that The instrument of sale of the property, executed by Jose Duran, was publicly and freely confirmed and ratified by ORENSE. In order to perfect the title to the said property, all

plaintiff had to do was demand of Orense to execute in legal form a deed of conveyance. But Orense refused to do so, without any justifiable cause or reason, and so he should be compelled to execute the said deed by an express order of the court. Jose DURAN is notoriously insolvent and cannot reimburse the plaintiff company for the price of the sale which he received, nor pay any sum for the losses and damages occasioned by the sale. Also, Duran had been occupying the said property since February 14, 1911, and refused to pay the rental notwithstanding the demand made upon him at the rate of P30 per month.

Plaintiff prays that the land and improvements be declared as belonging legitimately and exclusively to him, and that defendant be ordered to execute in the plaintiff's behalf the said instrument of transfer and conveyance of the property and of all the right, interest, title and share which the defendant has. Respondent contends that the facts in the complaint did not constitute a cause of action and he is the lawful owner of the property claimed in the complaint, and since his ownership was recorded in the property registry, this was conclusive against the plaintiff, he had not executed any written power of attorney nor given any verbal authority to Jose DURAN to sell the property to Gutierrez Hermanos. His knowledge of the sale was acquired long after the execution of the contract of sale between Duran and Gutierrez Hermanos, and he did not intentionally and deliberately perform any act such as might have induced the plaintiff company to believe that Duran was empowered and authorized by the defendant.

Issue: Whether Orense is bound by Duran's act of selling plaintiff's property.

Held: Yes. Ratio It having been proven at the trial that he gave his consent to

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the said sale, it follows that the defendant conferred verbal, or at least implied, power of agency upon his nephew Duran, who accepted it in the same way by selling the said property. The principal must therefore fulfill all the obligations contracted by the agent, who acted within the scope of his authority. (Civil Code, arts. 1709, 1710 and 1727) Article 1259 of the Civil Code prescribes: " No one can contract in the name of another without being authorized by him or without his legal representation according to law. A contract executed in the name of another by one who has neither his authorization nor legal representation shall be void, unless it should be ratified by the person in whose name it was executed before being revoked by the other contracting party."

- The sworn statement made by the defendant, Orense, while testifying as a witness at the trial of Duran for estafa, virtually confirms and ratifies the sale of his property effected by his nephew, Duran, and, pursuant to article 1313 of the Civil Code, remedies all defects which the contract may have contained from the moment of its execution.

PAKISTAN INTERNATIONAL AIRLINES CORP. (PIA), petitioner, vs. Hon. BLAS F. OPLE, Minister of Labor; Hon. Vicente Leogardo, Jr., Deputy Minister; Ethelynne B. Farrales & Maria Moonyeen Mamasig, respondents [1990]

Dec. 2, 1978: PIA, a foreign corp. licensed to do business in the Philippines, executed in Manila 2 separate contracts of employments with Farrales & Mamasig. Terms of the contract: 1. Term #5 Duration of Employment & Penalty: agreement is for a period of 3 yrs. but can be extended by mutual consent of the parties 2. Term #6 Termination: PIA has the right to terminate the

agreement by giving the Employee notice in writing in advance 1 month before the intended termination or in lieu thereof, by paying the employee wages equivalent to 1 month's salary. 3. Term #10 Applicable Law: Agreement will be construed & governed under & by the law of Pakistan and only the courts of Karachi, Pakistan shall have jurisdiction to consider any matter arising out of or under agreement.

Farrales & Mamasig (employees) were hired as flight attendants after undergoing training. Base station was in Manila.

Aug. 2, 1980: roughly 1 yr & 4 mos prior to the expiration of the contracts, PIA sent separate letters to the 2 employees informing them that they will be terminated effective Sept. 1, 1980.

Employees: filed a complaint for illegal dismissal & non-payment of company benefits & bonuses with the Ministry of Labor & Employment (MOLE).

PIA submitted a position paper claiming the employees were habitual absentees & they had the habit of bringing in from abroad large quantities of personal effects and the company has been warned by custom officials to advise employees to discontinue that practice. PIA likewise invoked the contract of employment.

