



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

**SPOUSES ROLANDO
and HERMINIA SALVADOR,**
Petitioners,

G.R. No. 199990

Present:

- versus -

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

**SPOUSES ROGELIO AND
ELIZABETH RABAJA and
ROSARIO GONZALES,**
Respondents.

Promulgated:

FEB 04 2015

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DECISION

MENDOZA, J.:

This is a petition for review on *certiorari* seeking to reverse and set aside the August 22, 2011 Decision¹ and the January 5, 2012 Resolution² of the Court of Appeals (CA) in CA-G.R. CV No. 90296 which affirmed with modification the March 29, 2007 Decision of the Regional Trial Court Branch 214 (*RTC-Branch 214*), Mandaluyong City in Civil Case No. MC-03-2175, for rescission of a contract (*rescission case*).

The Facts

This case stemmed from a dispute involving the sellers, petitioner spouses Rolando and Herminia Salvador (*Spouses Salvador*); the sellers' agent, Rosario Gonzales (*Gonzales*); and the buyers, respondent Spouses

* Designated Acting member in lieu of Associate Justice Arturo D. Brion, per Special Order No. 1910, dated January 12, 2015.

¹ Penned by Associate Justice Agnes Reyes-Carpio with Associate Justice Fernanda Lampas Peralta and Associate Justice Priscilla Baltazar-Padilla, concurring; *rollo*, pp. 50-73.

² *Id.* at 75-76.

Rogelio and Elizabeth Rabaja (*Spouses Rabaja*), over a parcel of land situated at No. 25, Merryland Village, 375 Jose Rizal Street, Mandaluyong City (*subject property*), covered by Transfer Certificate of Title (*TCT*) No. 13426 and registered in the names of Spouses Salvador. From 1994 until 2002, Spouses Rabaja were leasing an apartment in the subject lot.

Sometime in July 1998, Spouses Rabaja learned that Spouses Salvador were looking for a buyer of the subject property. Petitioner Herminia Salvador (*Herminia*) personally introduced Gonzales to them as the administrator of the said property. Spouses Salvador even handed to Gonzales the owner's duplicate certificate of title over the subject property. On July, 3, 1998, Spouses Rabaja made an initial payment of ₱48,000.00 to Gonzales in the presence of Herminia. Gonzales then presented the Special Power of Attorney³ (*SPA*), executed by Rolando Salvador (*Rolando*) and dated July 24, 1998. On the same day, the parties executed the Contract to Sell⁴ which stipulated that for a consideration of ₱5,000,000.00, Spouses Salvador sold, transferred and conveyed in favor of Spouses Rabaja the subject property. Spouses Rabaja made several payments totalling ₱950,000.00, which were received by Gonzales pursuant to the SPA provided earlier as evidenced by the check vouchers signed by Gonzales and the improvised receipts signed by Herminia.

Sometime in June 1999, however, Spouses Salvador complained to Spouses Rabaja that they did not receive any payment from Gonzales. This prompted Spouses Rabaja to suspend further payment of the purchase price; and as a consequence, they received a notice to vacate the subject property from Spouses Salvador for non-payment of rentals.

Thereafter, Spouses Salvador instituted an action for ejectment against Spouses Rabaja. In turn, Spouses Rabaja filed an action for rescission of contract against Spouses Salvador and Gonzales, the subject matter of the present petition.

In the action for ejectment, the complaint was filed before the Metropolitan Trial Court of Mandaluyong City, Branch 60 (*MeTC*), where it was docketed as Civil Case No. 17344. In its August 14, 2002 Decision,⁵ the MeTC ruled in favor of Spouses Salvador finding that valid grounds existed for the eviction of Spouses Rabaja from the subject property and ordering them to pay back rentals. Spouses Salvador were able to garnish the amount of ₱593,400.00⁶ from Spouses Rabaja's time deposit account pursuant to a

³ Id. at p. 101.

⁴ Id. at p. 102.

⁵ Records, pp. 433-436.

⁶ Id. at 432.

writ of execution issued by the MeTC.⁷ Spouses Rabaja appealed to the Regional Trial Court, Branch 212, Mandaluyong City (*RTC-Br. 212*) which reversed the MeTC ruling in its March 1, 2005 decision.⁸ The RTC-Br. 212 found that no lease agreement existed between the parties. Thereafter, Spouses Salvador filed an appeal with the CA which was docketed as **CA-G.R. SP No. 89259**. On March 31, 2006, the CA ruled in favor of Spouses Salvador and *reinstated* the MeTC ruling ejecting Spouses Rabaja.⁹ Not having been appealed, the CA decision in CA-G.R. SP No. 89259 became final and executory on May 12, 2006.¹⁰

Meanwhile, the rescission case filed by Spouses Rabaja against Spouses Salvador and Gonzales and docketed as Civil Case No. MC No. 03-2175 was also raffled to RTC-Br. 212. In their complaint,¹¹ dated July 7, 2003, Spouses Rabaja demanded the rescission of the contract to sell praying that the amount of ₱950,000.00 they previously paid to Spouses Salvador be returned to them. They likewise prayed that damages be awarded due to the contractual breach committed by Spouses Salvador.

