



Republic of the Philippines
Supreme Court
 Manila

SECOND DIVISION

**AFP RETIREMENT AND
 SEPARATION BENEFITS SYSTEM
 (AFPRSBS),**

Petitioner,

- versus -

G.R. No. 207586

Present:

CARPIO, J., Chairperson,
 BRION,*
 DEL CASTILLO,
 MENDOZA, and
 LEONEN, JJ.

EDUARDO SANVICTORES,
 Respondent.

Promulgated:
117 AUG 2016

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DECISION

MENDOZA, J.:

Assailed in this Petition for Review on *Certiorari* is the November 28, 2012 Decision¹ and the June 6, 2013 Resolution² of the Court of Appeals (CA) in CA-G.R. SP No. 118427, which affirmed the June 22, 2010 Decision³ of the Office of the President (OP), upholding the August 31, 2007 Decision⁴ of the Housing and Land Use Regulatory Board-Board of Commissioners (HLURB Board). The decision of the HLURB Board dismissed the appeal filed by petitioner AFP Retirement and Separation Benefits System (AFPRSBS) together with Prime East Properties, Inc. (PEPI), questioning the order of rescission of the contract of sale of the subject parcel of land.

* On Leave.

¹ *Rollo*, pp. 37-48. Penned by Associate Justice Danton Q. Bueser and concurred in by Associate Justices Amelita G. Tolentino and Ramon R. Garcia.

² *Id.* at 49.

³ *Id.* at 151-154.

⁴ *Id.* at 125-127.

The Antecedents

The records show that sometime in 1994, PEPI, formerly Antipolo Properties, Inc., offered to Eduardo Sanvictores (*Sanvictores*) for sale on installment basis a parcel of land in Village East Executive Homes, a subdivision project, designated as Lot 5, Block 64, Phase II, covering an area of approximately 204 square meters, and situated in Tayuman, Pantok, Binangonan, Rizal; that on April 20, 1994, Sanvictores paid the required down payment of ₱81,949.04; that on June 9, 1994, a Contract to Sell⁵ was executed by and between PEPI and AFPRSBS, as the seller, and Sanvictores, as the buyer; that on February 27, 1999, Sanvictores paid in full the purchase price of the subject property in the amount of ₱534,378.79; that despite the full payment, PEPI and AFPRSBS failed to execute the corresponding deed of absolute sale on the subject property and deliver the corresponding title thereto; that on September 6, 2000, Sanvictores demanded from PEPI the execution of the deed of sale and the delivery of the transfer certificate of title; that PEPI claimed that the title of the subject property was still with the Philippine National Bank (*PNB*) and could not be released due to the economic crisis; that despite several follow-ups with PEPI, the latter did not communicate with Sanvictores for a period of four (4) years; and that, thereafter, Sanvictores filed a complaint for rescission of the contract to sell, refund of payment, damages, and attorney's fees against PEPI and AFPRSBS before the HLRUB.

In its defense, PEPI argued, among others, that the complaint should be dismissed for lack of cause of action; that it could not be faulted for the delay in the delivery of the title due to *force majeure*; that it substantially complied with its obligations in good faith; and that it was always transparent in dealing with the public.

For its part, AFPRSBS countered that it was not the owner and developer of Village East Executive Homes but PEPI; that PEPI alone was the seller; and that Norma Espina (*Espina*) was neither the treasurer nor the authorized representative of AFPRSBS, but the Treasurer of PEPI.

The Decision of the HLURB Arbiter

On March 27, 2006, the HLURB Arbiter rendered a decision⁶ in favor of Sanvictores, the dispositive portion of which reads:

⁵ Id. at 54-57.

⁶ Id. at 96-100. Penned by Housing and Land Use Regulatory Board Arbiter Atty. Joselito F. Melchor.

