

Title:

****Comglasco Corporation/Aguila Glass vs. Santos Car Check Center Corporation****

Facts:

1. ****Lease Agreement:**** On August 16, 2000, Santos Car Check Center Corporation (Santos) leased a showroom at 75 Delgado Street, Iloilo City, to Comglasco Corporation (Comglasco) for five years. The monthly rental was set at P60,000 for the first year, P66,000 for the second year, and P72,600 for the third through fifth years.
2. ****Pre-termination Notice:**** On October 4, 2001, Comglasco informed Santos through a letter that it intended to pre-terminate the lease effective December 1, 2001. Santos rejected this pre-termination, insisting on the five-year term of the lease.
3. ****Vacating the Premises:**** Despite Santos' refusal, Comglasco vacated the premises on January 15, 2002, and stopped paying rent.
4. ****Demand Letters Ignored:**** Santos sent several demand letters, including a final demand on September 15, 2003, all of which were ignored by Comglasco.
5. ****Filing of Complaint:**** On October 20, 2003, Santos filed a breach of contract suit against Comglasco in the Regional Trial Court (RTC) of Iloilo City, Branch 37.
6. ****Procedural Posture:****
 - ****Service of Summons:**** Summons and complaint were served on January 21, 2004. Comglasco moved to dismiss the complaint for improper service, which the RTC rejected, ordering a reservice of the summons.
 - ****Answer and Judgment on the Pleadings:**** Comglasco filed its Answer on June 28, 2004. Santos moved for judgment on the pleadings, and the RTC granted the motion on August 18, 2004, rendering judgment in favor of Santos.
 - ****Motion for Execution Pending Appeal:**** Santos moved for execution pending Comglasco's appeal, granted by the trial court on May 12, 2005.
7. ****Court of Appeals Decision:**** On August 10, 2011, the Court of Appeals (CA) affirmed the RTC's judgment but reduced attorney's fees to P100,000 and deleted litigation expenses and exemplary damages.
8. ****Supreme Court Petition:**** Comglasco filed a petition for review raising several issues regarding the propriety of judgment on the pleadings, the award of damages, and crediting

advance rentals.

Issues:

1. **Judgment on the Pleadings:** Whether the trial court appropriately invoked judgment on the pleadings as a basis for its decision.
2. **Existence of Material Issues:** Whether the Answer raised material issues that warranted a trial.
3. **Proper Remedy:** Whether summary judgment or judgment on the pleadings was appropriate under the circumstances.
4. **Credit of Advance Rentals:** Whether the amount deposited for advance rental and deposit should be credited.
5. **Award of Attorney's Fees:** Whether the trial court appropriately awarded attorney's fees without proof and legal basis.

Court's Decision:

1. **Judgment on the Pleadings:**
 - The Supreme Court upheld the RTC and CA rulings that judgment on the pleadings was proper since Comglasco's Answer admitted the material allegations of the complaint.
 - The court found that no genuine issue of fact existed to necessitate a full trial, allowing judgment on the pleadings under Section 1, Rule 34.
2. **Existence of Material Issues:**
 - The court determined that Comglasco's cited "cause" for pre-termination based on business reverses due to the 1997 Asian financial crisis did not qualify under Article 1267 of the Civil Code as it involved a prestation "to give" (i.e., paying rent), not "to do".
 - The legal principle from *Philippine National Construction Corporation v. CA (PNCC)* was applied, rejecting economic difficulty as grounds for release from contractual obligations.
3. **Crediting Advance Rentals:**
 - The matter of crediting the advance rentals and deposit amounting to P309,000 was dismissed since it was not raised in Comglasco's Answer or its appeal to the CA.
4. **Attorney's Fees:**
 - The awarding of attorney's fees was justified under Article 2208(2) of the Civil Code due to Comglasco's actions necessitating Santos to incur expenses to protect its interest. However, the Supreme Court agreed with the CA in reducing the awarded attorney's fees to P100,000.

Doctrine:

1. **Judgment on the Pleadings:** A judgment on the pleadings is appropriate when an Answer fails to contest the material allegations of the Complaint, obviating the need for a full trial (Section 1, Rule 34 of the Rules of Court).
2. **Article 1267 (Civil Code):** The principle of *rebus sic stantibus*, or release from obligation due to unforeseen events, applies only under absolutely exceptional changes of circumstances, not mere economic difficulty.

Class Notes:

1. Key Elements:

- **Judgment on the Pleadings:** No genuine issues of fact are presented after Answer is filed.
- **Article 1267 Civil Code:** Applies only where service becomes extremely difficult beyond the contemplation of both parties.

2. Relevant Statutes/Provisions:

- **Section 1, Rule 34 (Judgment on the Pleadings):** Allows judgment based on the pleadings if no issues are raised.
- **Article 1267, Civil Code:** "When the service has become so difficult as to be manifestly beyond the contemplation of the parties, the obligor may also be released therefrom, in whole or in part."

Historical Background:

The case is set against the backdrop of the aftermath of the 1997 Asian financial crisis, which affected businesses across the region. The financial turbulence of the late 1990s serves as a peculiar context for addressing how economic conditions can or cannot be used as a basis for modifying contractual obligations. The case sought to clarify the applicability of Article 1267 of the Civil Code in contracts affected by economic hardship, reiterating a narrow interpretation consistent with contract stability and predictability.