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Wilfredo V. Laitan
WILFREDO V. LAITAN
 Division Clerk of Court
 Third Division

Republic of the Philippines
Supreme Court
 Manila

JAN 03 2019

THIRD DIVISION

REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE SECRETARY OF THE DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS (DPWH),

Petitioner,

G.R. No. 218732

Present:

PERALTA, J., *Chairperson*,
 LEONEN,
 GISMUNDO,*
 REYES, J. JR., and
 HERNANDO,* JJ.

- versus -

JOSE GAMIR-CONSUELO DIAZ HEIRS ASSOCIATION, INC.,
 Respondent.

Promulgated:

November 12, 2018

Wilfredo V. Laitan

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DECISION

REYES, J. JR., J.:

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking to set aside the December 12, 2013 Decision¹ and the June 9, 2015 Resolution² of the Court of Appeals (CA) in CA-G.R. CV No. 02251-MIN, which reversed the March 4, 2010 Decision³ of the Regional Trial Court, Branch 15, Davao City (RTC).

* On wellness leave.

¹ Penned by Associate Justice Oscar V. Badelles, with Associate Justices Romulo V. Borja and Renato C. Francisco concurring; *rollo*, pp. 37-45.

² Penned by Associate Justice Oscar V. Badelles, with Associate Justices Romulo V. Borja and Henri Jean Paul B. Inting concurring; *id.* at 46-49.

³ Not attached in the *rollo*.

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Factual background

Jose Gamir-Consuelo Diaz Heirs Association, Inc. (respondent) is a duly incorporated corporation composed of the heirs of Jose Gamir and Consuelo Diaz. It was the registered owner of a parcel of land with an area of 1,836 square meters covered under Transfer Certificate of Title (TCT) No. T-7550.⁴

On August 9, 2005, after a series of negotiations, respondent and the Republic of the Philippines (petitioner), through the Department of Public Works and Highways (DPWH), executed a Deed of Absolute Sale⁵ where it was agreed that respondent would sell the above-mentioned property to petitioner in consideration of ₱275,099.24. The property was eventually registered in petitioner's name under TCT No. T-390639⁶ after respondent's receipt of the full consideration. The said parcel of land forms part of Sta. Ana Avenue, a national road.⁷

On November 15, 2006, respondent filed a Complaint⁸ before the RTC. It alleged that: the subject parcel of land was taken by the DPWH sometime in 1957; the value of ₱275,099.24 as just compensation stated in the Deed of Absolute Sale, was based on the value of the property in 1957; it made verbal and written demands to petitioner for the payment of interest from 1957; and it had a right to receive interest because the DPWH had not paid just compensation when it occupied the property in 1957.

In its March 4, 2010 Decision, the RTC dismissed respondent's complaint for lack of merit. Aggrieved, it appealed before the CA.

CA Decision

In its December 12, 2013 Decision, the CA granted respondent's appeal and reversed the RTC decision. The appellate court noted that petitioner had been occupying respondent's property since 1957 and it was only in 2005 when the parties entered into a contract of sale for the said lot. It explained that the Deed of Absolute Sale was not equivalent to the constitutionally mandated just compensation because it refers not only to the correct amount to be paid but also the payment within a reasonable time from the taking. The CA expounded that without prompt payment,

⁴ *Rollo*, p. 64. Referred to as TCT No. T-390639 in the Complaint but said parcel of land was covered by TCT No. T-7550 prior to the purchase from respondent.

⁵ *Id.* at 60-62.

⁶ *Id.* at 73.

⁷ *Id.* at 13-14.

⁸ *Id.* at 63-70.

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compensation cannot be considered just if the property is taken immediately because the property owner suffers the immediate deprivation of both the land and the fruits and income thereto. Relying on the pronouncements in *Apo Fruits Corporation v. Land Bank of the Philippines (Apo)*,⁹ the appellate court posited that legal interest accrued from the time of the actual taking of the property until actual payment to place the landowner in a position as good as the position he was before the taking occurred.

The CA elucidated that the Deed of Absolute Sale cannot be taken as a waiver of the payment of interest because the determination of just compensation in eminent domain cases is a judicial function and the taking of the property was done in the exercise of the state's inherent power of eminent domain. The appellate court added that the obligation to pay interest arises from law, independent of the contract of sale between the parties. Thus, it disposed:

WHEREFORE, premises considered, the instant appeal is GRANTED. The Decision dated 04 March 2010 in Civil Case No. 31,644-2006 is hereby REVERSED and SET ASIDE, and a new one is entered, granting the prayer for the payment of interest on the agreed price of the land at the rate of 12% per annum to be computed from 1957 until full payment is made. No Cost.

