

Republic of the Philippines  
Supreme Court  
Manila

CERTIFIED TRUE COPY  
*Wilfredo V. Lapitan*  
WILFREDO V. LAPITAN  
Division Clerk of Court  
Third Division

SEP 02 2016

**THIRD DIVISION**

**BONIFACIO DANAN,**  
Petitioner,

**G.R. No. 195072**

- versus -

VELASCO, JR., J., *Chairperson,*  
PERALTA,  
PEREZ,  
REYES, and  
JARDELEZA, *JJ.*

**SPOUSES GREGORIO SERRANO and  
ADELAIDA REYES,**  
Respondents.

**Promulgated:  
August 1, 2016**

X-----*Wilfredo V. Lapitan* X

**DECISION**

**PERALTA, J.:**

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking to reverse and set aside the Decision<sup>1</sup> dated May 18, 2010 and Resolution<sup>2</sup> dated January 7, 2011 of the Court of Appeals (CA) in CA-G.R. CV No. 80277, which reversed and set aside the Decision<sup>3</sup> dated July 22, 2003 of the Regional Trial Court (RTC), Branch 50, Guagua, Pampanga.

The factual antecedents are as follows.

Respondents spouses Gregorio Serrano and Adelaida Reyes (*Spouses Serrano*) are the registered owners of a parcel of land consisting of a total area of 23,981 square meters, situated in Sta. Cruz, Lubao, Pampanga, and covered by Original Certificate of Title (OCT) No. 6947.<sup>4</sup> Sometime in the

<sup>1</sup> Penned by Associate Justice Ramon M. Bato, Jr., with Associate Justices Juan Q. Enriquez, Jr. and Florito S. Macalino, concurring; *rollo*, pp. 22-34.

<sup>2</sup> *Id.* at 36-36-A.

<sup>3</sup> Penned by Judge Gregorio G. Pimentel, Jr.; *id.* at 87-97.

<sup>4</sup> *Id.* at 23.

years 1940 and 1950, when the property was still co-owned by respondent Gregorio and his siblings, Gregorio's sisters, Marciana and Felicidad, gave petitioner Bonifacio Danan and a certain Artemio Vitug permission to possess 400 square meters each of the total estate and to build their homes thereon in exchange for one cavan of palay every year.<sup>5</sup> Thereafter, in separate documents denominated as "Agreement in Receipt Form"<sup>6</sup> dated June 27, 1976, Gregorio sold to Bonifacio and Artemio their respective 400-square-meter portions of the property. Except for the names of the vendee, both documents uniformly provide as follows:

RECEIVED the amount of Two Thousand (₱2,000.00) Pesos, Philippine Currency, as partial payment of the lot I am selling to x x x of Sta. Cruz, Lubao, Pampanga, specifically the portion where his house is presently built, consisting of FOUR HUNDRED (400) SQUARE METERS, situated at Mansanitas, Sta. Cruz, Lubao, Pampanga, declared under Tax Declaration No. 6185 in the Office of the Provincial Assessor, San Fernando, Pampanga. The full consideration of this contract is ₱6,000.00, subject to the following conditions:

1. The amount of ₱2,000.00 should be paid by x x x to the undersigned vendor upon the signing of this contract.
2. The amount of ₱2,000.00 should be paid to the vendor at his residence at Sta. Cruz, Lubao, Pampanga, on or before June 30, 1977.
3. The last instalment of ₱2,000.00 should be paid to the vendor at his abovementioned residence on or before June 30, 1978.
4. That on July 2, 1976, Mr. Gregorio Serrano, the herein vendor will execute a document (Deed of Conditional Sale) incorporating the herein stipulations.

It is further agreed that in June 1978, upon the completion of the full payment of the agreed price, the herein vendor will deliver to the vendee a title corresponding to the lot or portion sold.