WHEREFORE, premises considered, judgment is hereby rendered as follows:

1. Declaring the Contract to Sell executed by and between the complainant and the respondents covering the subject property as **RESCINDED**, and
2. Ordering the respondents to pay jointly and severally the complainant the following sums:
 - a) The amount of FIVE HUNDRED THIRTY FOUR THOUSAND THREE HUNDRED SEVENTY EIGHT PESOS & 79/100 (P534,378.79) plus twelve percent (12%) interest per annum to be computed from the date of the filing of the complaint on September 20, 2001 until fully paid,
 - b) The amount of TEN THOUSAND PESOS (P10,000.00) as moral damages,
 - c) The amount of TEN THOUSAND PESOS (P10,000.00) as exemplary damages,
 - d) The amount of TEN THOUSAND PESOS (P10,000.00) as attorney's fees,
 - e) The costs of litigation, and
 - f) An administrative fine of TEN THOUSAND PESOS (P10,000.00) payable to this Office fifteen (15) days upon receipt of this decision, for violation of Section 20 in relation to Section 38 of PD 957.

SO ORDERED.⁷

The HLRUB Arbiter ruled that Sanvictores was entitled to the reliefs he prayed for in the complaint and that the rescission of the contract to sell was just and proper because of the unjustified refusal of the seller to execute the deed of absolute sale and to deliver the title of the subject property despite the full payment of the purchase price. The seller's unjustified refusal constituted a substantive breach of its legal and contractual obligation.

Decision of the HLURB Board

On August 31, 2007, acting on the appeal of PEPI and AFPRSBS, the HLURB Board affirmed the decision of the HLURB Arbiter as it found no reversible error in the findings of fact and conclusions of the HLURB Arbiter.

⁷ Id. at 99-100.

The respective motions for reconsideration of PEPI and AFPRSBS were denied by the HLURB Board.

The Decision of the Office of the President

PEPI and AFPRSBS filed separate appeals before the OP with AFPRSBS insisting that it should not be held jointly and severally liable with PEPI for the refund, administrative fine and the payment of the interest. On June 22, 2010, the OP upheld the decision of the HLURB Board. It stated that in the contract to sell “PEPI and AFPRSBS were referred to singly as the ‘seller,’ and there were no delineations whatsoever as to their rights and obligations.”⁸ Hence, the OP concluded that their obligation to Sanvictores was joint and several.

Motions for reconsideration were separately filed by PEPI and AFPRSBS, but both were denied by the OP in its February 8, 2011 Resolution.⁹

AFPRSBS alone filed a petition for review before the CA.

The CA Decision

On November 28, 2012, the CA affirmed the decision of the OP. The CA echoed the view of the OP that PEPI and AFPRSBS were indicated as the “Seller” in the subject contract, without any delineation whatsoever as to the rights and obligations of the respective parties. It wrote that PEPI and AFPRSBS came to the contracting table with the intention to be bound jointly and severally. Hence, the CA concluded that the nature of the obligation of PEPI and AFPRSBS under the subject contract was solidary pursuant to Article 1207 of the Civil Code.¹⁰ It sustained the award of moral and exemplary damages but lowered the interest rate on the award of actual damages to 6% *per annum*. Thus, it disposed as follows:

WHEREFORE, in view of the foregoing, the Petition is hereby DENIED and the Decision dated June 22, 2010 is AFFIRMED with modification that the interest rate on the actual damages in the amount of FIVE HUNDRED THIRTY FOUR THOUSAND THREE HUNDRED SEVENTY EIGHT PESOS &

⁸ Id. at 154.

⁹ Id. at 155-156.

¹⁰ ART. 1207. The concurrence of two or more creditors or of two or more debtors in one and the same obligation does not imply that each one of the former has a right to demand, or that each one of the latter is bound to render, entire compliance with the prestation. There is a solidary liability only when the obligation expressly so states, or when the law or the nature of the obligation requires solidarity.

79/100 (₱534,378.79), is REDUCED to six percent (6%) *per annum*.

SO ORDERED.¹¹

The CA denied the motion for reconsideration filed by AFPRSBS in its June 6, 2013 Resolution.