SO ORDERED.¹⁰

Petitioner moved for reconsideration, but it was denied by the CA in its June 9, 2015 Resolution.

Hence, this present petition raising:

Issue

WHETHER RESPONDENT IS ENTITLED TO RECEIVE PAYMENT OF INTEREST NOTWITHSTANDING THE ABSENCE OF ANY STIPULATION IN THE DEED OF ABSOLUTE SALE WITH PETITIONER.

Petitioner argued that after the execution of the Deed of Absolute Sale, respondent cannot claim that it is still entitled to interest without violating the Parole Evidence Rule. It pointed out that the correspondences respondent relied on were made prior to the execution of the contract. Petitioner assailed that the Deed of Absolute Sale was voluntarily executed and contained all the stipulations relating to the conveyance of the property. It posited that the lack of stipulation concerning the payment of interest in the contract amounted to an abandonment thereof considering that

⁹ 647 Phil. 251 (2010).

¹⁰ *Rollo*, p. 45.

respondent had raised the same during the negotiation of the contract. Petitioner believed that respondent should have asserted the payment of interest before the execution of the Deed of Absolute Sale and the latter's execution of the contract *sans* any provision for the payment of interest amounted to a waiver of the payment of interest.

In addition, petitioner claimed that the ruling in *Apo* is inapplicable because unlike in the said case, the value of just compensation was not an issue as it was agreed upon by the parties and the only controversy here is the payment of interest. It also noted that in *Apo*, the landowner offered to sell the property to the government as opposed to the present case where the Deed of Absolute Sale was executed after negotiations between the parties. Finally, petitioner surmised that the provisions of the Civil Code with regards to contract should apply because the transfer of property was made through negotiated sale.

In its Comment¹¹ dated November 7, 2015, respondent lamented that the arguments raised in petitioner's petition for review on *certiorari* had been addressed by the CA.

In its Reply¹² dated June 24, 2016, petitioner reiterated that the Deed of Absolute Sale unconditionally transferred ownership of the subject property without objection on respondent's part as to the acquisition cost and the lack of a stipulation concerning payment of interest. It explained that the consensual contract between the parties is the law between them and that its provisions are obligatory. Petitioner highlighted that respondent never raised as an issue the alleged failure of the deed to reflect the parties' true intent or that respondent reserved the right to claim legal interest.

The Court's Ruling

The petition is meritorious.

Eminent domain is the inherent power of a nation or a sovereign state to take, or sanction the taking of, private property for a public use without the owner's consent, conditioned upon payment of just compensation.¹³ In other words, eminent domain is a coercive measure on the part of the state whereby private interests are impaired for the general welfare.

While eminent domain is an inherent power, it is not absolute such that it is subject to limitations imposed under the 1987 Constitution. Section 1, Article III provides that no person shall be deprived of property without

¹¹ Id. at 85-90.

¹² Id. at 105-115.

¹³ *Barangay Sindalan, San Fernando Pampanga, rep. by Brgy. Capt. Gutierrez v. Court of Appeals*, 547 Phil. 542, 551 (2007).

due process of law, while Section 9 thereof states that private property shall not be taken for public use without just compensation. These constitutionally enshrined restrictions ensure that private individuals are not unduly prejudiced by the capricious or oppressive exercise of the State's powers. Thus, in order for the State to exercise its power of eminent domain, the following requirements must be present: (a) that it is for a particular purpose; and (b) that just compensation is paid to the property owner.¹⁴

Just compensation is the full and fair equivalent of the property taken from its owner by the expropriator, the true measure of which is not the taker's gain but the owner's loss.¹⁵ Further, it does not only refer to the payment of the correct amount but also to the payment within a reasonable time from its taking because without prompt payment, the compensation cannot be considered just.¹⁶ In other words, just compensation in the context of eminent domain or expropriation proceedings pertains to the timely or prompt payment of an adequate value sufficient to recoup the loss suffered by the property owner.