Spouses Salvador filed their answer with counterclaim and cross-claim¹² contending that there was no meeting of the minds between the parties and that the SPA in favor of Gonzales was falsified. In fact, they filed a case for falsification against Gonzales, but it was dismissed because the original of the alleged falsified SPA could not be produced. They further averred that they did not receive any payment from Spouses Rabaja through Gonzales. In her defense, Gonzales filed her answer¹³ stating that the SPA was not falsified and that the payments of Spouses Rabaja amounting to ₱950,000.00 were all handed over to Spouses Salvador.

The pre-trial conference began but attempts to amicably settle the case were unsuccessful. It was formally reset to February 4, 2005, but Spouses Salvador and their counsel failed to attend. Consequently, the RTC issued the pre-trial order¹⁴ declaring Spouses Salvador in default and allowing Spouses Rabaja to present their evidence *ex parte* against Spouses Salvador and Gonzales to present evidence in her favor.

⁷ Id. at p. 438.

⁸ Id. at 439-446.

⁹ Penned by Associate Justice Amelita Tolentino with Associate Justice Portia Alino Hormachuelos and Associate Justice Vicente S.E. Veloso, concurring; *rollo*, pp. 136-145.

¹⁰ Id. at 146.

¹¹ Id. at 79-83.

¹² Id. at 84-90.

¹³ Id. at 91-94.

¹⁴ Id. at 105-112.

A motion for reconsideration,¹⁵ dated March 28, 2005, was filed by Spouses Salvador on the said pre-trial order beseeching the liberality of the court. The rescission case was then re-raffled to RTC-Br. 214 after the Presiding Judge of RTC-Br. 212 inhibited herself. In the Order,¹⁶ dated October 24, 2005, the RTC-Br. 214 denied the motion for reconsideration because Spouses Salvador provided a flimsy excuse for their non-appearance in the pre-trial conference.

Thereafter, trial proceeded and Spouses Rabaja and Gonzales presented their respective testimonial and documentary evidence.

RTC Ruling

On March 29, 2007, the RTC-Br. 214 rendered a decision¹⁷ in favor of Spouses Rabaja. It held that the signature of Spouses Salvador affixed in the contract to sell appeared to be authentic. It also held that the contract, although denominated as “contract to sell,” was actually a contract of sale because Spouses Salvador, as vendors, did not reserve their title to the property until the vendees had fully paid the purchase price. Since the contract entered into was a reciprocal contract, it could be validly rescinded by Spouses Rabaja, and in the process, they could recover the amount of ₱950,000.00 jointly and severally from Spouses Salvador and Gonzales. The RTC stated that Gonzales was undoubtedly the attorney-in-fact of Spouses Salvador absent any taint of irregularity. Spouses Rabaja could not be faulted in dealing with Gonzales who was duly equipped with the SPA from Spouses Salvador.

The RTC-Br. 214 then ruled that the amount of ₱593,400.00 garnished from the time deposit account of Spouses Rabaja, representing the award of rental arrearages in the separate ejectment suit, should be returned by Spouses Salvador.¹⁸ The court viewed that such amount was part of the purchase price of the subject property which must be returned. It also awarded moral and exemplary damages in favor of Spouses Rabaja and attorney’s fees in favor of Gonzales. The dispositive portion of the said decision reads:

¹⁵ Id. at 113-115.

¹⁶ Id. at 124-125.

¹⁷ Penned by Judge Edwin D. Sorongon; id. at 126-134.

¹⁸ Id. at 132.

WHEREFORE, this court renders judgment as follows:

- a. Ordering the “Contract to Sell” entered into by the plaintiff and defendant spouses Rolando and Herminia Salvador on July 24, 1998 as RESCINDED;
- b. Ordering defendant spouses Rolando and Herminia Salvador and defendant Rosario S. Gonzales jointly and severally liable to pay plaintiffs:
 1. the amount of NINE HUNDRED FIFTY THOUSAND PESOS (₱950,000.00), representing the payments made by the latter for the purchase of subject property;
 2. the amount of TWENTY THOUSAND PESOS (₱20,000.00), as moral damages;
 3. the amount of TWENTY THOUSAND PESOS (₱20,000.00), as exemplary damages;
 4. the amount of ONE HUNDRED THOUSAND PESOS (₱100,000.00), as attorney’s fees;
 5. the cost of suit.
- c. Ordering defendant Spouses Rolando and Herminia Salvador to pay plaintiffs the amount of FIVE HUNDRED NINETY THREE THOUSAND PESOS (₱593,000.00) (*sic*), representing the amount garnished from the Metrobank deposit of plaintiffs as payment for their alleged back rentals;
- d. Ordering the defendant Spouses Rolando and Herminia Salvador to pay defendant Rosario Gonzales on her cross-claim in the amount of ONE HUNDRED THOUSAND PESOS (₱100,000.00);
- e. Dismissing the counterclaims of the defendants against the plaintiff.