It is further agreed that any violation of the stipulations herein stated will entitle the innocent or aggrieved party a right to ask for damages.<sup>7</sup>

While Bonifacio and Artemio paid the ₱2,000.00 upon the signing of the Agreement, they were both unable to pay the balance of the purchase price when they fell due on June 30, 1977 and June 30, 1978. Nevertheless, they remained in possession of their respective lots.<sup>8</sup>

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<sup>5</sup> *Id.*

<sup>6</sup> *Id.* at 61-62.

<sup>7</sup> *Id.* (Emphasis supplied)

<sup>8</sup> *Id.* at 24.

In a Complaint<sup>9</sup> dated September 10, 1998, the Spouses Serrano, through their son and attorney-in-fact, Arnel Francisco Serrano, instituted ejectment proceedings against Bonifacio and Artemio, alleging: (1) that they are the owners of the subject properties; (2) that Bonifacio and Artemio were merely caretakers thereof; and (3) that demand was made for the latter to vacate, but to no avail. Thus, they prayed that Bonifacio and Artemio be ordered to vacate the premises and to pay monthly rentals and attorney's fees. The complaint, however, was dismissed on the ground of lack of jurisdiction by the Municipal Trial Court (MTC) of Lubao, Pampanga, in its Decision<sup>10</sup> dated February 26, 1999.

Meanwhile, in a Complaint<sup>11</sup> for specific performance dated November 3, 1998, Bonifacio and Artemio alleged that they purchased their respective portions of land via the Agreement in Receipt Form<sup>12</sup> dated June 27, 1976 and since then, stopped paying the yearly rental of one cavan of *palay*.<sup>13</sup> While they admitted to their failure to pay the remaining balance of the purchase price in the amount of ₱4,000.00, they claimed that such was due to the continuous absence of the Spouses Serrano. Despite their ability and willingness to pay the aforesaid amount, however, Bonifacio and Artemio were shocked to have found that as early as September 1994, the Spouses Serrano had already obtained the title over the subject properties in their names. According to Bonifacio and Artemio, Gregorio intentionally deceived them into signing the documents in May 1992 purportedly intended to facilitate the processing and issuance of their titles over their respective portions of land but which turned out to be a declaration that they were merely caretakers of the same.<sup>14</sup> Said documents were eventually used for the ejectment case against them. Thus, Bonifacio and Artemio prayed that judgment be rendered ordering the Spouses Serrano to sign, execute, and deliver the proper deed of sale, together with the corresponding titles over the portions of land in their favor, declaring the documents in May 1992 as null and void, and awarding moral damages, exemplary damages, attorney's fees and litigation expenses.<sup>15</sup>

In their Answer,<sup>16</sup> respondents spouses asserted that they are the owners of the subject properties; that the possession thereof by Bonifacio and Artemio are merely by tolerance; and, that the Agreements in Receipt Form dated June 27, 1976 are mere contracts to sell, of which failure by the vendees to fully pay the price agreed thereon prevents the transfer of ownership from the vendor to the vendees.<sup>17</sup> As special and administrative

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<sup>9</sup> *Id.* at 38-43.  
<sup>10</sup> Penned by Judge Carlos S. Bartolo; *id.* at 63-68.  
<sup>11</sup> *Id.* at 69-74.  
<sup>12</sup> *Id.* at 61-62.  
<sup>13</sup> *Id.* at 70.  
<sup>14</sup> *Id.* at 71.  
<sup>15</sup> *Id.* at 73.  
<sup>16</sup> *Id.* at 81-86.  
<sup>17</sup> *Id.* at 25.

defenses, the Spouses Serrano raised prescription, alleging that any right of action, if any, arising from the agreements dated June 27, 1976, had long prescribed when the complaint was filed in 1998. The Spouses Serrano likewise raised the defense of laches on the part of Bonifacio and Artemio for their neglect to assert their right for an unreasonable and unexplained length of time.<sup>18</sup> As their counterclaim, moreover, the Spouses Serrano claimed to be entitled to the payment of monthly rentals in the amount of ₱3,000.00, moral damages, exemplary damages, and attorney's fees.<sup>19</sup>