Hence, this petition with the following

ASSIGNMENT OF ERRORS

The Honorable Court of Appeals committed grave abuse of discretion and misconstrued the facts and misapplied the law when:

- I It held Petitioner AFPRSBS jointly and severally liable with PEPI to the Respondent**
- II It held herein Petitioner AFPRSBS liable for moral and exemplary damages, costs of litigation and attorney's fees.**
- III It held Petitioner AFPRSBS to pay administrative fine of ten thousand pesos (₱10,000.00) payable to HLURB for violation of Section 20 in relation to Section 38 of P.D. 957.**

Position of AFPRSBS

In advocacy of its position, AFPRSBS argues that it was not the owner/developer of the Village East Executive Homes subdivision, but PEPI; that all the certificates of title of the lots in the said subdivision project were in the name and possession of PEPI; that it was not the seller of the subject property, but PEPI; that although it appeared in the contract to sell that AFPRSBS was a co-seller of the subject lot, it was not signed by any of its authorized representative; that the contract to sell was signed by Espina, the Treasurer and the authorized representative of PEPI; that because it was not a party in the said contract, it could not be affected, favored or prejudiced thereby; that under Article 1311 of the Civil Code, contracts take effect only between the parties, their assigns and heirs; that it

¹¹ *Rollo*, p. 47.

never dealt with Sanvictores with respect to the sale of the subject subdivision lot; that its officers and employees never made any representation to him relative to the subject lot; that the transaction and the communications were exclusively held between Sanvictores and PEPI as evidenced by his passbook and the letter of PEPI addressed to him, dated September 26, 2000; that the failure to deliver the title to Sanvictores was due to the mortgage of the subject lot by PEPI to PNB; that it was not a party or privy to the said mortgage; that the mortgage was executed solely by PEPI to secure the loan it obtained from PNB as shown by the Loan Agreement and the Real Estate Mortgage; that assuming that it would be adjudged liable to Sanvictores on the basis of the said contract to sell, its liability would only be joint and not *in solidum* with PEPI; that solidary liability could not be presumed; and that it could not be liable for damages and administrative fine because it was not the owner or developer of the subject parcel of land.

Counter-Position of Sanvictores

Sanvictores countered that both PEPI and AFPRSBS were referred to as the “seller” in the contract to sell; that the signatures of their respective representatives, Espina and Menandro Mena (*Mena*), appeared in the said contract; that AFPRSBS could not disclaim liability by the mere expedient of denying that it was not a party to the transaction and that the person who signed the contract was not authorized; that AFPRSBS should be estopped in denying the authority of their representative because it gave the latter the apparent authority to represent it in the subject transaction; that there was nothing on the face of the notarized contract to sell that would arouse any suspicion that Espina and Mena were not authorized by PEPI and AFPRSBS, respectively; that PEPI and AFPRSBS were referred to in the entire contract as “Seller” and not “Sellers,” denoting that they were only one; that they came to the contracting table with the intention to be bound jointly and severally; that there was no delineation whatsoever as to their rights and obligations; that PEPI and AFPRSBS represented themselves as the “Seller” in the contract to sell and they appeared to be partners; and that AFPRSBS should be liable for moral and exemplary damages, costs of litigation and attorney’s fees.

The Court’s Ruling

The petition lacks merit.

In a wealth of cases, the Court has consistently ruled that factual findings and conclusions of an adjudicative body, especially when affirmed on appeal and supported by enough evidence, are entitled to great weight,

full respect and even finality by this Court, because administrative agencies or quasi-judicial bodies are clothed with special knowledge and expertise on specific matters within their jurisdiction. In the absence of any proof showing grave abuse of discretion, the appellate courts will not disturb their factual findings and conclusions.

In the case at bench, the HLURB, the OP and the CA were one in ruling that AFPRSBS was jointly and severally liable with PEPI to Sanvictores. The Court reviewed the records and found their factual findings and conclusions to be in accordance with the evidentiary records.