MOLE Reg'l director Estrella made the following findings: 1. employees should be reinstated w/full backwages or in the alternative, amounts equivalent to their salaries for the remaining period of the 3-yr employment agreement should be paid 2. the company should pay Mamasig an amount equivalent to the value of a round trip ticket Manila-USA-Manila. 3. PIA should pay each employee a bonus equivalent to their one-month salary. 4.

3-yr period null & void since it violates the Labor Code rule on regular & casual employment. Employees were regular employees after they had rendered more than 1 yr of continued service. 5. Dismissal was illegal because it was carried out w/o the requisite clearance from the MOLE.

MOLE Deputy Minister Leogardo affirmed Estrella's decision except the alternative in finding #1. Issues & Ratio: 1. WON MOLE had jurisdiction over the case. - YES.

Labor Code Art. 278: termination of the services of employees w/at least 1yr of service can't be done w/o prior clearance from the DOLE.

Rule XIV, Book No. 5 of the Labor Code Implementing Rules & Regulations (IRR) provides that if the termination was done w/o the necessary clearance, the REGIONAL DIRECTOR was authorized to order thereinstatement & payment of backwages. This is likewise provided for in Policy Instruction No. 14 issued by the Sec. Of Labor. 2. WON PIA's rt to procedural process was violated. - NO.

MOLE was ordered to submit a position paper & to present evidence in its favor. But it only chose to comply with the first order.

Even if no formal hearing was conducted, it had the opportunity to explain its side.

It was able to appeal to the Ministry of Labor & Employment.

Rule existing at that time provides that a termination w/o the necessary clearance shall be conclusively presumed to be termination of employment w/o just cause & Regional Director must order the immediate reinstatement & payment of backwages. Position paper was not even necessary. It's a presumption w/c can't be overturned by any contrary proof

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however strong. 3. WON the provisions of the contract superseded the general provisions of the Labor Code. – NO.

The principle of freedom to contract is not absolute. CC Art. 1306 provides that stipulations by the parties may be allowed provided they are not contrary to law, morals, good customs, public order & policy. Thus, the principle of autonomy of contracting parties must be counterbalanced w/ the general rule that provisions of applicable law are deemed written into the contract.

In this case, the law relating to labor & employment is an area w/c the parties are not at liberty to insulate themselves & their relationship from by simply contracting w/ each other. 4. WON term #5 in the employment contract was contrary to Arts. 280-281 of the Labor Code. – YES.

MOLE held that term no. 5 was contrary to Art. 280 (regular employees cannot be terminated by the employer except for a just cause or when authorized by the code) & 281 (any employee who has rendered at least 1yr of service, whether continuous or broken, shall be considered as a regular employee) of the Labor Code. ⇒

Brent School vs. Zamora provides that a contract providing for employment w/ a fixed period was not necessarily unlawful. The critical consideration is the presence/absence of a substantial indication that the period specified in an employment agreement was designed to circumvent the security of tenure of regular employees.

In this case, term #5 should be read alongside term #6, w/c neutralizes the former term. In effect, the 3-yr period becomes facultative at the option of PIA. Net effect would be to render the employment of Mamasig & Farrales at the pleasure of PIA. Thus, terms 5 & 6 were intended to prevent security of tenure from accruing in favor of the employees even during the limited period of 3yrs and in effect escape completely the thrust of the Labor Code provisions. 5. WON only Pakistan's laws & courts should govern. - NO. Philippine Courts & administrative agencies are the proper forums for the resolution of the contractual dispute.

The relationship between PIA & its employees in this case is very much affected w/public interest that the applicable RP laws can't be rendered illusory by the parties agreeing that some other law should govern their relationship.

Contract was executed and performed (partially) in RP.

Employees are Philippine citizens & residents and were based in the Philippines.

PIA, although a foreign corp., is licensed to do business in the RP.