In its Decision dated July 22, 2003, the RTC granted the Complaint of Bonifacio and Artemio and ordered the Spouses Serrano to execute and sign the proper Deed of Sale, deliver the corresponding titles after receiving the ₱4,000.00 balance, and pay consequent moral and exemplary damages and attorney's fees.<sup>20</sup> According to the trial court, the acceptance of a down payment means that the contract is no longer executory but partly executed, removing the same from the coverage of the Statute of Frauds. Thus, Bonifacio and Artemio should be allowed to file an action for specific performance of their partially executed contract with the Spouses Serrano. Moreover, the RTC found that the spouses took advantage of the low educational background of Bonifacio and Artemio, and persuaded them into believing that the May 1992 documents were intended to facilitate the issuance of their titles over their respective portions of land but were actually the very documents that were used as the basis for the filing of the ejectment suit against them.<sup>21</sup> As to the non-payment of the ₱4,000.00 balance, the trial court sustained the reasoning of Bonifacio and Artemio that despite the fact that they were more than willing to pay the same, they were sufficiently prevented from doing so because of the continued absence of the Spouses Serrano, who were busy trying to gain their US citizenship abroad.<sup>22</sup>

In its Decision dated May 18, 2010, however, the CA reversed and set aside the RTC Decision finding that the trial court seemed to have failed to properly determine the true nature of the agreement between the parties for being primarily impelled by supposed impulses of equity, stressing that Bonifacio and Artemio were allegedly unschooled and easily induced by the wealthy spouses.<sup>23</sup> It ruled that while equity might tilt on the side of one party, the same cannot be enforced so as to overrule a positive provision of law in favor of the other. According to the appellate court, the provisions of the "Agreement in Receipt Form" clearly show that the parties agreed on a conditional sale and not an absolute sale as Bonifacio and Artemio would like to believe. This is because by the express terms of the agreement, the title was reserved and remained with the Spouses Serrano, to be transferred

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<sup>18</sup> *Id.*  
<sup>19</sup> *Id.* at 85.  
<sup>20</sup> *Id.* at 97.  
<sup>21</sup> *Id.* at 95.  
<sup>22</sup> *Id.* at 96.  
<sup>23</sup> *Id.* at 27-28.



only when Bonifacio and Artemio paid the last installment of the purchase price in June 1978. If it were indeed an absolute sale, Bonifacio and Artemio would not have prayed in their complaint that a proper deed of sale, together with the corresponding title over the subject properties, be signed, executed and delivered. Indeed, compliance with the stipulated payments was a suspensive condition and the failure by Bonifacio and Artemio thereof prevented the obligation of the Spouses Serrano to convey the title from acquiring binding force. Thus, the parties now stand as if the conditional obligation never existed.<sup>24</sup>

Moreover, contrary to the findings of the trial court, the appellate court did not find any merit in the reasoning of Bonifacio and Artemio that despite the fact that they were more than willing to pay the balance of the purchase price, they were sufficiently prevented from doing so because of the continued absence of the Spouses Serrano. While it is true that the spouses were abroad at times, they were not absent from the Philippines for long periods of time, returning to the country every year. In fact, Gregorio testified that he went to see Bonifacio and Artemio personally to collect the amounts on the due dates, but was told that they did not have the money to pay.<sup>25</sup> At any rate, the appellate court held that the absence of the vendor at the time of the stipulated dates does not relieve the vendee of his obligation to pay for under Article 1256 of the New Civil Code, consignation is the proper remedy. Thus, contrary to Bonifacio and Artemio's claims, they were not prevented from complying with their obligation to pay for if they were really willing to pay, they could have consigned the amounts in court. Considering, therefore, that Bonifacio and Artemio failed to pay the purchase price in accordance with their agreement, they had no right to compel the Spouses Serrano to sell the subject properties to them.

When his Motion for Reconsideration was denied by the CA in its Resolution dated January 7, 2011, Bonifacio filed the instant petition invoking the following arguments:

I.

