

Title:

Campo Assets Corporation v. Club X.O. Company

Facts:

Alma Arambulo previously managed a food and entertainment business establishment under a Memorandum of Agreement (MOA) with Campo Assets Corporation, the lease holder from the property owner. This business, originally named “Hand-in-Hand Disco,” operated on a renewed MOA agreement from August 3, 1993, which was co-terminus with Campo Assets’ lease, guaranteeing a monthly income to Campo Assets. In June 1994, Arambulo formed a partnership with Chan York Gui (Allan), renaming the establishment to Club X.O. Disco theater, and registering it as Club X.O. Company with the Securities and Exchange Commission.

Campo Assets reclaimed the premises in January 1996, alleging Arambulo’s abandonment and invoking a contract clause allowing forced re-entry. Club X.O. Company contested this move, filing a complaint for forcible entry in the Metropolitan Trial Court of Pasay City (Civil Case No. 256-96), which was dismissed for lack of privity and established violation and abandonment by Arambulo. Affirmations came from both the Regional Trial Court and the Court of Appeals, though the latter reversed earlier decisions, questioning the validity of the MOA clause allowing forced re-entry, deeming it against public order.

Issues:

1. Is Paragraph VI of the Memorandum of Agreement, which allows forcible re-entry upon abandonment, void for being against public order?
2. Does Club X.O. Company have legal standing to file a complaint for forcible entry against Campo Assets Corporation?

Court’s Decision:

The Supreme Court reinstated the Regional Trial Court’s decision, affirming Campo Assets’ actions based on the established abandonment of the premises by Arambulo. It critically analyzed Paragraph VI of the MOA, comparing it to similar legal precedents, and found that while the use of force might be perceived as contentious, it was justified in this specific context of abandonment. However, on the broad legal basis concerning the right to reclaim possession via force, the Court deemed such actions should generally be pursued through judicial processes. The substantive matter was resolved on the fact that Club X.O., not being a direct party to the original MOA, could not assert superior rights over the property than Arambulo, who had already foregone such rights through abandonment.

Doctrine:

Contracts are law between the parties as long as stipulations are not contrary to law, morals, good customs, public policy, or order. Stipulations allowing re-entry upon breach in a lease are valid, subject to the condition that they do not contravene public order or allow for unreasonable force, especially when parties are not directly involved in the original agreement.

Class Notes:

- Legal privity is crucial in disputes over contractual agreements.
- Stipulations in contracts must align with law, morals, good customs, public policy, or order to be considered valid.
- Abandonment of leased premises allows lessors certain rights, including reclamation of property, provided it is executed within legal confines and procedures.
- Third parties to a contract cannot claim rights superior to those directly involved in the agreement.
- Judicial intervention is favored in resolving disputes requiring reclamation of property to prevent self-help measures and preserve public order.

Historical Background:

This case underscores the Philippine judiciary's approach to resolving disputes involving contractual agreements, property rights, and the limits of self-help measures. Reflective of the broader legal philosophy that seeks to balance contractual freedoms with public welfare considerations, this decision reinforces the principle that while parties enjoy broad liberties in defining their contractual relationships, their actions remain subject to the constraints of public order and fairness.