

TERESA REALTY, INC., PETITIONER VS. MAXIMA BLOUSE DE POTENCIANO, RESPONDENT.*G. R. No. L-17588. May 30, 1962*

Ponente: REYES, J.B.L., J.

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Teresa Realty, Inc, a Philippine corporation, seeks reversal of the amended decision of the Court of Appeals, dated August 2, 1960, rendered in its case C. A.-G. R. No. 16768-R, whereby said Court, modifying the judgment of the Court of First Instance, authorized the ejectment of respondent Maxima Blouse de Potenciano, but reduced the demandable rental of the premises from January 1, 1954 to not more than 8% of the assessed value of the occupied lot as of December 31, 1953.

The facts are uncontested, and the original decision of the Court of Appeals, dated July 16, 1960, narrates them succinctly, as follows:

"By virtue of a lease contract (exhibit A), the defendant took possession of a residential lot owned by the plaintiff and constructed a house thereon. The lot with an area of 865 square meters, is situated at 80 Buenos Aires, Sta. Mesa, Manila, and is embraced in transfer certificate of title 30062 of the registry of deeds of Manila, under the contract, the lessee paid an annual rental of P76.60 plus P213 by way of real estate taxes. The lease was to expire on December 31, 1953. Prior to December 31, 1953, the plaintiff notified the defendant of the expiry date of the lease, and required her to vacate the premises after that date, or pay an increased rental of P127.30 a month. The defendant; refused to pay the new rental; she likewise refused to vacate the premises."

On July 20, 1954, the lessor filed a detainer suit in the Municipal Court of Manila, which in due course rendered judgment, ordering respondent Blouse, and all persons claiming "under her, to vacate the lot occupied, and to pay P127.30 a month by way of reasonable rental value from January 1, 1954 until possession was surrendered to the plaintiff, plus costs. Defendant Blouse appealed to the Court of First Instance and there invoked the benefits of Republic Act 1162. This defense was rejected by the Court of First Instance on the ground that the Republic Act was not applicable, and the decision of the Municipal Court was affirmed. Defendant again appealed, this time to the Court of Appeals; and by decision of July 10, 1960, the Third Division of said Court, speaking through Mr. Justice Ruiz Castro, affirmed in toto the Judgment of the Court of First Instance of Manila. But upon motion for reconsideration, the same division, by resolution of August 29, 1960, modified its original decision by reducing the recoverable rental to not more than 8% of the assessed value, as provided by section 5 of Republic Act 1599, amendatory of Republic Act No. 1162.

Upon denial of its motion to reconsider, the landlord, Teresa Realty, Inc., resorted to this Court for review, claiming that the amended decision of the Court of Appeals contradicted the rulings of the Supreme Court in the cases of Tuason vs. Be Asis, Tuason vs. Earnshaw, Tuason vs. Cacho, Tuason vs. Barcelon, and Tuason vs. Limlingan, (107 Phil., 131; 60 Off. Gaz., [33] 4942), as well as the doctrine in *Teresa Realty, Inc. vs. State Construction & Supply Co.*, 105 Phil., 353 since in all of these cases, the Supreme Court authorized collection of

a rental (by way of damages) amounting to 12 per cent of the assessed value. We granted certiorari.

In holding that the limit of 8 per cent of the assessed value, provided in Republic Act No. 1599,[1] applied to the parties in these proceedings, the Third Division of the Court of Appeals, in its amended decision (also per Castro, Associate Justice), reasoned out that our rulings above-referred to only applied the provisions of Republic Act No. 1162, notwithstanding that rentals authorized by said Act had already been reduced from 12 percent to 8 per cent of the assessed value of the land by Republic Act No. 1599, section 5, reading as follows:

SEC. 5. From the approval of this Act, and even before the commencement of the expropriation herein provided, ejectment proceedings against any tenant or occupant of any landed estates or haciendas or lands herein authorized to be expropriated, shall be suspended for a period of two years, upon motion of the defendant, if he pays his current rentals, and such suspension shall continue upon the filing of expropriation proceedings until the final determination of the latter: Provided, however, That if any tenant or occupant is in arrears in the payment of rentals or any amounts due in favor of the owners of said landed estates or haciendas or lands, the amount legally due shall be liquidated and shall be payable in eighteen equal months monthly installments from the time of liquidation, but this payment of rentals in arrears shall not be a condition precedent to the suspension of ejectment proceedings; Provided, further, That the rentals being collected from the tenants of the landed estates or haciendas, or lands herein authorized to be expropriated, shall not be incased above the amounts of rentals being charged as of December thirty-one, nineteen hundred and fifty-three, except in cases where there are existing rental contracts for a fixed period which expired on said date, in which case the court shall fix a reasonable rental not exceeding eight per centum of the assessed value on December thirty-one, nineteen hundred and fifty-three, but in any case if after said date there has been an increase in assessment, the rental may also be increased by the corresponding amount of actual increase in the land tax: Provided, further more, That no lot or portion thereof actually, occupied by a tenant or occupant shall be sold by the landowner to any other person than such tenant or occupant, unless the latter renounce in a public instrument his right under this Act: Provided, finally, That if there shall be tenants who have constructed bona fide improvements on the lots leased by them, the rights of these tenants should be recognized in the sale or in the lease of the lots, the limitation as to area in section three notwithstanding."

The Third Division aforesaid considered that this section of Republic Act 1599 should have been applied in the cases decided by us, and made the following remark:

"Neither the decision of the Supreme Court in the Tuason cases nor its previous decision in *Teresa Realty vs. State Construction*, supra, sheds any light on why the Supreme Court did not apply the pertinent amendatory provisions of Republic Act 1599. We well realize that the Supreme Court is the ultimate arbiter from which all other judicial tribunals must take their bearings, it is therefore with utmost deference that we venture the opinion that the only logical explanation for the Supreme Court's failure to apply the provisions of Sec. 6 of B. A. 1162, as amended by R. A. 1599, is that it was an unintentional oversight."

This rash conjecture clearly proves that the Court of Appeals, Third Division, has neither inquired into the facts of record in the cases referred to nor understood their ratio decidendi.

In *Teresa Realty, Inc. vs. State Construction & Supply Co.*, supra this Supreme Court, far from unintentionally overlooking Republic Act No. 1599, as recklessly asserted by the Court of Appeals, actually considered and refused to apply said Act, because the case arose and was submitted for decision before the effectivity of that statute. This is apparent from our resolution of April 22, 1959, issued in the same case:

"In G. R. No. 10883 (*Teresa Realty, Inc. w. State Construction Co., et al.*), appellants filed a motion for reconsideration on the ground that this Court failed to consider in the decision Republic Act No. 1599, which amended Republic Act 1162.

"It appearing that this case was submitted for decision on May 28, 1956 while Republic Act No. 1699 was

approved on June 18, 1956; that the contract of lease entered into between appellant and appellee expired on December 31, 1953, and appellee refused to renew the lease because appellants were not agreeable to pay the new rental fixed by appellee which this Court found to be reasonable; and that there is no evidence showing that the property in question forms part of a landed estate within the meaning of the law, the Court decided to deny the motion for reconsideration."

On the other hand, in *Ike five Tuason* cases, *supra*, this Supreme Court expressly ruled as follows:

"In conclusion, we hold. * * * Fourth, that Republic Act No. 1162, as amended by Republic Act No. 1599, about the suspension of proceedings for the ejectment of tenants, has no application to a case where expropriation proceedings by the Government have not been commenced." (Dec., p. 9; italics supplied)

This doctrine is squarely in point in the case now before us, for the Court of Appeals, in its original decision, expressly found that—

"The lot in litigation is not an estate within the purview of Republic Act 1162, even though 16 was originally a part of the Hacienda de Sta. Mesa de Diliman. At all events, as there is no proof of pending expropriation proceedings over the land, or that one is contemplated or planned, we hold that the court a quo, even if its sympathies were with the applicant, was without legal authority to suspend the ejectment proceedings * * *";

and these findings were not altered nor modified in the amendatory decision of August 29, 1960.

