

AMORANTE PLAN, PETITIONER, VS. THE HONORABLE COURT OF APPEALS, SPOUSES FEDERICO BAUTISTA AND NENA FILOTEO, RESPONDENTS.

G.R. No. L-49281. April 15, 1988

Ponente: GANCAYCO, J.

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GANCAYCO, J.:

This is a petition for review of a resolution of the Court of Appeals in CA-G.R. No. 45037-R dated August 21, 1978 reconsidering and setting aside its decision of July 27, 1977, and affirming in toto the decision of the Court of First Instance of Cavite dated February 27, 1969.[*]

The undisputed facts are related in the aforesaid decision, as follows:

"Sometime in 1946, the late Regino Bautista, together with others, built the Cine Central, on his Lots 1-A and 1-B in Cavite City, covered by Transfer Certificates of Title Nos. T-2832 and T-2831. From 1946 up to 1960, the theatre was managed by Regino's eldest son, Federico Bautista, defendant-appellee herein, and for which reason, he was allowed by his father to stay in the premises. Federico built a small sari-sari store at the lobby of the theatre, which he later converted to a residence.

On May 14, 1959, Regino died, and his widow, Florencia Topacio Bautista, was appointed as administratrix, but the theatre remained under the management of Federico. It was losing business and was mortgaged with the Philippine National Bank. Later, it was leased to herein plaintiff-appellee, Amorante Plan on September 22, 1960 in a contract between him and the heirs of Regino Bautista (Exh. 1). The lease was for 5 years and 10 months beginning Nov. 28, 1960 to Sept. 28, 1966 with the following as one of its conditions:

"The lessee (Amorante Plan) shall peaceably hold and enjoy the premises, improvements and accessories and equipment as listed in hereto attached Annex A during the whole term of his contract subject to the claim of Guillerma Reyes against the Cine Central and the rights of Federico Bautista and Conrado Bautista to operate the space occupied by them presently for stores in the premises of the Cine Central.' (Exh. 1-A)

Guillerma Reyes, mentioned above, was a 10% part owner of the theatre which share was later bought by Amorante Plan. At the time of the sale, the brothers Federico Bautista and Conrado Bautista were occupying small spaces in the theatre used as sari-sari stores. Conrado later moved out leaving alone Federico, who had by then converted his store into a residence.

Aside from this lease contract, Exh. A, other transactions were entered into involving the theatre between Florencia Topacio Bautista, the administratrix, as well as the other heirs of Regino, and Amorante Plan. One of these was a mortgage of the same theatre to Plan (Exh. C). So that the theatre and the lots were not only leased to Plan but likewise mortgaged to him. Plan was also a co-owner of the theatre because that portion belonging to Guillerma Reyes was sold to him by the latter.

When the estate could not pay the mortgage to the PNB, Florencio approached Plan, offering the theatre and the lots for sale. Federico Bautista also made the same offer to Plan. The Bautistas were persuading Plan to buy the

properties because otherwise the same would be foreclosed by the PNB. Thus, on December 22, 1964, Plan bought the theatre and the lots from the estate. The sale was authorized and later approved by the probate court. On February 26, 1966, Plan had the lots transferred to his name and Transfer Certificates of Title Nos. T-2831 and T-2832 were issued to him. Thereupon, on March 5, 1965, he wrote a demand letter to Federico Bautista to vacate the area he was occupying.

Federico did not heed the letter of Plan. Instead, he constructed a wall in the early morning of May 7, 1965, separating his store from the lobby of the theatre, and consequently obstructed the public's view of the display at the main lobby, thus causing losses in the gate receipts. Plan wrote a letter (Exh. E) to the City Engineer of Cavite City, inviting attention to the illegal construction. In turn, the City Engineer wrote a letter to Federico (Exh. F), calling the latter's attention to the illegal construction and inviting him to come for conference, which Federico likewise ignored.

On May 13, 1965, Plan filed the instant case for ejectment and damages against Federico Bautista and his wife Nena Filoteo Bautista, in the City Court of Cavite City. After trial, the City Court rendered a decision in favor of Plan, with the following dispositive portion:

"IN VIEW OF THE FOREGOING, judgement is hereby rendered in favor of the plaintiff and against the defendants ordering the latter:

(a) To immediately vacate the portion of the premises of the Central Theatre;

(b) To pay plaintiff actual damages suffered in the sum of P2,000.00;

(c) To pay plaintiff rentals in the sum of Fifty Pesos a month from March 6, 1955 until the premises shall have been vacated; and

(d) To pay plaintiff the sum of three hundred pesos for attorney's fees.

With costs against the defendants. SO ORDERED."

Federico appealed to the Court of First Instance, which rendered a decision reversing the City Court, with the following dispositive portion:

"WHEREFORE, in view of the foregoing considerations, the Court hereby DISMISSES the complaint filed and considering the natural anxiety and mental suffering caused this case against them as they claimed in their counterclaim, plaintiff is sentenced to pay unto them P2,000.00 as moral damages and P500.00 as attorney's fees."