SO ORDERED.¹⁹

Gonzales filed a motion for partial reconsideration, but it was denied by the RTC-Br. 114 in its Order,²⁰ dated September 12, 2007. Undaunted, Spouses Salvador and Gonzales filed an appeal before the CA.

CA Ruling

On March 29, 2007, the CA affirmed the decision of the RTC-Br. 114 with modifications. It ruled that the “contract to sell” was indeed a contract

¹⁹ Id. at 133-134.

²⁰ CA *rollo*, p. 64.

of sale and that Gonzales was armed with an SPA and was, in fact, introduced to Spouses Rabaja by Spouses Salvador as the administrator of the property. Spouses Rabaja could not be blamed if they had transacted with Gonzales.

The CA then held that Spouses Salvador should return the amount of ₱593,400.00 pursuant to a separate ejectment case, reasoning that Spouses Salvador misled the court because an examination of **CA-G.R. SP No. 89260** showed that Spouses Rabaja were not involved in that case. CA-G.R. SP No. 59260 was an action between Spouses Salvador and Gonzales only and involved a completely different residential apartment located at 302-C Jupiter Street, Dreamland Subdivision, Mandaluyong City.

The CA, however, ruled that Gonzales was not solidarily liable with Spouses Salvador. The agent must expressly bind himself or exceed the limit of his authority in order to be solidarily liable. It was not shown that Gonzales as agent of Spouses Salvador exceeded her authority or expressly bound herself to be solidarily liable. The decretal portion of the CA decision reads:

WHEREFORE, the appeal is **PARTLY GRANTED**. The assailed Decision dated March 29, 2007 and the Order dated September 12, 2007, of the Regional Trial Court, Branch 214, Mandaluyong City, in Civil Case No. MC-03-2175, are **AFFIRMED** with **MODIFICATION** in that Rosario Gonzalez is not jointly and severally liable to pay Spouses Rabaja the amounts enumerated in paragraph (b) of the Decision dated March 29, 2007.

SO ORDERED.²¹

Spouses Salvador filed a motion for reconsideration but it was denied by the CA in its January 5, 2012 Resolution.

Hence, this petition.

ASSIGNMENT OF ERRORS

I

THE COURT OF APPEALS ERRED IN NOT FINDING THAT THE LOWER COURT GRAVELY ABUSED ITS DISCRETION IN DECLARING PETITIONERS IN DEFAULT AND IN DEPRIVING THEM OF THE OPPORTUNITY TO CROSS-EXAMINE RESPONDENTS SPS. RABAJA AS WELL AS TO PRESENT EVIDENCE FOR AND IN THEIR BEHALF, GIVEN THE MERITORIOUS DEFENSES RAISED IN THEIR ANSWER THAT CATEGORICALLY AND DIRECTLY DISPUTE RESPONDENTS SPS. RABAJA'S CAUSE OF ACTION.

²¹ *Rollo*, pp.72-73.

II

THE COURT OF APPEALS ERRED IN NOT FINDING THAT THE TRIAL COURT GRAVELY ERRED IN GIVING CREDENCE TO THE TESTIMONY OF RESPONDENT GONZALES THAT PAYMENTS WERE INDEED REMITTED TO AND RECEIVED BY PETITIONER HERMINIA SALVADOR EVEN AS THE IMPROVISED RECEIPTS WERE EVIDENTLY MADE UP AND FALSIFIED BY RESPONDENT GONZALES.

III

THE COURT OF APPEALS ERRED IN NOT FINDING THAT THE TRIAL COURT GRAVELY ERRED IN RESCINDING THE CONTRACT TO SELL WHEN THERE IS NOTHING TO RESCIND AS NO VALID CONTRACT TO SELL WAS ENTERED INTO, AND IN DIRECTING THE REFUND OF THE AMOUNT OF ₱950,000.00 WHEN THE EVIDENCE CLEARLY SHOWS THAT SAID AMOUNT WAS PAID TO AND RECEIVED BY RESPONDENT GONZALES ALONE WHO MISAPPROPRIATED THE SAME.