PIA did not plead & prove the applicable Pakistani laws on the matter. Thus, it's presumed that these laws are the same as the RP laws. Holding: Petition dismissed for lack of merit. MOLE order affirmed & modified. 1. Employees were illegally dismissed. 2. MOLE did not commit any grave abuse of discretion. 3. Employees are entitled to 3 yrs. backwages w/o qualification or deduction. 4. Petitioners should be reinstated. Should reinstatement not be feasible in view of the length of time w/c has gone by, PIA should pay separation pay to employees

amounting to 1 month's salary for every year of service rendered by them including the 3 yrs service putatively rendered

Cui vs Arellano University

TITLE: Emetrio Cui v Arellano University

CITATION: GR NO. L15127, May 30, 1961 | 112 Phil 135

FACTS:

Emetrio Cui took his preparatory law course at Arellano University. He then enrolled in its College of Law from first year (SY1948-1949) until first semester of his 4th year. During these years, he was awarded scholarship grants of the said university amounting to a total of P1, 033. 87. He then transferred and took his last semester as a law student at Abad Santos University. To secure permission to take the bar, he needed his transcript of records from Arellano University. The defendant refused to issue the TOR until he had paid back the P1, 033. 87 scholarship grant which Emetrio refunded as he could not take the bar without Arellano's issuance of his TOR.

On August 16, 1949, the Director of Private Schools issued Memorandum No. 38 addressing all heads of private schools, colleges and universities. Part of the memorandum states that " the amount in tuition and other fees corresponding to these scholarships should not be subsequently charged to the recipient students when they decide to quit school or to transfer to another institution. Scholarships should not be offered merely to attract and keep students in a school".

ISSUE: Whether or not Emetrio Cui can refund the P1, 033. 97 payment for the scholarship grant provided by Arellano University.

HELD:

The memorandum of the Director of Private Schools is not a law where the provision set therein was advisory and not mandatory in nature. Moreover, the stipulation in question, asking previous students to pay back the scholarship grant if they transfer before graduation, is contrary to public policy, sound policy and good morals or tends clearly to undermine the security of individual rights and hence, null and void.

The court sentenced the defendant to pay Cui the sum of P1, 033. 87 with interest thereon at the legal rate from Sept. 1, 1954, date of the institution of this case as well as the costs and dismissing defendant's counterclaim

ARROYO V BERWIN

; 3, 1917

CARSON March

FACTS

- Both plaintiff and defendant are residents of the municipality of Iloilo- Defendant is a procurador judicial in the law office of the Attorney John Bordman and is duly authorized by the court to practice in justice of the peace courts of the Province of Iloilo Defendant represented Marcela Juaneza in the justice of the peace court of Iloilo in the proceeding for theft prosecuted by the plaintiff Ignacio Arroyo- On August 14, 1914, the defendant requested the plaintiff to agree to dismiss the said criminal proceeding and stipulated with the plaintiff that his client Marcela Juaniza

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would recognize the plaintiff's ownership in the land situated on Calle San Juan of the municipality of Iloilo where his said client ordered the cane cut, which land and which cut cane are referred to in the cause for theft.

Furthermore, the defendant agreed that the plaintiff should obtain a Torrens title to the said land during the next term of the court and that defendant's client Marcel Juaneza would not oppose the application for registration to be filed by the said applicant provided that the plaintiff would ask the prosecuting attorney to dismiss the said proceedings filed against Marcela Juaneza and Alejandro Castro for the crime of theft- Plaintiff on his part complied with the agreement- In exchange, the defendant did not comply with the agreement- Plaintiff delivered to the defendant a written agreement for signature of the said Marcel Juaneza attesting that the defendant's said client recognized the plaintiff's ownership of the land and that she would not oppose the plaintiff's application for registration- The defendant has not returned to the plaintiff the said written agreement notwithstanding the demands of the latter ISSUE

WON the agreement between the plaintiff and the defendant had valid stipulations HELD

NO It was contrary to public policy. The SC affirmed the decision of the trial judge dismissing the complaint on the ground of the illegality of the consideration of the alleged contract. An agreement by the owner of stolen goods to stifle the prosecution of the person charged with the theft, for a pecuniary or other valuable consideration, is manifestly contrary to public policy and the due administration of justice. Article 1255, CC:- The contracting parties may make the agreement and establish the clauses and

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conditions which they may deem advisable, provided they are not in contravention of law, morals, or public order. Article 1275, CC:- Contracts without consideration or with an illicit one have no effect whatsoever.