Respondent agrees with the valuation of its properties. As such, it does not contest in its complaint the consideration stipulated in the Deed of Absolute Sale it entered into with petitioner. Rather, it assails that it was entitled to interest from 1957, but petitioner refused to pay the same. On this score, the CA concurred with respondent noting that the legal interest emanated from law and not merely from a contract, which means that it is not subject to the will of the parties. The appellate court ratiocinated that respondent had no choice but to sign the Deed of Absolute Sale in spite of the absence of a stipulation regarding the payment of interest because the property was already in possession of the government since 1957.

Essentially, expropriation is an involuntary sale where the landowner is practically an unwilling seller.¹⁷ Provided all the requisites for its exercise are present, a private individual cannot resist the state's exercise of its inherent power of eminent domain. Nevertheless, there is nothing that precludes the government from entering into a negotiated sale with a private landowner to acquire a property to be devoted for a public purpose. In fact, expropriation proceedings or court intervention would be unnecessary should a deed of sale be executed where the parties come to an agreement as to the price of the property to be sold.¹⁸

¹⁴ *National Transmission Corporation v. Oroville Development Corporation*, G.R. No. 223366, August 1, 2017.

¹⁵ *Evergreen Manufacturing Corporation v. Republic*, G.R. No. 218628, September 6, 2017.

¹⁶ *Republic v. Lim*, 500 Phil. 652, 663 (2005).

¹⁷ *Secretary of the Department of Public Works and Highways v. Spouses Tecson*, 758 Phil. 604, 648 (2015).

¹⁸ *National Power Corporation v. Court of Appeals*, 325 Phil. 29, 47 (1996).

In *Republic v. Roque, Jr.*,¹⁹ the Court recognized that the State may acquire property through expropriation or voluntary sale, each having a different consequence or implication, to wit:

On a final note, we point out that the parties entered into a negotiated sale transaction; thus, the Republic did not acquire the property through expropriation.

In expropriation, the Republic's acquisition of the expropriated property is subject to the condition that the Republic will return the property should the public purpose for which the expropriation was done did not materialize. On the other hand, a sale contract between the Republic and private persons is not subject to this same condition unless the parties stipulate it.

The respondents in this case failed to prove that the sale was attended by a similar condition. Hence, the parties are bound by their sale contract transferring the property without the condition applicable in expropriation cases.

The CA surmised that the execution of deed of sale did not amount to a waiver on the part of respondent for the payment of interest. The rationale for the payment of interest in expropriation cases is to compensate landowners for the income they would have made had they been properly compensated for their properties at the time of taking.²⁰

Nonetheless, the required payment of interest is related to the computation of just compensation, which is judicially determined in expropriation proceedings. Interest payment should be viewed in a different light when there is a voluntary sale between the landowner and the government. As above-mentioned, expropriation and voluntary sale have different legal effects, especially considering that in the latter, the parties could freely negotiate the terms and conditions of the contract, *i.e.*, they could include a stipulation concerning the payment of interest. In addition, in entering into a voluntary purchase or sale, the state does not exercise its power of eminent domain.²¹

In a long line of cases where the Court awarded legal interest, there was either an absence of concurrence between the landowner and the government with regards to the value of the property taken or the state had commenced expropriation proceedings.

In the cases of *Reyes v. National Housing Authority*,²² *Republic v. Court of Appeals*,²³ and *Philippine Ports Authority v. Rosales-Bondoc*,²⁴ the

¹⁹ G.R. No. 203610, October 10, 2016, 805 SCRA 524, 546-547.

²⁰ *Apo Fruits Corporation v. Land Bank of the Philippines*, supra note 9, at 283.

²¹ *National Power Corporation v. Court of Appeals*, supra note 18.

²² 443 Phil. 603 (2003).

²³ 433 Phil. 106 (2002).

²⁴ 557 Phil. 737 (2007).

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government, through different bodies and agencies, instituted expropriation proceedings to acquire private property for public use. Meanwhile, in *Land Bank of the Philippines v. Imperial*,²⁵ the landowner filed a complaint for determination and payment of just compensation after the Department of Agrarian Reform (DAR) distributed its properties to farmer-beneficiaries. On the other hand, in *Land Bank of the Philippines v. Wycoco*,²⁶ the landowner initially offered to sell its property to DAR but the matter was referred to the DAR Adjudication Board after the former disagreed with the valuation of its property.