IV

THE COURT OF APPEALS ERRED IN AFFIRMING THE TRIAL COURT'S DECISION FOR PETITIONERS TO RETURN THE AMOUNT OF ₱543,400.00 REPRESENTING RENTALS IN ARREARS GARNISHED OR WITHDRAWN BY VIRTUE OF A WRIT OF EXECUTION ISSUED IN AN EJECTMENT CASE WHICH WAS TRIED AND DECIDED BY ANOTHER COURT.

V

THE COURT OF APPEALS ERRED IN NOT FINDING THAT THE LOWER COURT GRAVELY ERRED IN AWARDING DAMAGES TO RESPONDENTS SPS. RABAJA, THERE BEING NO FACTUAL AND LEGAL BASES FOR SUCH AWARD.

VI

THE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE TRIAL COURT GRAVELY ERRED IN AWARDING ₱100,000.00 TO RESPONDENT GONZALES AS ATTORNEY'S FEES WHEN RESPONDENT GONZALES, IN FACT, COMMITTED FORGERY AND FALSIFICATION IN DEALING WITH THE PROPERTY OF PETITIONERS AND MISAPPROPRIATED THE MONIES PAID TO HER BY RESPONDENTS SPS. RABAJA, THUS GIVING PREMIUM TO HER FRAUDULENT ACTS.²²

²² Id. at 23-24.

The foregoing can be synthesized into three main issues. *First*, Spouses Salvador contend that the order of default must be lifted because reasonable grounds exist to justify their failure to attend the pre-trial conference on February 4, 2005. *Second*, Spouses Salvador raise in issue the veracity of the receipts given by Gonzales, the SPA and the validity of the contract to sell. They claim that the improvised receipts should not be given credence because these were crude and suspicious, measuring only by 2 x 2 inches which showed that Gonzales misappropriated the payments of Spouses Rabaja for herself and did not remit the amount of ₱950,000.00 to them. As there was no consideration, then no valid contract to sell existed. *Third*, Spouses Salvador argue that the ejectment case, from which the amount of ₱593,400.00 was garnished, already became final and executory and could not anymore be disturbed. Lastly, the award of damages in favor of Spouses Rabaja and Gonzales was improper absent any legal and factual bases.

On January 21, 2013, Spouses Salvador filed their supplemental petition²³ informing the Court that RTC-Br. 213 had rendered a decision in Civil Case No. MC00-1082, an action for rescission of the SPA. The said decision held that Spouses Salvador properly revoked the SPA in favor of Gonzales due to loss of trust and confidence. On September 11, 2013, Gonzales filed her comment to the supplemental petition,²⁴ contending that the RTC-Branch 213 decision had no bearing because it had not yet attained finality. On even date, Spouses Rabaja filed their Comment,²⁵ asserting that the present petition is a mere rehash of the previous arguments of Spouses Salvador before the CA. On November 15, 2013, Spouses Salvador replied that they merely wanted to show that the findings by the RTC-Br. 213 should be given weight as a full-blown trial was conducted therein.²⁶

The Court's Ruling

As a general rule, the Court's jurisdiction in a Rule 45 petition is limited to the review of pure questions of law. A question of law arises when the doubt or difference exists as to what the law is on a certain state of facts. Negatively put, Rule 45 does not allow the review of questions of fact. A question of fact exists when the doubt or difference arises as to the truth or falsity of the allegations.²⁷

²³ Id. at 242-247.

²⁴ Id. at 296-299.

²⁵ Id. at 308-310.

²⁶ Id. at 314-316.

²⁷ *Land Bank of the Philippines v. Yatco Agricultural Enterprises*, G.R. No.172551, January 15, 2014, 713 SCRA 370, 379.

The present petition presents questions of fact because it requires the Court to examine the veracity of the evidence presented during the trial, such as the improvised receipts, the SPA given to Gonzales and the contract to sell. Even the petitioner spouses themselves concede and ask the Court to consider questions of fact,²⁸ but the Court finds no reason to disturb the findings of fact of the lower courts absent any compelling reason to the contrary.

The failure of Spouses Salvador to attend pre-trial conference warrants the presentation of evidence ex parte by Spouses Rabaja

On the procedural aspect, the Court reiterates the rule that the failure to attend the pre-trial conference does not result in the default of an absent party. Under the 1997 Rules of Civil Procedure, a defendant is only declared in default if he fails to file his Answer within the reglementary period.²⁹ On the other hand, if a defendant fails to attend the pre-trial conference, the plaintiff can present his evidence *ex parte*. Sections 4 and 5, Rule 18 of the Rules of Court provide:

Sec. 4. Appearance of parties.