From the said decision of the Court of First Instance, the plaintiff appealed to the Court of Appeals wherein in due course, a decision was rendered on July 27, 1977, the dispositive part of which reads as follows:

"IN VIEW OF THE FOREGOING, the decision of the Court of First Instance of Cavite, Judicial District Br. III, Cavite City dated February 27, 1969 is hereby reversed and set aside and the decision of the City Court is hereby revived with certain modifications, ordering Federico Bautista and Nena Filoteo Bautista -

1)

to immediately vacate the portion they are now occupying in the premises of the Central Theatre covered by

TCT Nos. T-2831 and T-2832;

2)

to pay Amorante Plan the sum of P2,000.00 as moderate or temperate damages suffered for the illegal construction on May 7, 1965 and existing up to the present which caused considerable losses in gate receipts; and

3)

to pay Amorante Plan the sum of FIFTY PESOS (P50.00) a month from May 15, 1965, to the date the instant complaint was filed, until they shall have completely vacated the premises.

SO ORDERED."

However, acting on a motion for reconsideration of said decision filed by defendants, the Court of Appeals in a resolution dated August 21, 1978, reversed its decision and affirmed in toto the appealed decision of the Court of First Instance of Cavite. A motion for reconsideration of this resolution filed by the plaintiff was denied in the resolution of October 30, 1978.

Hence the herein petition for certiorari wherein petitioner invokes as reasons for the allowance of the writ:

"REASONS FOR ALLOWANCE OF PETITION

- IN REVERSING ITS DECISION OF JULY 27, 1977 ON THE PRINCIPAL GROUND OF LACK OF CAUSE OF ACTION WHICH GROUND WAS NOT RAISED IN THE COURT OF FIRST INSTANCE AS WELL AS IN THE COURT OF APPEALS AND ON OTHER FLIMSY AND IMMATERIAL GROUNDS, THE RESPONDENT COURT DECIDED THE CASE NOT IN ACCORD WITH LAW OR JURISPRUDENCE AND ON A MISAPPREHENSION OF FACTS (CRUZ VS. SOSING, L-4875, NOV. 27, 1953) COMMITTING IN THE PROCESS GRAVE ABUSE OF DISCRETION (BUYCO VS. PEOPLE, 51 O.G. 2927), RENDERING THE SAME CORRECTIBLE BY CERTIORARI.

- WHEN RESPONDENT COURT REVERSED ITS DECISION OF JULY 27, 1977 BY ITS RESOLUTION OF AUGUST 21, 1978, IT MADE CONFLICTING FINDINGS OF FACT (CASICA VS. VILLASECA, L-9550, APRIL 30, 1957) AND THE INFERENCE MADE IS MANIFESTLY MISTAKEN, ABSURD OR IMPOSSIBLE (LUNA VS. LINATOC, 74 PHIL. 15) WHICH AGAIN RENDERED THE SAME REVIEWABLE BY CERTIORARI.

- IN REVERSING ITS DECISION OF JULY 27, 1977, RESPONDENT COURT OF APPEALS WENT BEYOND THE ISSUES OF THE CASE AND THE SAME IS CONTRARY TO THE ADMISSIONS OF BOTH APPELLANT (PETITIONER) AND APPELLEES (PRIVATE RESPONDENTS) MAKING THE SAME REVIEWABLE BY CERTIORARI AS IN EVANGELISTA VS. ALTO SURETY & INS. CO., L-11139, APRIL 23, 1958 and RAMOS VS. PEPSI-COLA, L-22533, FEB. 9, 1967."

The resolution of the petition hinges on the legal effect of the "Kasulatan"[1] on which private respondents based their continued stay on the premises of the property which petitioner acquired.

This document appears to have been executed by the late Regino Bautista, former owner of the lot, on October 21, 1953, giving his eldest son, respondent Federico the right to stay on a portion of the Central Theatre for as long as Federico desired. Private respondents contend that petitioner knew of this document so that in the lease contract

entered into between petitioner and the heirs of Regino Bautista dated September 22, 1960 for a term of 5 years and 10 months[2] it was stipulated that the lease is subject to the "rights of Federico Bautista and Conrado Bautista to operate the space occupied by them presently for stores in the premises of the Cine Central." [3] Thus said respondents contend that they cannot be ejected from the premises because, at the time the demand to vacate the premises and the complaint was filed in court, the term of said lease had not yet expired.

On the other hand, petitioner contends that he did not know about said "Kasulatan" and that it is not registered nor annotated in the Registry of Deeds as the property is titled. Petitioner cites the provision of Article 709 of the Civil Code which provides:

"Art. 709. The titles of ownership, or other rights over immovable property, which are not duly inscribed or annotated in the Registry of Property shall not prejudice third persons."