Common in the above-cited cases is the fact that either there was never any negotiation between the government and the private landowner, or the parties did not reach any agreement as to the consideration for the property taken. Unlike in the present case, petitioner and respondent voluntarily and freely executed and entered into a deed of sale covering the latter's property. The said document purports to represent the will of the parties concerning the transaction after a series of negotiations. It must be remembered that the contract is the law between the parties and they are bound by its stipulations.²⁷ The CA erred in relying on the pronouncements in *Apo* because in the said case, there was no consensual contract between the parties as the landowner disagreed with the valuation done by the DAR on its property.

In sum, the award of legal interest in cases where the government acquires private property through voluntary sale is not a matter of law. Unlike in cases where the state exercises its power of eminent domain or a party initiates expropriation proceedings and other similar actions, in negotiated sale, there is an existing contract that governs the relations of the parties and determines their respective rights and obligations. In turn, these contractual stipulations should be complied with in good faith, unless they are contrary to law, morals, good customs, public order or public policies.²⁸ Hence, the laws relating to contracts should govern in case of controversy in their application.

In its complaint, respondent admits that upon negotiation, it agreed to sell its property to petitioner for the amount stated in the Deed of Absolute Sale. However, it notes that prior to the execution of the said deed, it had demanded for the payment of interest to be computed from 1957, but petitioner rejected it. It is worth highlighting that the Deed of Absolute Sale between petitioner and respondent does not contain any provision or stipulation for the payment of interest. Neither did respondent make any reservation for it to claim interest.

²⁵ 544 Phil. 378 (2007).

²⁶ 464 Phil. 83 (2004).

²⁷ *Spouses Villanueva v. Court of Appeals*, 671 Phil. 467, 479 (2011).

²⁸ *Morla v. Belmonte*, 678 Phil. 102, 117 (2011), citing *Roxas v. De Zuzuarregui, Jr.*, 516 Phil. 605, 622-623 (2006).

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Under Section 9, Rule 130 of the Revised Rules of Court,²⁹ when the terms of an agreement have been reduced to writing, it is considered as containing all the terms agreed upon. In *Spouses Paras v. Kimwa Construction and Development Corporation*,³⁰ the Court explained the rationale behind the prohibition on the admission of extrinsic evidence in relation to the terms of a written contract, to wit:

Per this rule, reduction to written form, regardless of the formalities observed, “forbids any addition to, or contradiction of, the terms of a written agreement by testimony or other evidence purporting to show that different terms were agreed upon by the parties, varying the purport of the written contract.”

This rule is animated by a perceived wisdom in deferring to the contracting parties’ articulated intent. **In choosing to reduce their agreement into writing, they are deemed to have done so meticulously and carefully, employing specific — frequently, even technical — language as are appropriate to their context.** From an evidentiary standpoint, this is also because “oral testimony . . . coming from a party who has an interest in the outcome of the case, depending exclusively on human memory, is not as reliable as written or documentary evidence. Spoken words could be notoriously unreliable unlike a written contract which speaks of a uniform language.” (Emphasis supplied)

In other words, reliance on the terms of written contract is practicable because it is understood that whatever stipulations appearing therein was a result of negotiation, posturing and bargaining between the parties. Whatever is not included in the document is deemed waived or abandoned.³¹

Nevertheless, the Parol Evidence Rule is not a hard-and-fast rule as it admits of exceptions. Under the same rule, a party may present evidence to modify, explain or add to the terms of the written agreement if he puts in issue in his pleading: (a) an intrinsic ambiguity, mistake or imperfection in the written agreement; (b) the failure of the written agreement to express the true intent and agreement of the parties; (c) the validity of the written agreement; or (d) the existence of other terms agreed to by the parties or their successors-in-interest **after the execution** of the written agreement. In short, in order for parol evidence to be admitted, the following must be established: (a) the existence of any of the four exceptions has been put in issue in a party’s pleading or has not been objected to by the opposing party; and (b) the parol evidence sought to be presented serves to form the basis of the conclusion proposed by the presenting party.³²

²⁹ Parol Evidence Rule.

³⁰ 757 Phil. 582, 590 (2015).

³¹ *Norton Resources and Development Corporation v. All Asia Bank Corporation*, 620 Phil. 381, 390 (2009).

³² *Spouses Abella v. Spouses Abella*, 763 Phil. 372, 387 (2015), citing *Spouses Paras v. Kimwa Construction and Development Corporation*, supra note 30, at 592.