If neither Republic Act No. 1162 nor Republic Act No. 1599 is applicable to the case at bar and the decision of the Court of Appeals has so recognized by upholding the refusal of the inferior courts to suspend the ejectment proceedings). Then we can see no reason for applying the second proviso of section 5 of said Acts, which prescribe a limit of 8 per cent for the rentals demandable. The cursory examination of section 5, heretofore quoted in full, will readily show that the limitation under the second proviso ("Provided further.....") applies only, by express wording of the statute, to rentals collectible from landed estates to be expropriated under the said Acts. Since the lot here involved is not being subjected to expropriation under Republic Act No. 1162 or Act No. 1599, it stands to reason that none of the remedies provided in their section 5 can apply, whether it be suspension of ejectment suits, payment in installments of rentals due, or rental ceilings.

The restriction on rentals prescribed in section 5 may not be deemed an independent legislation, enforceable in every case even if the remainder of the section should not be applicable; for in that event, the Act would cover two different and unrelated subjects; authority to expropriate estates, and a general regulation of collectible rentals from estates whether subject to expropriation or not. Thus construed, it would violate the constitutional inhibition that "no bill which may be enacted into law shall embrace more than one subject which shall be expressed in the title of the bill" (Section 21, par. 2, Act VI). The title^[2] certainly gives no inkling that a general ceiling on rentals was being established.

While in *Case Supra, Teresa Realty, Inc. vs. State Construction & Supply Co.*, our decision made reference to the 12% rental ceiling prescribed by section 3 of Republic Act No. 1102, it did so merely to emphasize, by comparison, the reasonableness of the rental fixed by the Court of First Instance, saying:

"This rental can hardly be considered excessive considering that section 8 of Republic Act 1162 expressly provides that in the event of lease the rentals that may be charged by the Government shall not exceed 12% of the assessed valuation of the property leased. This is an express recognition that a rental not exceeding 15% per annum of the assessed value of the property is not excessive."

This reference to section 3 of Republic Act 1162 can in no wise simply that this Court ever recognized or ruled that the 12% limitation on rentals in section 5 of the Act was applicable or compulsory whether or not the property is subject to expropriation under Act 1162 or its amendments. Nor does the fact that Act 1599 has

lowered the rental ceilings for estates to be expropriated from 12 to 8 per centum of the assessed value prove that 12% no longer is reasonable rental for properties not being expropriated. Reasonableness depends on the surrounding circumstances in each case and may not be exclusively predicated upon statutory ceilings imposed in the exercise of the coercive power of the State.

In resume, the factual basis in the present case being practically identical to this of the Tuason cases decided on February 29, 1960 we reiterate that the remedies granted to tenants under section 5 of Republic Act No. 1162 or its amendments, Republic Act No. 1599, whether by way of suspension of ejectment actions, payment of rent by installments, or rental ceilings, do not and can not apply where expropriation proceeding have not been commenced, under pain of unconstitutionality, as declared in our rulings heretofore cited. And there being no proof that the value of the properties has gone down between the enactment of Republic Act 1162 and that of Republic Act No. 1599, the rental of 12% of the assessed value authorized in our previous rulings remains reasonable

Wherefore, the amended decision of the Court of Appeals (Third Division), now appealed from, is reversed and set aside ; and its original decision of July 16, 1960, confirming that of the Court of First Instance of Manila, is affirmed.

Cost against respondent-appellee Maxima Blouse.

Padilla, Bautista Angelo, Labrador, Concepcion, Barrera, Paredes, and Dizon, JJ., concur.

[1] Effective June 17, 1956, without Presidential sanction.

[2]"An Act Providing For The Expropriation of Landed Estates Or Haciendas Or Lands Which Formed Part Thereof In The City Of Manila, Their Subdivision Into Small lots, And The Sale Of Such Lots At Cost Or Their Lease On Reasonable Terms, And For Other Purposes."

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