

Title:

Manuel Mallari and Millie Mallari vs. Rebecca Alsol

Facts:

Stalls No. 7 and 8 of the Supermarket Section of the Cabanatuan City Public Market were originally awarded to and occupied by Abelardo Mallari, father of Manuel Mallari (“Manuel”) and Rebecca Alsol (“respondent”). Before Abelardo’s death on July 16, 1986, he gave these stalls to Manuel and the respondent.

Manuel and his wife, Millie Mallari (“petitioners”), occupied Stall No. 7, while the respondent and her husband, Zacarias Alsol, occupied Stall No. 8.

In July 1988, respondent’s daughter became ill, necessitating the Alsol family’s temporary relocation to Manila for two months for the child’s medical treatment. Upon their return in September 1988, they discovered that petitioners were occupying Stall No. 8. The partition between the two stalls had been removed, and respondent’s merchandise and belongings were gone. Petitioners refused to vacate Stall No. 8 despite respondent’s demands.

Respondent sought assistance from the City Market Committee (“Committee”). On May 5, 1989, the Committee passed Resolution No. 1, s-1989, granting Stall No. 7 to Manuel and Stall No. 8 to the respondent. Subsequently, on June 4, 1990, the respondent and the City Government of Cabanatuan (“City Government”), represented by City Mayor Honorato C. Perez (“Mayor Perez”), executed a Contract of Lease (“Lease Contract”), granting the respondent occupancy of Stall No. 8 for a monthly rent of PHP 316.

Meanwhile, petitioners refused to relinquish Stall No. 8 and instead filed an action to annul the lease contract in the Regional Trial Court of Cabanatuan City, Branch 29 (“Branch 29”), under Civil Case No. 789-AF. However, the case was dismissed on May 25, 1990, for failure to exhaust administrative remedies and because the Committee was not the proper party to the case.

On October 17, 1990, the respondent filed an action for recovery and possession before the Regional Trial Court of Cabanatuan City, Branch 27. On November 8, 1995, the trial court ruled in favor of the respondent:

1. Declaring the respondent as the rightful awardee of Stall No. 8 and ordering the petitioners to vacate the premises.

2. Awarding PHP 18,000.00 to the respondent for merchandise and items taken.
3. Awarding PHP 10,000.00 for attorney's fees and PHP 20,000.00 for exemplary and punitive damages.
4. Awarding costs in favor of the respondent.

Petitioners appealed this decision to the Court of Appeals.

The Court of Appeals affirmed the trial court's decision with modifications, deleting the actual and exemplary damages due to insufficient evidence.

Petitioners' motion for reconsideration was denied, leading to the present petition for review before the Supreme Court.

Issues:

1. Whether the respondent is the proper awardee of Stall No. 8.
2. Whether the Lease Contract executed between the respondent and the City Government is valid.
3. Whether the respondent is entitled to attorney's fees.

Court's Decision:

1. Awardee of Stall No. 8:

The Supreme Court ruled that the Court of Appeals' decision on the awardee status of Stall No. 8 was premature. The petitioners had a pending appeal with the Secretary of Finance questioning the award. Thus, the Supreme Court refrained from making a ruling that could preempt the administrative decision.

2. Validity of Lease Contract:

The Supreme Court found that the Lease Contract was valid. Petitioners argued erroneously under the Local Government Code of 1991 (RA 7160). The Court, however, applied BP 337, the applicable law at the time of the Lease Contract execution in 1990. Under BP 337, the city mayor has the authority to sign contracts on behalf of the city government. The Supreme Court also found that despite Mayor Perez's alleged failure to appear before the notary public, the lack of notarization did not invalidate the Lease Contract.

3. Attorney's Fees:

Agreeing with the Court of Appeals, the Supreme Court upheld the award of PHP 10,000.00 in attorney's fees. The refusal of the petitioners to vacate Stall No. 8 necessitated the

respondent's litigation to protect her interests, justifying the award under Article 2208 of the Civil Code.

Doctrine:

1. **Premature Resolution:** Courts should refrain from making decisions that preempt ruling by appropriate administrative bodies.
2. **Authority of Local Executives:** Under BP 337, city mayors hold the authority to sign contracts on behalf of city governments.
3. **Notarization Requirements:** Failure to notarize a contract does not necessarily invalidate the agreement provided all essential requisites are present.
4. **Award of Attorney's Fees:** Attorney's fees can be awarded when a party is compelled to litigate due to the unreasonable actions of the opposing party.

Class Notes:

1. **BP 337 (Old Local Government Code):** Grants city mayors authority to sign contracts.
2. **Article 1358 of the Civil Code:** Necessitates but does not mandate notarization for the validity of contracts.
3. **Article 2208 of the Civil Code:** Lists situations where attorney's fees can be awarded despite the absence of stipulation in the contract.
4. **Exhaustion of Administrative Remedies:** A principle requiring that administrative, rather than judicial, remedies be utilized first.

Historical Background:

This case highlights the succession issues in family-owned businesses and the legal complications arising from administrative decisions over public market stalls. It underscores the evolving jurisprudence on local government powers pre- and post-implementation of RA 7160, reflecting changes in local governance from BP 337 to the Local Government Code of 1991. The ruling elucidates the practical application of administrative law principles, especially the roles of local executive officials in enforcing contracts and leasing public market spaces.