In *Spouses Berot v. Siapno*,¹² the Court defined solidary obligation as one in which each of the debtors is liable for the entire obligation, and each of the creditors is entitled to demand the satisfaction of the whole obligation from any or all of the debtors. On the other hand, a joint obligation is one in which each debtor is liable only for a proportionate part of the debt, and the creditor is entitled to demand only a proportionate part of the credit from each debtor. The well-entrenched rule is that solidary obligations cannot be inferred lightly. They must be positively and clearly expressed. A liability is solidary “only when the obligation expressly so states, when the law so provides or when the nature of the obligation so requires.” In this regard, Article 1207 of the Civil Code provides:

Art. 1207. The concurrence of two or more creditors or of two or more debtors in one and the same obligation does not imply that each one of the former has a right to demand, or that each one of the latter is bound to render, entire compliance with the prestation. There is a solidary liability only when the obligation expressly so states, or when the law or the nature of the obligation requires solidarity.

As can be gleaned therefrom, Article 1207 does not presume solidary liability unless: 1] the obligation expressly so states; or 2] the law or nature requires solidarity.¹³

Here, there is no doubt that the nature of the obligation of PEPI and AFPRSBS under the subject contract to sell was solidary. In the said contract, PEPI and AFPRSBS were expressly referred to as the “SELLER” while Sanvictores was referred to as the “BUYER.” Indeed, the contract to sell did not state “SELLERS” but “SELLER.” This could only mean that PEPI and AFPRSBS were considered as one seller in the contract. As correctly pointed out by the administrative tribunals below and the CA, there was no delineation as to their rights and obligations.

¹² G.R. No. 188944, July 9, 2014, 729 SCRA 475.

¹³ *Guy v. Gacott*, G.R. No. 206147, January 13, 2016.

Also in the said contract, the signatories were Espina, representing PEPI; Mena, representing AFPRSBS; and Sanvictores. Espina signed under PEPI as seller while Mena signed under AFPRSBS also as seller. Furthermore, the signatures of Espina and Mena were affixed again in the last portion of the Deed of Restrictions¹⁴ under the word "OWNER" with Espina signing for PEPI and Mena for AFPRSBS.

AFPRSBS repeatedly argues that the contract was not signed by any of its authorized representative. It was resolute in its claim that Espina was not its treasurer or authorized representative. Conveniently, however, it remained silent as to Mena. It never denied that Mena was its representative.

Indeed, there could be no other conclusion except that PEPI and AFPRSBS came to the contracting table with the intention to be bound jointly and severally. AFPRSBS is estopped from denying Mena's authority to represent it. It is quite obvious that AFPRSBS clothed Mena with apparent authority to act on its behalf in the execution of the contract to sell. There is estoppel when the principal has clothed the agent with indicia of authority as to lead a reasonably prudent person to believe that the agent actually has such authority.¹⁵ "In an agency by estoppel or apparent authority, "the principal is bound by the acts of his agent with the apparent authority which he knowingly permits the agent to assume, or which he holds the agent out to the public as possessing."¹⁶ "A corporation may be held in estoppel from denying as against innocent third persons the authority of its officers or agents who have been clothed by it with ostensible or apparent authority."¹⁷

WHEREFORE, the petition is DENIED.

SO ORDERED.


JOSE CATRAL MENDOZA
Associate Justice

¹⁴ *Rollo*, pp. 58-61.

¹⁵ *Megan Sugar Corp. v. Regional Trial Court of Iloilo, Branch 68*, 665 Phil. 245-261 (2011).

¹⁶ *Republic v. Bañez*, G.R. No. 169442, October 14, 2015.

¹⁷ *Megan Sugar Corp. v. Regional Trial Court of Iloilo, Branch 68*, supra note 16.

WE CONCUR:



ANTONIO T. CARPIO
Associate Justice
Chairperson

(On Leave)
ARTURO D. BRION
Associate Justice



MARIANO C. DEL CASTILLO
Associate Justice



MARVIC M.V.F. LEONEN
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.



ANTONIO T. CARPIO
Associate Justice
Chairperson, Second 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.



MARIA LOURDES P. A. SERENO
Chief Justice