Moreover, petitioner argues that the lease contract was terminated on December 22, 1964 when petitioner bought the subject properties, so that necessarily the said contract in favor of private respondents, which the parties characterized as a lease contract, was also thereby terminated so that private respondent had no more right to stay in said premises under said "Kasulatan".

We find merit in the petition.

The so-called lease under the "Kasulatan" granted by the late Regino Bautista to his son, private respondent Federico Bautista of the portion of the property occupied by his store for as long as he desired was without any consideration nor without any cut-off period. The only reasonable interpretation of the said gratuitous contract is that it is binding as long as Regino Bautista is the owner of the property. When the said property was thus leased to the petitioner on September 22, 1960, assuming that petitioner was duly informed of the existence of said document, it appears that he agreed to recognize such right of said private respondent during the lifetime of the lease agreement.[4] However, when on December 22, 1964 petitioner bought the entire property (the theatre and the lots of the estate) from the heirs of Regino Bautista, petitioner ceased to be a mere lessee of the properties as he became the absolute owner thereof. Consequently, the lease of the portion thereof by private respondent was also thereby terminated being merely an accessory to the principal lease contract of petitioner[5] which as We observed was automatically terminated by the said sale of the property to petitioner. Petitioner cannot remain as lessee of property that already belongs to him.

Thus in the decision of the respondent court of July 27, 1977, it aptly made the following observations:

"Federico admitted in open court that 'in the contract it was stated that I could occupy the space until the end of the lease contract' (tsn, p. 26, December 1, 1967). Federico fully knew then that his stay thereat was only temporary and is coeval to the life of the lease contract. This is a categorical admission."

"The sale of the theatre was on December 22, 1964 or about two years before the expiration of the lease in favor of appellant. By virtue of said sale, the lease contract which was unrecorded, is deemed terminated. This is because the contract of lease is a personal right which did not bind anybody but the parties thereto (Paras, Civil Code of the Phil., Annotated, Vol. V, p. 301, 1977 Ed., cit. Quimson v. Suarez, 45 Phil. 901, supra). Hence, Federico's right to stay thereat was also terminated because the unregistered lease contract has ended..."

It is interesting to note that the theatre was also mortgaged to petitioner on September 22, 1960, wherein respondent Federico was a signatory-mortgagor by which he assured the petitioner that the subject properties were "free from any and all liens, charges and encumbrances." [6] No mention was made of said "Kasulatan" in said mortgage, in the lease contract or in the subsequent sale made. These corroborates the claim of petitioner that he never knew of said "Kasulatan". The fact that in the lease contract petitioner agreed to allow respondent Federico to occupy the premises during the lifetime of their contract does not necessarily mean that petitioner knew of said

"Kasulatan", for if so, petitioner or respondent Federico could have asked that it be reflected in the lease contract. It is more probable that at the time petitioner leased the premises, since private respondent were in fact occupying the said space of the property, petitioner must have been persuaded to allow said respondents to stay. Indeed if petitioner was duly informed of said "Kasulatan" he would have asked the exclusion of the said portion of the property occupied by respondent Federico, or perhaps petitioner could have had second thoughts about buying the property at all with this cloud over the title. Obviously, petitioner did not know about the said "Kasulatan". In as much as the same was not, duly registered in the Register of Deeds, it cannot bind third parties like the petitioner.

Whatever it maybe, the pretended right of private respondents to stay in the premises had long been terminated on December 22, 1964 when petitioner bought the property. Indeed the allegation of private respondents that they have a right to stay in the premises per said lease contract for about two more years until the termination of the period of the lease, despite the sale, that is up to September 28, 1966, is also now long past.

The great injustice which the petitioner suffered when a portion of his property had been illegally withheld by private respondents for many many years should now be put to an end.

WHEREFORE, the resolution of respondent court of August 21, 1978 is hereby reversed and set aside and another judgment is hereby rendered affirming the decision of the respondent court dated July 27, 1977, with the only modification deleting the phrase "to the date the instant complaint was filed" in paragraph 3 of the dispositive part thereof so that private respondents are to pay petitioner Fifty Pesos (P50.00) a month from May 15, 1965 until they vacate the premises, with costs against private respondents. This decision is immediately executory and no extension of time to file a motion for reconsideration of this decision shall be entertained.

SO ORDERED.

Teehankee, C.J., Narvasa, Cruz, and Griño-Aquino, JJ., concur.

[*] Mr. Justice Porfirio V. Sison was the ponente, with Messrs. Justices B.S. de la Fuente and Ramon G. Gaviola Jr., concurring, of the Sixth Division, Court of Appeals.

[1] Exhibit 2.

[2] Exhibit 1.

[3] Exhibit 1-A.

[4] See *Yek Tan Lim Fire & Marine Insurance Co. vs. Yusingco*, 64 Phil. 1062.

[5] Exhibits 1 and 1-A.

[6] Exhibits C and C-2.

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