THE COURT OF APPEALS GRAVELY ERRED IN RULING THAT PETITIONER DID NOT HAVE A CAUSE OF ACTION AGAINST THE RESPONDENT SPOUSES SERRANO.

II.

THE COURT OF APPEALS GRAVELY ERRED IN RULING THAT PETITIONER CANNOT DEMAND RESPONDENT SPOUSES SERRANO TO TRANSFER THE SUBJECT PROPERTY BECAUSE OF HIS FAILURE TO COMPLY WITH THE SUSPENSIVE CONDITION OF FULL PAYMENT OF THE PURCHASE PRICE.

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<sup>24</sup> *Id.* at 31.  
<sup>25</sup> *Id.*



III.  
THE COURT OF APPEALS ERRED IN GRANTING RESPONDENT  
SPOUSES SERRANO'S COUNTERCLAIM.

In the instant petition, Bonifacio argues that since he did not receive any formal demand from the Spouses Serrano, he did not incur delay. Consequently, he cannot be said to have violated any of their rights, which means, therefore, that the prescriptive period does not begin to run against him. In addition, Bonifacio also raises the provisions of Republic Act (RA) No. 6552, otherwise known as the *Realty Installment Buyer Protection Act*, insofar as his rights as a buyer of real property are concerned. In response, the Spouses Serrano reiterated the ruling of the CA that due to the fact that their agreement was merely a contract to sell, their obligation to transfer the title of the subject parcel of land did not arise as a result of Bonifacio's failure to fully pay the purchase price.

At the onset, the Court concurs with the CA's finding that the nature of the agreement between the parties in this case is one that is akin to a contract to sell. Time and again, the Court had ruled that in a contract of sale, the title to the property passes to the vendee upon the delivery of the thing sold whereas in a contract to sell, the ownership is, by agreement, retained by the vendor and is not to pass to the vendee until full payment of the purchase price. In a contract of sale, the vendee's non-payment of the price is a negative resolutive condition, while in a contract to sell, the vendee's full payment of the price is a positive suspensive condition to the coming into effect of the agreement. In the first case, the vendor has lost and cannot recover the ownership of the property unless he takes action to set aside the contract of sale. In the second case, the title simply remains in the vendor if the vendee does not comply with the condition precedent of making payment at the time specified in the contract.<sup>26</sup> Verily, in a contract to sell, the prospective vendor binds himself to sell the property subject of the agreement exclusively to the prospective vendee upon fulfilment of the condition agreed upon which is the full payment of the purchase price but reserving to himself the ownership of the subject property despite delivery thereof to the prospective buyer.<sup>27</sup>

A cursory reading of the "Agreement in Receipt Form" would readily reveal that the same is a contract to sell and not a contract of sale. As expressly stipulated therein, the parties "agreed that in June 1978, upon the completion of the full payment of the agreed price, the herein vendor will deliver to the vendee a title corresponding to the lot or portion sold."<sup>28</sup> Clearly, the title to the property was to remain with the Spouses Serrano, to pass only to Bonifacio until his full payment of the purchase price. As pointed out by the appellate court, if the agreement was one of absolute sale,

<sup>26</sup> *Heirs of Paulino Atienza v. Espidol*, 642 Phil. 408, 416 (2010).

<sup>27</sup> *Optimum Development Bank v. Spouses Jovellanos*, G.R. No. 189145, December 4, 2013, 711 SCRA 548, 559.

<sup>28</sup> *Rollo*, p. 61.

Bonifacio would not have prayed in his complaint that a proper deed of sale, together with the corresponding title over the subject properties, be signed, executed and delivered.