A consideration is illicit when it is contrary to law and good morals.

FILIPINAS COMPAÑIA DE SEGURO SETALV MANDANAS

; 20, 1966

CONCEPCION June

NATURE

Special Civil Action For Declaratory Relief

FACTS-

39 non-life insurance companies instituted this action in the CFI of Manila, to secure a declaration of legality of Article 22 of the Constitution of the Philippine Rating Bureau, of which they are members, inasmuch as respondent Insurance Commissioner (who regulates the business concerned and of the transactions involved therein) assails its validity upon the ground that it constitutes an illegal or undue restraint of trade.- Subsequent to the filing of the petition, 20 other non-life insurance companies, likewise, members of said Bureau were allowed to intervene in support of the petition.- CFI- rendered judgment declaring that the aforementioned Article 22 is neither contrary to law nor against public policy; it may be lawfully observed and enforced.- Hence this appeal by respondent Insurance Commissioner, who insists that the Article in question constitutes an illegal or undue restraint of trade and, hence, null and void.- In said Article 22, members of the Bureau “ agree not to represent nor to effect reinsurance with, nor to accept reinsurance from any company, body, or underwriter, licensed to do

business in the Philippines not a member in goodstanding of the Bureau”, and so the said provision is illegal as a combination in restraint of trade according to Mandanas. ISSUE

WON the purpose or effect of Art 22 of the Constitution of the Philippine RatingBureau is illegal as a combination in restraint of trade HELD“

Nothing is unlawful, or immoral, or unreasonable, or contrary to public policyeither in the objectives thus sought to be attained by the Bureau, or in the meansavailed of to achieve said objectives, or in the consequences of the accomplishmentthereof.”- The purpose of said Article 22 is not to eliminate competition, but to promoteethical practices among non-life insurance companies, although, incidentally it maydiscourage, and hence, eliminate unfair competition, through underrating, which initself is eventually injurious to the public.

- The test on whether a given agreement constitutes an unlawful machination or acombination in restraint of trade: Ferrazini vs. Gsell- is, whether, under the particular circumstances of the case andthe nature of the particular contract involved in it, the contract is, or is not, unreasonable. This view was reiterated in Ollendorf vs. Abrahamson

Red Line TransportationCo. vs. Bachrach Motor Co.

(67 Phil. 77), in the following language:...The general tendency, we believe, of modern authority, is to make thetest whether the restraint is reasonably necessary for the protection of thecontracting parties. If the contract is reasonably necessary to protect theinterest of the parties, it will be upheld. x x x x x x x...we adopt the modern rule that the validity of restraints upon

trade or employment is to be determined by the intrinsic reasonableness of the restriction in each case, rather than by any fixed rule, and that such restrictions may be upheld when not contrary to the public welfare and not greater than is necessary to afford a fair and reasonable protection to the party in whose favor it is imposed.

Ollendorf vs. Abrahamson, 38 Phil. 585.)...The test of validity is whether under the particular circumstances of the case and considering the nature of the particular contract involved, public interest and welfare are not involved and the restraint is not only reasonably necessary for the protection of the contracting parties but will not affect the public interest or service. (Red Line Transportation Co. vs. Bachrach Motor Co.) Disposition

The decision appealed from should be, as it is hereby AFFIRMED, without costs.

NATALIA P. BUSTAMANTE vs. SPOUSES RODITO F. ROSEL and NORMA A. ROSELG. R. No. 126800. November 29, 1999Pardo. J.

FACTS:

The petitioners herein borrowed a sum of money from the respondents through a loan which stipulated, among others, that: a certain parcel of land of the petitioners will be collateral; and that the lender (respondents) has the option to purchase the collateral lot for P 200, 000. 00, inclusive of the amount and interest therein. When the loan was about to mature on March 1, 1989, respondents proposed to buy at the pre-set price of P200, 000. 00, the seventy (70) square meters parcel of the land. This was refused by the

petitioners, together with the request of the petitioners to extend the period of payment. The petitioners offered another land instead, with the consideration that the borrowed amount as down payment. The lender refused to accept payment upon being offered by the petitioners and insisted that the collateral be sold to them. The petitioners deposited the amount to the trial court instead, showing their desire to pay. The trial court Denied the execution of the Deed of Sale and just ordered the payment of the loan with interest. This was REVERSED by the Court of Appeals hence this petition

ISSUE:

Whether or not the Deed of Sale can be executed considering the conditions stipulated in the loan.