It shall be the duty of the parties and their counsel to appear at the pre-trial. The non-appearance of a party may be excused only if a valid cause is shown therefor or if a representative shall appear in his behalf fully authorized in writing to enter into an amicable settlement, to submit to alternative modes of dispute resolution, and to enter into stipulations or admissions of facts and of documents.

Sec. 5. Effect of failure to appear.

The failure of the plaintiff to appear when so required pursuant to the next preceding section shall be cause for dismissal

²⁸ *Rollo*, p. 33.

²⁹ Sec. 3, Rule 9. Default; declaration of.

If the defending party fails to answer within the time allowed therefor, the court shall, upon motion of the claiming party with notice to the defending party, and proof of such failure, declare the defending party in default. Thereupon, the court shall proceed to render judgment granting the claimant such relief as his pleading may warrant, unless the court in its discretion requires the claimant to submit evidence. Such reception of evidence may be delegated to the clerk of court.

of the action. The dismissal shall be with prejudice, unless otherwise ordered by the court. A similar failure on the part of the defendant shall be cause to allow the plaintiff to present his evidence *ex parte* and the court to render judgment on the basis thereof.

[Emphasis supplied]

The case of *Philippine American Life & General Insurance Company v. Joseph Enario*³⁰ discussed the difference between the non-appearance of a defendant in a pre-trial conference and the declaration of a defendant in default in the present Rules of Civil Procedure. The decision instructs:

Prior to the 1997 Revised Rules of Civil Procedure, the phrase "as in default" was initially included in Rule 20 of the old rules, and which read as follows:

Sec. 2. A party who fails to appear at a pre-trial conference may be non-suited or considered as in default.

It was, however, amended in the 1997 Revised Rules of Civil Procedure. Justice Regalado, in his book, REMEDIAL LAW COMPENDIUM, explained the rationale for the deletion of the phrase "as in default" in the amended provision, to wit:

1. This is a substantial reproduction of Section 2 of the former Rule 20 with the change that, instead of defendant being declared "as in default" by reason of his non-appearance, this section now spells out that the procedure will be to allow the *ex parte* presentation of plaintiff's evidence and the rendition of judgment on the basis thereof. While actually the procedure remains the same, the purpose is one of semantical propriety or terminological accuracy as there were criticisms on the use of the word "default" in the former provision since that term is identified with the failure to file a required answer, not appearance in court.

Still, in the same book, Justice Regalado clarified that while the order of default no longer obtained, its effects were retained, thus:

Failure to file a responsive pleading within the reglementary period, and not failure to appear at the hearing, is the sole ground for an order of default, except the failure to appear at a pre-trial conference wherein the effects of a default on the part of the defendant are followed, that is, the plaintiff shall be allowed to present evidence *ex parte* and a judgment based thereon may be rendered against defendant.

³⁰ 645 Phil. 166, 174-175 (2010).

From the foregoing, the failure of a party to appear at the pre-trial has indeed adverse consequences. If the absent party is the plaintiff, then his case shall be dismissed. If it is the defendant who fails to appear, then the plaintiff is allowed to present his evidence *ex parte* and the court shall render judgment based on the evidence presented. Thus, the plaintiff is given the privilege to present his evidence without objection from the defendant, the likelihood being that the court will decide in favor of the plaintiff, the defendant having forfeited the opportunity to rebut or present its own evidence.³¹ The stringent application of the rules on pre-trial is necessitated from the significant role of the pre-trial stage in the litigation process. Pre-trial is an answer to the clarion call for the speedy disposition of cases. Although it was discretionary under the 1940 Rules of Court, it was made mandatory under the 1964 Rules and the subsequent amendments in 1997.³² “The importance of pre-trial in civil actions cannot be overemphasized.”³³

There is no dispute that Spouses Salvador and their counsel failed to attend the pre-trial conference set on February 4, 2005 despite proper notice. Spouses Salvador aver that their non-attendance was due to the fault of their counsel as he forgot to update his calendar.³⁴ This excuse smacks of carelessness, and indifference to the pre-trial stage. It simply cannot be considered as a justifiable excuse by the Court. As a result of their inattentiveness, Spouses Salvador could no longer present any evidence in their favor. Spouses Rabaja, as plaintiffs, were properly allowed by the RTC to present evidence *ex parte* against Spouses Salvador as defendants. Considering that Gonzales as co-defendant was able to attend the pre-trial conference, she was allowed to present her evidence. The RTC could only render judgment based on the evidence presented during the trial.

*Gonzales, as agent of Spouses
Salvador, could validly receive
the payments of Spouses
Rabaja*

Even on the substantial aspect, the petition does not warrant consideration. The Court agrees with the courts below in finding that the contract entered into by the parties was essentially a contract of sale which could be validly rescinded. Spouses Salvador insist that they did not receive the payments made by Spouses Rabaja from Gonzales which totalled

³¹ *Tolentino v. Laurel*, G.R. No. 181368, February 22, 2012, 666 SCRA 561, 569-570.

