

Rights of a Defaulting Buyer under RA 6552, Realty Installment Buyers Protection Act (MACEDA LAW)

A.) Right to update payments without additional interest or in the alternative a refund of cash surrender value.

There are two categories of buyers accorded protection under this law:

1. a buyer with at least 2 years of installments under Section 3 RA 6552, and
2. a buyer with less than 2 years of installments under Section 4 RA 6552.

I.) Buyer with at least two (2) years of installment – Section 3 RA 6552

If the buyer in this category defaults in the payment of his succeeding installments, he is entitled to the following rights:

- a. to pay without additional interest the unpaid installments due within the total grace period earned by him. Said grace period is equal to one (1) month for every year of installment payments he has made. Here the buyer has at least two (2) months grace period for he should have paid at least two (2) years of installments to avail of the rights under this section.

This right can be exercised by the buyer only once in every five years of the life of the contract.

- b. to be refunded of the cash surrender value of his payments equal to 50% of his total payments if the contract is cancelled. But if he has paid five years or more, he is entitled to an increase of 5% every year and so on but the cash surrender value shall not exceed 90% of his total payments.

The actual cancellation of the contract referred to above shall take place only:

1. after 30 days from receipt by the buyer of the notice of cancellation or demand for rescission, AND
2. upon full payment to the buyer of the cash surrender value.

In the computation of the total number of installment payments the following are included:

1. down payment and
2. deposit or option money

Section 3 of RA 6552 provides, thus:

“SECTION 3. In all transactions or contracts, involving the sale or financing of real estate on installment payments, including residential condominium apartments ... 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 per cent of the total payments made and, after five years of installments, an additional five per cent every year but not to exceed ninety per cent 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 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 installment payments made.”

II.) **Buyer with less than 2 years of installments Section 4 RA 6552**

If he has paid less than two (2) years of installments, he still has the right to pay within a grace period of not less than sixty (60) days from the date the installment became due.

If the buyer fails to pay the installment due at the expiration of the grace period, i.e. 60 days, the seller may cancel the contract after 30 days from receipt by the buyer of the notice of cancellation or demand for rescission of the contract by a notarial act.

Here the buyer is not entitled to any refund.

Section 4 of RA 6552 provides, thus:

“SECTION 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 become due. If the buyer fails to pay the installments due at the expiration of the grace period, the 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.”

- B.) **Right to Assign/Reinstate Contract** – The buyer has a right to sell or assign his rights over the lot or unit to another person or reinstate the contract by updating the account provided this is done during the grace period and before actual cancellation of the contract.

Section 5 of RA 6552 states:

“SECTION 5. Under Sections 3 and 4, the buyer shall have the right to sell his rights or assign the same to another person or to reinstate the contract by upgrading the account during the grace period and before actual cancellation of the contract. The deed of sale or assignment shall be done by notarial act.”

- C.) **Right to Advance Payment without Interest and Annotation of Full Payment in the Title Subject of the Sale** – The buyer has the right to pay in advance any installments or the full unpaid balance without interest any time and have such full payment annotated in the title.

Section 6 of RA 6552 states:

“SECTION 6. The buyer shall have the right to pay in advance any installments or the full unpaid balance of the purchase price any time without interest and to have such full payment of the purchase price annotated in the certificate of title covering the property.”