It is imperative to note, however, that in view of the nature of the agreement herein, a contract to sell real property on installment basis, the provisions of RA No. 6552 must be taken into account insofar as the rights of the parties in cases of default are concerned. In conditional sales of all kinds of real estate (industrial, commercial, residential), RA No. 6552 not only recognizes the right of the seller to cancel the contract upon non-payment of an installment by the buyer, an event that prevents the obligation of the seller to convey title from acquiring binding force, it also provides for the rights of the buyer in case of such cancellation.<sup>29</sup> Its salient provisions provide:

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

(a) To pay, without additional interest, the unpaid installments due within the total grace period earned by him, which is hereby fixed at the rate of one month grace period for every one year of installment payments made: Provided, That this right shall be exercised by the buyer only once in every five years of the life of the contract and its extensions, if any.

(b) If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to fifty percent of the total payments made and, after five years of installments, an additional five percent every year but not to exceed ninety percent of the total payments made: Provided, That the actual cancellation of the contract shall take place after thirty days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer.

Down payments, deposits or options on the contract shall be included in the computation of the total number of installments made.

**Sec. 4. In case where less than two years of installments were paid, the seller shall give the buyer a grace period of not less than sixty days from the date the installment became due. If the buyer fails to pay the installments due at the expiration of the grace period, the**

<sup>29</sup>

*Planters Development Bank v. Chandumal*, 694 Phil. 411, 424 (2012).

**seller may cancel the contract after thirty days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act.<sup>30</sup>**

Thus, the rights of the buyer in the event he defaults in the payment of the succeeding installments depend upon whether he has paid at least two (2) years of installments or less. In the case at hand, it is undisputed that Bonifacio was only able to pay the first ₱2,000.00 installment upon the signing of their agreement, thereafter, failing to pay the balance of the purchase price when they fell due on June 30, 1977 and June 30, 1978. It is, therefore, Section 4 of RA No. 6552 that applies herein. Essentially, the said provision provides for three (3) requisites before the seller may actually cancel the subject contract: *first*, the seller shall give the buyer a sixty (60)-day grace period to be reckoned from the date the installment became due; *second*, the seller must give the buyer a notice of cancellation/demand for rescission by notarial act if the buyer fails to pay the installments due at the expiration of the said grace period; and, *third*, the seller may actually cancel the contract only after thirty (30) days from the buyer's receipt of the said notice of cancellation/demand for rescission by notarial act.<sup>31</sup>

Accordingly, the Court, in multiple occasions, emphasized the importance of the foregoing provisions of RA No. 6552 and upheld sales of land as valid and subsisting due to the absence and/or impropriety of the requisite notice of cancellation. In *Pagtalunan v. Dela Cruz Vda. de Manzano*,<sup>32</sup> for instance, the Court ordered the seller to transfer the title to the buyer upon the latter's payment of the balance of the purchase price because of the invalidity of the seller's cancellation of their contract. Contrary to the seller's contention, the letter he sent demanding the buyer to vacate the premises due to the latter's failure to pay did not sufficiently conform to the conditions imposed by law. What is required, the Court explained, is a "notice of cancellation or demand for rescission by notarial act," which is not the same as a demand letter. In another instance, the Court, in *Spouses Ramos v. Spouses Heruela*,<sup>33</sup> held that in view of the absence of the requisite notice of cancellation, as well as a demand for rescission by notarial act to the buyer, the contract to sell remained effective. Consequently, said buyer had not lost the statutory grace period within which to pay the remaining installments even after the date stipulated in their agreement. The Court added that the action for reconveyance of property filed by the seller cannot be deemed the same as an action for rescission.

Thus, when there is failure on the part of the seller to comply with the requirements prescribed by RA No. 6552 insofar as the cancellation of a

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<sup>30</sup> Emphasis supplied.

<sup>31</sup> *Optimum Development Bank v. Spouses Jovellanos*, *supra* note 27.

<sup>32</sup> 559 Phil. 658 (2007).

<sup>33</sup> 509 Phil. 658, 669 (2005).





contract to sell is concerned, the Court shall not hesitate in upholding the sale, albeit being subject to the full payment by the buyer of the purchase price.<sup>34</sup> In fact, in *Fabrigas v. San Francisco del Monte, Inc.*,<sup>35</sup> the Court even went as far as nullifying a clause in a contract providing for automatic rescission immediately upon default of the buyer notwithstanding the statutory grace periods permitted by the Act.