HELD:

No, it cannot be executed. The sale of the collateral is an obligation with a suspensive condition. It is dependent upon the happening of an event, without which the obligation to sell does not arise as provided in Article 1181 of the Civil Code. The event that is to be based upon is the non-payment of the petitioners. This did not happen because the petitioner tendered payment at the due date which respondents refused to accept, insisting that petitioner sell to them the collateral of the loan. Upon such refusal, they deposited the amount in the trial court showing their intention to pay. A scrutiny of the stipulation of the parties reveals a subtle intention of the creditor to acquire the property given as security for the loan. This stipulation is embraced in the concept of pactum commissorium, which is prohibited by law. Pactum commissorium occurs if there was a creditor-

debtor relationship between the parties; the property was used as security for the loan; and there was automatic appropriation by the borrower

Investigations and Contracts A2010page125 Prof. Labitag

BUSTAMANTE V. ROSEL

; 29, 1999

PARDON November

NATURE

Petition for review on certiorari to annul the decision of CA reversing and setting aside the decision of the RTC of QC FACTS

- March 8, 1987 - Norma Rosel entered into a loan agreement with Natalia Bustamante and her late husband Ismael. The contract indicated that the Bustamantes wanted to borrow P100, 000 for a period of 2 years counted from March 1, 1987 with an interest of 18% per annum. This was guaranteed by a collateral 79sqm parcel of land inclusive of the apartment built on it. In the event that the borrowers fail to pay, the lender has the option to buy or purchase the collateral for P200, 000 inclusive of the borrowed money and interest. - When the loan was about to mature, Rosel proposed to buy the land at the set price in the loan agreement. The Bustamantes refused to sell and requested for extension of time and offered to sell another residential lot in Proj 8, QC with the principal loan and interest to be paid as down payment.

Rosel refused to extend the payment of the loan and to accept the other lot offered as it was occupied by squatters and that the Bustamantes were not the owners of the land but were mere land developers entitled to the subdivision shares or commission if and when they developed at least ½ of

the subdivision area.- March 1, 1989 – petitioners tendered payment of the loan to respondents, which the latter refused to accept, insisting on petitioner's signing of a prepared deed of absolute sale of the collateral.- February 28, 1990 – the respondents filed with the RTC of QC for specific performance with consignation against petitioner and her spouse.- March 4, 1990 – respondents sent a demand letter asking petitioner to sell the collateral pursuant to the option to buy in the loan agreement.- March 5, 1990 – petitioner filed in the RTC a petition for consignation and deposited P153, 000 with the City Treasurer of QC on August 10, 1990- When petitioner refused to sell the collateral and barangay conciliation failed, respondents consigned the amount of P47, 500. 00 with the trial court.

Respondents considered the principal loan of P100, 000. 00 and 18% interest per annum thereon, which amounted to P52, 500. 00. The principal loan and the interest taken together amounted to P152, 500. 00, leaving a balance of P 47, 500. 00. 10- TC denied the plaintiff's prayer for the defendants' execution of the Deed of Sale to convey the collateral in the plaintiffs' favor. It also ordered the defendants to pay the loan with interest at 18% per annum commencing on March 2, 1989 up to and until August 10, 1990, when defendants deposited the amount with the Office of the City Treasurer.- July 8, 1996 – CA reversed the ruling of the RTC- January 20, 1997 – Court required respondents to comment on the petition, which the respondents filed February 27.- February 9, 1998 – SC resolved to deny the petition on the ground that there was no reversible error in the decision of the CA in ordering the execution of the necessary deed of sale in conformity with the stipulated agreement.- The petitioner filed a motion for reconsideration of

the denial alleging that the realintention of the parties to the loan was to put up the collateral as guarantee similar to an equitable mortgage according to Article 1602 of the Civil Code.