

### Case Title:

**\*\*Angelina J. Malabanan v. Gaw Ching and the Intermediate Appellate Court; Leonida Chy Senolos, Leonard Chan, and Leonso Chy Chan v. Intermediate Appellate Court and Gaw Ching\*\***

### Facts:

**\*\*Step-by-Step Events:\*\***

1. **\*\*Lease Agreement 1951:\*\*** Gaw Ching leased a house and lot in Binondo, Manila, from Mr. Jabit, paying P700 per month.
2. **\*\*Lease Continuation:\*\*** Following Mr. Jabit's death, his daughter, Angelina Malabanan, continued the lease with Gaw Ching at an increased rate of P1,000 per month. Rent was paid monthly without a written contract.
3. **\*\*Sale Proposal April 1980:\*\*** Malabanan offered to sell the property to Gaw Ching at P5,000 per square meter, but Gaw Ching found the price prohibitive.
4. **\*\*Formal Sale Offer May 1980:\*\*** Malabanan reiterated the sale offer in a letter, warning that the property would be sold to someone else if he declined. Gaw Ching consulted his lawyer, Atty. Sugay, but continued to find the price too high.
5. **\*\*Deposit Scheme:\*\*** Malabanan refused Gaw Ching's June 1980 rent payment; Gaw Ching then deposited rent in a bank, notifying Malabanan.
6. **\*\*Revised Offer October 1980:\*\*** Malabanan lowered the sale price to P4,000 per square meter. Gaw Ching still found this expensive and did not respond.
7. **\*\*Notification of Sale November 1980:\*\*** Malabanan informed Gaw Ching that the property had been sold to Leonida Senolos.
8. **\*\*Demand to Vacate December 1980:\*\*** Atty. Techico demanded Gaw Ching vacate the property and pay overdue rent. Gaw Ching's lawyer requested sale documents but received none.
9. **\*\*Demolition Events November 1981:\*\*** Workers began demolishing the building. Gaw Ching halted the demolition temporarily through intervention from building inspectors and a formal protest with the Ministry of Public Works and Highways.
10. **\*\*Naturalization and Litigation:\*\*** Gaw Ching, who became a Filipino citizen in October 1980, filed a lawsuit seeking to annul the sale and for damages due to the demolition.

**\*\*Procedural Posture:\*\***

1. **\*\*Trial Court Decision (August 1984):\*\*** The Regional Trial Court upheld the validity of the sale between Malabanan and Senolos, dismissing Gaw Ching's claims.
2. **\*\*Intermediate Appellate Court Decision (January 1986):\*\*** Reversed the trial court, nullified the sale, and awarded Gaw Ching P350,000 in damages.

3. **Petitions for Certiorari:** Malabanan and Senolos appealed to the Supreme Court challenging the Intermediate Appellate Court's decision.

**Issues:**

1. **Whether a stranger to a contract, Gaw Ching, could sue to annul the sale between Malabanan and Senolos.**
2. **Whether the sale of the property to Senolos violated any preemptive rights allegedly held by Gaw Ching.**
3. **Whether the Intermediate Appellate Court erred in awarding damages to Gaw Ching.**

**Court's Decision:**

**Resolution of Issues:**

1. **Stranger to the Contract:**

- The Supreme Court held that strangers to a contract cannot sue to annul it, invoking Article 1397 of the Civil Code. Gaw Ching, being a lessee and not a party to the sale contract, lacked the standing to nullify the sale between Malabanan and Senolos.

2. **Preemptive Rights:**

- Gaw Ching had no preemptive right as the property was found to be outside the Urban Land Reform Zone. Furthermore, even if it were within such a zone, no evidence suggested that Ching resided there for the requisite period under P.D. No. 1517. Offers to sell made to Gaw Ching were declined, undermining any claim of preemptive rights.

3. **Damages Award:**

- The Supreme Court upheld the trial court's finding that the demolition was a valid exercise of police power, and Gaw Ching had ample notice and failed to protect his belongings. The appellate court's findings of fact were not adequately substantiated, leading the Supreme Court to defer to the trial court's decision. The award of P350,000 for damages was thus reversed.

**Doctrine:**

1. **Strangers to a Contract:** Only parties obligated by a contract can sue for its annulment (Article 1311 and 1397 of the Civil Code).
2. **Absence of Preemptive Rights:** Preemptive rights exist only under specific statutory provisions, not in general lease situations.
3. **Damages and Police Power:** Valid exercises of police power, such as lawful demolitions, are not grounds for damage claims if due notice has been provided and the

legal process followed.

### ### Class Notes:

- **Key Elements/Concepts:**
- **Standing:** Only those directly obligated by a contract can seek its annulment.
- **Preemptive Rights:** Limited to statutory provisions; not inferred from lease agreements.
- **Damages from Police Power Exercise:** Valid governmental actions, following due process, do not justify damage awards.

### **Statutory Provisions:**

- **Civil Code Articles 1311, 1397:** Set limitations on who can sue to annul contracts.
- **P.D. No. 1517, Urban Land Reform:** Defines specific preemptive rights in designated zones.

### ### Historical Background:

This case reflects the complex legal interplay between landlord-tenant relationships and property rights during the post-Marcos era, particularly as the Philippine legal system grappled with urban land reform and tenant protections amid rapid urbanization and economic transition. It highlights judicial navigation through statutory reforms aimed at balancing urban development and tenant rights.