In the present case, it is undisputed that the Deed of Absolute Sale between petitioner and respondent does not contain any provision regarding the payment of interest. Petitioner agreed to convey its property upon full payment of the purchase price without reservation for any claim of interest. No parol evidence can be admitted to support respondent's claim of interest because it never put in issue in its complaint the ambiguity or validity of the Deed of Absolute Sale, or its failure to reflect the parties' true intention.

In addition, respondent cannot rely on its August 1, 2005 Letter³³ demanding payment of interest because the said correspondence was made prior to the execution of the Deed of Absolute Sale. Thus, it could be reasonably concluded that respondent had abandoned its demand for interest after it acquiesced with the contract notwithstanding the lack of stipulation concerning payment of interest. Respondent freely agreed to enter into the covenant knowing fully well that petitioner was not bound by its terms to pay interest. If it feels shortchanged, the Court cannot offer any reprieve. After all, courts have no alternative but to enforce contractual stipulations in the manner agreed upon by the parties, and they do not have the power to modify contracts or save parties from disadvantageous provisions.³⁴

Further, the Court disagrees with the CA's observation that respondent was left with no choice but to sign the Deed of Absolute Sale sans any provision on the payment of interest. In respondent's complaint, there was no allegation that it was coerced into signing the document or that its consent was vitiated in any manner. It was not compelled to sign the said deed should it find itself placed in a disadvantageous position. In fact, respondent could have opted to initiate expropriation proceedings if it was adamant in its claim for legal interest — or, at the very least, included a clause in the perfected deed of sale that it was reserving the right to claim legal interest. In the same vein, it did not protest or place any objection when it acknowledged receipt³⁵ of the full purchase price embodied in the Deed of Absolute Sale.

It is noteworthy that the deed of sale executed in *National Power Corporation v. Court of Appeals*³⁶ contained a clause that it was without prejudice to the landowner's pursuance for just compensation and interest. Unfortunately in the said case, the National Power Corporation repudiated the deed resulting in judicial intervention for the determination of just compensation. Here, in accordance with the Deed of Absolute Sale, respondent voluntarily agreed to convey its property to petitioner upon full payment of the purchase price — without any other restrictions, limitations or conditions.

³³ Rollo, p. 76.

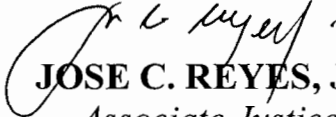
³⁴ *Pryce Corporation v. Philippine Amusement & Gaming Corp.*, 497 Phil. 490, 503 (2005).

³⁵ Rollo, p. 75.

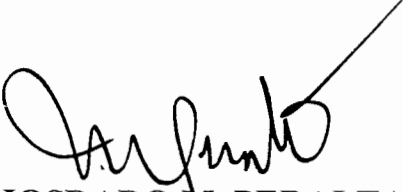
³⁶ Supra note 18, at 44-45.

WHEREFORE, the petition is **GRANTED**. The December 12, 2013 Decision and the June 9, 2015 Resolution of the Court of Appeals in CA-G.R. CV No. 02251-MIN are **REVERSED** and **SET ASIDE**. The March 4, 2010 Decision of the Regional Trial Court, Branch 15, Davao City is **REINSTATED**.

SO ORDERED.


JOSE C. REYES, JR.
Associate Justice

WE CONCUR:


DIOSDADO M. PERALTA
Associate Justice
Chairperson

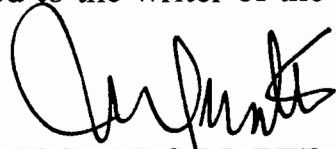

MARVIC MARIO VICTOR F. LEONEN
Associate Justice

(On Wellness Leave)
ALEXANDER G. GESMUNDO
Associate Justice

(On Wellness Leave)
RAMON PAUL L. HERNANDO
Associate Justice


ATTESTATION

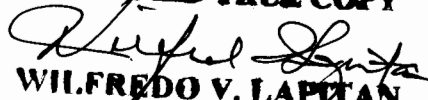
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


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.


ANTONIO T. CARIPIO
Senior Associate Justice
(Per Section 12, Republic Act
No. 296, The Judiciary Act of
1948, as amended)

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Division Clerk of Court
Third Division

JAN 03 2019

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