³² *Balatico Vda. De Agatep v. Rodriguez*, 619 Phil. 632, 642 (2009).

³³ *Chingcoe v. Republic*, G.R. No. 183608, July 31, 2013,

(<http://sc.judiciary.gov.ph/jurisprudence/2013/july2013/183608.pdf> [last accessed January 13, 2015]).

³⁴ *Rollo*, p. 114.

₱950,000.00 and that Gonzales was not their duly authorized agent. These contentions, however, must fail in light of the applicable provisions of the New Civil Code which state:

Art. 1900. So far as third persons are concerned, an act is deemed to have been performed within the scope of the agent's authority, if such act is within the terms of the power of attorney, as written, even if the agent has in fact exceeded the limits of his authority according to an understanding between the principal and the agent.

X X X X

Art. 1902. A third person with whom the agent wishes to contract on behalf of the principal may require the presentation of the power of attorney, or the instructions as regards the agency. Private or secret orders and instructions of the principal do not prejudice third persons who have relied upon the power of attorney or instructions shown them.

X X X X

Art. 1910. The principal must comply with all the obligations which the agent may have contracted within the scope of his authority.

Persons dealing with an agent must ascertain not only the fact of agency, but also the nature and extent of the agent's authority. A third person with whom the agent wishes to contract on behalf of the principal may require the presentation of the power of attorney, or the instructions as regards the agency. The basis for agency is representation and a person dealing with an agent is put upon inquiry and must discover on his own peril the authority of the agent.³⁵

According to Article 1990 of the New Civil Code, insofar as third persons are concerned, an act is deemed to have been performed within the scope of the agent's authority, if such act is within the terms of the power of attorney, as written. In this case, Spouses Rabaja did not recklessly enter into a contract to sell with Gonzales. They required her presentation of the power of attorney before they transacted with her principal. And when Gonzales presented the SPA to Spouses Rabaja, the latter had no reason not to rely on it.

³⁵ *Yoshizaki v. Joy Training Center f Aurora Inc.*, G.R. No. 174978, July 31, 2013 (<http://sc.judiciary.gov.ph/jurisprudence/2013/july2013/174978.pdf> [last accessed: January 13, 2015]).

The law mandates an agent to act within the scope of his authority which what appears in the written terms of the power of attorney granted upon him.³⁶ The Court holds that, indeed, Gonzales acted within the scope of her authority. The SPA precisely stated that she could administer the property, negotiate the sale and collect any document and all payments related to the subject property.³⁷ As the agent acted within the scope of his authority, the principal must comply with all the obligations.³⁸ As correctly held by the CA, considering that it was not shown that Gonzales exceeded her authority or that she expressly bound herself to be liable, then she could not be considered personally and solidarily liable with the principal, Spouses Salvador.³⁹

Perhaps the most significant point which defeats the petition would be the fact that it was Herminia herself who personally introduced Gonzalez to Spouses Rabaja as the administrator of the subject property. By their own ostensible acts, Spouses Salvador made third persons believe that Gonzales was duly authorized to administer, negotiate and sell the subject property. This fact was even affirmed by Spouses Salvador themselves in their petition where they stated that they had authorized Gonzales to look for a buyer of their property.⁴⁰ It is already too late in the day for Spouses Salvador to retract the representation to unjustifiably escape their principal obligation.

As correctly held by the CA and the RTC, considering that there was a valid SPA, then Spouses Rabaja properly made payments to Gonzales, as agent of Spouses Salvador; and it was as if they paid to Spouses Salvador. It is of no moment, insofar as Spouses Rabaja are concerned, whether or not the payments were actually remitted to Spouses Salvador. Any internal matter, arrangement, grievance or strife between the principal and the agent is theirs alone and should not affect third persons. If Spouses Salvador did not receive the payments or they wish to specifically revoke the SPA, then their recourse is to institute a separate action against Gonzales. Such action, however, is not any more covered by the present proceeding.

*The amount of ₱593,400.00
should not be returned by
Spouses Salvador*

Nevertheless, the assailed decision of the CA must be modified with respect to the amount of ₱593,400.00 garnished by Spouses Salvador and ordered returned to Spouses Rabaja. The RTC ordered the return of the

³⁶ *Country Bankers Insurance Corporation v. Keppel Cebu Shipyard*, G.R. No. 166044, June 18, 2012, 673 SCRA 427, 451.

³⁷ *Rollo*, p. 174.

³⁸ Article 1910, New Civil Code.

³⁹ *Id.* at 71.