In the instant case, there is no showing that the Spouses Serrano complied with the requirements prescribed by RA No. 6552. As the records reveal, after entering into the sale under the "Agreement in Receipt Form" on June 27, 1976, the Spouses Serrano filed their Complaint for unlawful detainer dated September 10, 1998, attaching therewith the May 1992 document as well as a Notice to Vacate dated April 21, 1998. Jurisprudence dictates, however, that none of these documents constitutes as the requisite "notice of cancellation or demand for rescission by notarial act" mandated by law.<sup>36</sup> In fact, nowhere in the said documents was the sale or its rescission ever mentioned. In their ejectment complaint, the Spouses Serrano merely alleged that on May 6, 1992, they entered into an agreement whereby Bonifacio was to act as caretaker of the subject land and that he shall voluntarily vacate the same within three (3) months from the receipt of a notice to vacate.<sup>37</sup>

Notwithstanding the failure by the spouses to comply with the cancellation requirements under RA No. 6552, however, Bonifacio's action for specific performance must nonetheless fail on the ground of prescription.

In *Manuel Uy & Sons, Inc. v. Valbuenco, Incorporated*,<sup>38</sup> the parties therein entered into conditional deeds of sale on November 29, 1973, which provided that the buyer shall pay the last installment of the purchase price on November 15, 1974. The buyer, however, failed to pay said installment. On March 16, 2001, or twenty-seven (27) years thereafter, the buyer filed an action for specific performance seeking to compel the seller to accept the balance of the purchase price and to execute the corresponding deeds of absolute sale. The Court, however, affirmed the action's dismissal in the following wise:

x x x The Complaint shows that the Conditional Deeds of Sale were executed on November 29, 1973, and payments were due on both Conditional Deeds of Sale on November 15, 1974. Article 1144 of the Civil Code provides that actions based upon a written contract must be brought within ten years from the time the right of action accrues. **Non-**

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<sup>34</sup> *Planters Development Bank v. Chandumal, supra note 29; Solid Homes, Inc. v. Laserna, et al.*, 574 Phil. 69, 89 (2008).

<sup>35</sup> 512 Phil. 627, 637 (2005), citing Section 7, in relation to Section 4 of RA No. 6552.

<sup>36</sup> *Pagtalunan v. Dela Cruz Vda. de Manzano, supra note 32.*

<sup>37</sup> *Rollo*, pp. 38-40.

<sup>38</sup> 717 Phil. 711 (2013).



**fulfillment of the obligation to pay on the last due date, that is, on November 15, 1974, would give rise to an action by the vendor, which date of reckoning may also apply to any action by the vendee to determine his right under R.A. No. 6552.** The vendee, respondent herein, filed this case on March 16, 2001, which is clearly beyond the 10-year prescriptive period; hence, the action has prescribed.<sup>39</sup>

In this case, the parties agreed that the purchase price in the total amount of ₱6,000.00 shall be paid in three (3) equal installments on June 27, 1976, June 30, 1977, and finally, on June 30, 1978. Yet, it is undisputed that not only did Bonifacio fail to pay the last two (2) installments, it took him twenty (20) years from the last due date on June 30, 1978 to assert his rights over the property subject of the contract to sell. As borne by the records, Bonifacio filed the instant Complaint for Specific Performance only on November 3, 1998 to oblige the Spouses Serrano to execute the proper Deed of Sale and to cause the transfer of the title over the subject parcel of land. Yet, as categorically ruled in *Manuel Uy*, such action to enforce said written contract herein prescribes in ten (10) years reckoned from the non-fulfillment of the obligation to pay on the last due date. Thus, Bonifacio should have filed the action before June 30, 1988.

Furthermore, with respect to the counterclaim of the Spouses Serrano for monthly rentals in the amount of ₱3,000.00 from the time of the filing of their Answer, the Court finds merit in the same. As ruled by the appellate court, it is but fair and legal that rentals be awarded for Bonifacio's possession of the subject property. It is undisputed that he benefited from the use thereof in spite of having only paid the first installment in the amount of ₱2,000.00. Thus, the Court deems it just that monthly rentals be awarded.

As to the claim for moral damages, exemplary damages, and attorney's fees, however, the Court resolves to deny the same. On the matter of the spouses' prayer for moral damages, the Court holds that aside from their bare allegations, the Spouses Serrano failed to show compelling reason to warrant the award of the same, considering that 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.<sup>40</sup> The same holds true for their claim for exemplary damages in view of the fact that they failed to prove their entitlement to moral, temperate or compensatory damages as required by Article 2234.<sup>41</sup>

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<sup>39</sup> *Manuel Uy & Sons, Inc. v. Valbueco, Incorporated, supra*, at 730. (Emphasis ours)

<sup>40</sup> *Spouses Suntay v. Keyser Mercantile, Inc.*, G.R. No. 208462, December 10, 2014, 744 SCRA 645, 662.


<sup>41</sup> Art. 2234. – While the amount of the exemplary damages need not be proved, the plaintiff must show that he is entitled to moral, temperate or compensatory damages before the court may consider the question of whether or not exemplary damages should be awarded. In case liquidated damages have been agreed upon, although no proof of loss is necessary in order that such liquidated damages may be recovered, nevertheless, before the court may consider the question of granting exemplary in addition to the liquidated damages, the plaintiff must show that he would be entitled to moral, temperate or compensatory damages were it not for the stipulation for liquidated damages.

Similarly, the Court finds that the Spouses Serrano are likewise not entitled to attorney's fees for it is a settled rule 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.<sup>42</sup>


Finally, with respect to the first installment paid by Bonifacio to the Spouses Serrano in the amount of Two Thousand Pesos (₱2,000.00), considering that the same only constitutes less than two years of installments, Bonifacio is not entitled to a refund of the same.<sup>43</sup>


**WHEREFORE**, premises considered, the instant petition is **DENIED**. The assailed Decision dated May 18, 2010 of the Court of Appeals in CA-G.R. CV No. 80277 is **AFFIRMED** with **MODIFICATION**. Petitioner Bonifacio Danan is hereby **ORDERED** to **PAY** respondent Spouses Gregorio Serrano and Adelaida Reyes monthly rental in the amount of Three Thousand Pesos (₱3,000.00) with legal interest of Twelve Percent (12%) *per annum* from the time of the filing of respondent spouses' Answer on September 24, 1999 until June 30, 2013 and Six Percent (6%) *per annum* from July 1, 2013 until fully paid. The award of attorney's fees in the amount of Fifty Thousand Pesos (₱50,000.00) is deleted.


**SO ORDERED.**

  
**DIOSDADO M. PERALTA**  
 Associate Justice

**WE CONCUR:**

  
**PRESBITERO J. VELASCO, JR.**  
 Associate Justice  
 Chairperson

  
**JOSE PORTUGAL PEREZ**  
 Associate Justice

  
**BIENVENIDO L. REYES**  
 Associate Justice


<sup>42</sup> *Spouses Suntay v. Keyser Mercantile, Inc.*, *supra* note 40.

<sup>43</sup> *Manuel Uy & Sons, Inc. v. Valbuenco, Incorporated*, *supra* note 38, at 728.

  
**FRANCIS H. JARDELEZA**  
 Associate Justice

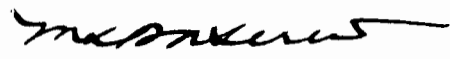
**ATTESTATION**

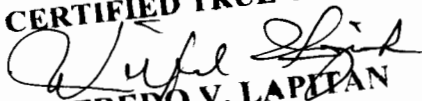
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

  
**PRESBITERO J. VELASCO, JR.**  
 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.

  
**MARIA LOURDES P. A. SERENO**  
 Chief Justice

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**WILFREDO V. LAPID**  
 Division Clerk of Court  
 Third Division

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