⁴⁰ *Rollo*, p. 14.

amount garnished holding that it constituted a part of the purchase price. The CA ruled that Spouses Salvador misled the Court when they improperly cited CA-G.R. SP No. 89260 to prove their entitlement to the said amount. Both courts erred in their ruling.

First, the garnishment of the amount of ₱593,400.00 against Spouses Rabaja was pursuant to the CA decision in CA-G.R. SP No. 89259, an entirely different case involving an action for ejectment, and it does not concern the rescission case which is on appeal before this Court. Moreover, the decision on the ejectment case is final and executory and an entry of judgment has already been made.⁴¹ Nothing is more settled in law than that when a final judgment is executory, it thereby becomes immutable and unalterable. The judgment may no longer be modified in any respect, even if the modification is meant to correct what is perceived to be an erroneous conclusion of fact or law, and regardless of whether the modification is attempted to be made by the court which rendered it or by the highest Court of the land. The doctrine is founded on consideration of public policy and sound practice that, at the risk of occasional errors, judgments must become final at some definite point in time.⁴²

The March 31, 2006 CA decision⁴³ **in CA-G.R. SP No. 89259** has long been final and executory and cannot any more be disturbed by the Court. Public policy dictates that once a judgment becomes final, executory and unappealable, the prevailing party should not be denied the fruits of his victory by some subterfuge devised by the losing party. Unjustified delay in the enforcement of a judgment sets at naught the role and purpose of the courts to resolve justiciable controversies with finality.⁴⁴

Meanwhile, in ruling that the garnishment was improper and thus ordering the return of the garnished amount, the CA referred to its decision in CA-G.R. SP No. 89260. Spouses Salvador, however, clarified in its motion for reconsideration⁴⁵ before the CA and in the present petition⁴⁶ that the garnishment was pursuant to CA-G.R. SP No. 89259, and not CA-G.R. SP No. 89260, another ejectment case involving another property. A perusal of the records reveals that indeed the garnishment was pursuant to the ejectment case in the MeTC, docketed as Civil Case No. 17344,⁴⁷ where Spouses Rabaja were the defendants. The MeTC decision was then reinstated by the CA in CA-G.R. SP No. 89259, not CA-G.R. SP No. 89260.

⁴¹ Id. at 146.

⁴² *Mauleon v. Porter*, G.R. No. 203288, July 18, 2014.

⁴³ *Rollo*, pp. 136-145.

⁴⁴ *Edillo v. Dulpina*, 624 Phil. 587, 600-601, (2010).

⁴⁵ *CA rollo*, p. 143.

⁴⁶ *Rollo*, p. 36.

⁴⁷ Records, pp. 433-436.

There, a writ of execution⁴⁸ and notice of pay⁴⁹ were issued against Spouses Rabaja in the amount of ₱591,900.00.

Second, Spouses Rabaja's appeal with the RTC never sought relief in returning the garnished amount.⁵⁰ Such issue simply emerged in the RTC decision. This is highly improper because the court's grant of relief is limited only to what has been prayed for in the complaint or related thereto, supported by evidence, and covered by the party's cause of action.⁵¹

If Spouses Rabaja would have any objection on the manner and propriety of the execution, then they must institute their opposition to the execution proceeding a separate case. Spouses Rabaja can invoke the Civil Code provisions on legal compensation or set-off under Articles 1278, 1279 and 1270.⁵² The two obligations appear to have respectively offset each other, compensation having taken effect by operation of law pursuant to the said provisions of the Civil Code, since all the requisites provided in Art. 1279 of the said Code for automatic compensation are duly present.

No award of actual, moral and exemplary damages

The award of damages to Spouses Rabaja cannot be sustained by this Court. The filing alone of a civil action should not be a ground for an award of moral damages in the same way that a clearly unfounded civil action is not among the grounds for moral damages.⁵³ Article 2220 of the New Civil Code provides that to award moral damages in a breach of contract, the

⁴⁸ Id. 437.

⁴⁹ Id. 438.

⁵⁰ *Rollo*, pp. 79-82.

⁵¹ *Diona v. Balangue*, G.R. No. 173559, January 7, 2013, 688 SCRA 22, 35.

⁵² Art. 1278. Compensation shall take place when two persons, in their own right, are creditors and debtors of each other.

Art. 1279. In order that compensation may be proper, it is necessary:

(1) That each one of the obligors be bound principally, and that he be at the same time a principal creditor of the other;

(2) That both debts consist in a sum of money, or if the things due are consumable, they be of the same kind, and also of the same quality if the latter has been stated;

(3) That the two debts be due;

(4) That they be liquidated and demandable;

(5) That over neither of them there be any retention or controversy, commenced by third persons and communicated in due time to the debtor.

xxx

Art. 1290. When all the requisites mentioned in Article 1279 are present, compensation takes effect by operation of law, and extinguishes both debts to the concurrent amount, even though the creditors and debtors are not aware of the compensation.

⁵³ *Rudolf Lietz, Inc. v. Court of Appeals*, 514 Phil. 634, 644, (2005).

defendant must act fraudulently or in bad faith. In this case, Spouses Rabaja failed to sufficiently show that Spouses Salvador acted in a fraudulent manner or with bad faith when it breached the contract of sale. Thus, the award of moral damages cannot be warranted.

As to the award of exemplary damages, Article 2229 of the New Civil Code provides that exemplary damages may be imposed by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages.⁵⁴ The claimant must first establish his right to moral, temperate, liquidated or compensatory damages. In this case, considering that Spouses Rabaja failed to prove moral or compensatory damages, then there could be no award of exemplary damages.

With regard to attorney's fees, neither Spouses Rabaja nor Gonzales is entitled to the award. The settled rule is that no premium should be placed on the right to litigate and that not every winning party is entitled to an automatic grant of attorney's fees.⁵⁵ The RTC reasoned that Gonzales was forced to litigate due to the acts of Spouses Salvador. The Court does not agree. Gonzales, as agent of Spouses Salvador, should have expected that she would be called to litigation in connection with her fiduciary duties to the principal.

In view of all the foregoing, the CA decision should be affirmed with the following modifications:

1. The order requiring defendant Spouses Rolando and Herminia Salvador to pay plaintiffs the amount of Five Hundred Ninety Three Thousand (₱593,000.00) Pesos, representing the amount garnished from the Metrobank deposit of plaintiffs as for their back rentals should be deleted;
2. The award of moral damages in the amount of Twenty Thousand (₱20,000.00) Pesos; exemplary damages in the amount of Twenty Thousand (₱20,000.00) Pesos, and attorney's fees in the amount of One Hundred Thousand (₱100,000.00) Pesos in favor of Spouses Rabaja should be deleted; and
3. The award of attorney's fees in amount of One Hundred Thousand (₱100,000.00) Pesos in favor of Gonzales should be deleted.

⁵⁴ *Metropolitan Bank and Trust Company v. Rosales*, G.R. No. 183204, January 13, 2014.

⁵⁵ *First Lepanto-Taisho Insurance Corporation v. Chevron Philippines, Inc.*, G.R. No. 177839, January 18, 2012, 663 SCRA 309, 325.

The other amounts awarded are subject to interest at the legal rate of 6% per annum, to be reckoned from the date of finality of this judgment until fully paid.

WHEREFORE, the petition is **PARTLY GRANTED**. The March 29, 2007 Decision of the Regional Trial Court, Branch 214, Mandaluyong City, in Civil Case No. MC-03-2175, is **MODIFIED** to read as follows:

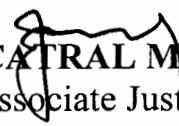
“WHEREFORE, this Court renders judgment as follows:

- a. Ordering the “Contract to Sell” entered into by Spouses Rogelio and Elizabeth Rabaja and Spouses Rolando and Herminia Salvador on July 24, 1998 as **RESCINDED**;
- b. Ordering Spouses Rolando and Herminia Salvador to pay Spouses Rogelio and Elizabeth Rabaja:
 1. The amount of Nine Hundred Fifty Thousand (₱950,000.00) Pesos, representing the payments made by the latter for the purchase of the subject property; and
 2. The cost of suit;
- c. Dismissing the counterclaims of Spouses Rolando and Herminia Salvador and Rosario Gonzales against Spouses Rogelio and Elizabeth Rabaja .

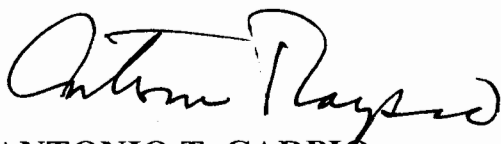
The amounts awarded are subject to interest at the legal rate of 6% per annum to be reckoned from the date of finality of this judgment until fully paid.”

As aforestated, this is without prejudice to the invocation by either party of the Civil Code provisions on legal compensation or set-off under Articles 1278, 1279 and 1270.

SO ORDERED.



JOSE CATRAL MENDOZA
Associate Justice

WE CONCUR:



ANTONIO T. CARPIO

Associate Justice
Chairperson



PRESBITERO J. VELASCO, JR.
Associate Justice



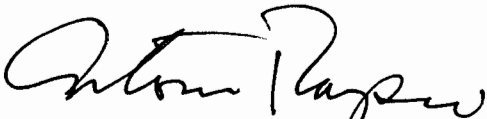
MARIANO C. DEL CASTILLO
Associate Justice



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