

NATIVIDAD VDA. DE IGNACIO, PETITIONER, VS. HON. DELFIN VIR. SUÑGA, IN HIS CAPACITY AS JUDGE, CFI OF CAMARINES SUR, BRANCH I, AND SIXTO TAN, RESPONDENTS.

G.R. No. L-41286. July 07, 1976

Ponente: AQUINO, J.

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AQUINO, J.:

Natividad Vda. de Ignacio in these special civil actions of certiorari, mandamus and prohibition seeks to annul the order of the Court of First Instance of Camarines Sur, Naga City Branch I, setting aside the decision of the City Court of Naga in Civil Case No. 3092 (an ejectment suit) and allowing Sixto Tan to present his evidence in conformity with his answer (Civil Case No. 7580). The facts are as follows:

On October 1, 1955 Mrs. Ignacio, in her personal capacity and as administratrix of the estate of her deceased husband Jose Ignacio, leased to Sixto Tan “for a period of fifteen (15) years” a portion of Lot No. 1367 located in Naga City. The said lot, evidently a conjugal lot, has an area of five hundred ninety-five square meters. The portion leased to Tan has an area of one hundred eighty-one square meters. It has a frontage of twenty-six meters on Elias Angeles Street.

It was stipulated in the lease contract that Tan was to construct a one-story building on the leased lot. After the expiration of two years from the time the building was ready for occupancy, it would automatically become the lessors' property. Tan would then pay a monthly rental of P300 for the lease of the building. During the two-year period he would not pay any rental.

The lease contract has the peculiarity that while it is stipulated therein that the term thereof is fifteen years (par. 2), without specifying when that period would commence, the contract also contains provisions stating that the lease is for twenty-five years (pars. 3, 7 and 8).

The explanation for such dichotomy in the term of the lease is that after the expiration of the fifteen-year period the lease would continue, at a monthly rental of P150, with respect to “the last two doors of” the building near the corner of Angeles and Evangelista Streets. The two doors would “serve as rights of way” to Tan's other building constructed on the adjacent lot belonging to the heirs of Mariano Abella. The easement of right of way as well as the easement of light and view would exist for twenty-five years (pars. 7 and 8).

It was further stipulated in the lease contract that in case of the destruction of the building constructed by Tan, he would have the option to construct another building under the same terms and conditions for the remaining period of the lease. Should he not exercise that option, then the lease would be deemed rescinded except with respect to the right of way and Tan's right to open windows in the third story, of his other building, which rights would endure up to the end of the twenty-five year period. For reference, the contract is quoted below:

"CONTRACT OF LEASE

“KNOW ALL MEN BY THESE PRESENTS:—

“That this contract of lease, entered into by and between NATIVIDAD MATEO vda. de IGNACIO, in her personal capacity and in her capacity as the judicial administratrix of the In-testate Estate of the late JOSE IGNACIO, Special Proceeding No. 575 of the Court of First Instance of Camarines Sur, and RICARDO IGNACIO and ANGELITA IGNACIO, all of legal age, single, and residents of Naga City, Phil., hereinafter to be known as the LESSORS, and SIXTO TAN, also of legal age, single and a resident of Naga City, hereinafter to be known as the LESSEE.

WITNESSETH:-

“1. That the LESSORS are the owners pro indiviso of that certain parcel of commercial land, situated at corner Elias Angeles and Evangelista Sts., Naga City, Phil., more particularly described as follows:

‘BEING Lot No. 1367 of Plan Ps-20046, containing an area of 595 sq. meters. * * *’ (boundaries are omitted).

“2. That LESSORS hereby lease to LESSEE for a period of fifteen (15) years, subject to the conditions hereinafter enumerated, a portion of the above-described property, having a frontage of 26.59 meters along Elias Angeles St., and more specifically described as follows:

‘BOUNDED on the North by Evangelista st., on the East by Elias Angeles St., on the South by the rest of the above-described property; and on the West of Hrs. of Mariano Abella. *** CONTAINING an area of 181.23 sq. m, more or less’.

“3. That LESSEE shall construct on the premises leased a one-story commercial building of strong materials, in accordance with the plan to be furnished by the LESSORS, to which said LESSORS shall be free to add a second-story at their own expense and for their own account, the estimated cost of which one-story commercial building is P6,000.00 provided, however, that LESSEE shall be free to construct a roof garden on top of the second-story to be constructed by LESSORS, for which roof garden LESSEE shall not pay any additional rental to LESSORS during the life of this lease contract, for twenty five (25) years;

“4. That within the first two years, counted from the date said one-story building constructed by LESSEE is ready for occupancy, he shall not pay rental to LESSORS;

“5. That for and in consideration of the foregoing, after the expiration of said period of two years counted from the time said building constructed by LESSEE is ready for occupancy, said building shall automatically become the absolute and exclusive property of the LESSORS, and LESSEE shall begin paying a monthly rental of THREE HUNDRED (P300.00) Pesos, Phil. currency, for said building constructed by him;

“6. That LESSEE shall be free to sub-lease said building constructed by him;

“7. That after the expiration of the above-specified period of fifteen (15) years, LESSEE shall have the right to continue leasing the last two doors of said building, counted from the corner of Evangelista and Elias Angeles Sts. for another period of ten (10) years at a monthly rental of ONE HUNDRED FIFTY (P150.00) Pesos, Phil. currency, for said two doors, which shall serve as rights of way to LESSEE's building, constructed on the lot of the Hrs. of Mariano Abella, for the said period of twenty-five (25) years;

“8. That within said period of twenty-five (25) years, LESSORS hereby bind themselves not to construct a third-story to the above-mentioned building constructed by LESSEE, and LESSEE shall have the right to open windows on the third story of the building on the lot of the Hrs. of Mariano Abella overlooking LESSOR's lot in this contract; but after the expiration of said period of 25 years, LESSORS shall have the right to close any such window within two (2) meters of their property line;

“9. That LESSEE shall pay to LESSORS, jointly and severally, whatever monthly rentals he has to pay, in advance within the first ten (10) days of each calendar month;

“10. That in case of failure by LESSEE to pay the rentals for four (4) consecutive months, LESSORS may rescind this contract;

“11. That in case of the destruction of the building on the leased premises before the expiration of this contract, LESSEE shall have the option to construct another building under the same terms and conditions as in this contract for the remaining period of this lease and in case LESSEE should decide not to construct again, then this contract shall be considered rescinded, with the exception of pars. 7 and 8, which shall continue in force.

“IN WITNESS WHEREOF, we have here-unto signed our names this 1st day of October 1955 at Naga City, Philippines.

“(SGD) RICARDO IGNACIO (SGD) NATIVIDAD MATEO VDA. DE IGNACIO

Lessor In her personal capacity and in her capacity as judicial administratrix in Special Proceeding No. 575.

Lessor

(SGD) SIXTO TAN

Lessee”

(Witnesses and notarial acknowledgment are omitted)

A cursory perusal of the contract shows that it is vitiated by some ambiguities. The date when the fifteen-year period would commence is not crystal clear. That ambiguity affects the twenty-five year period. The provision that in the event the building is destroyed, the lessee may construct another building under the same terms and conditions “as in this contract” is not clear as to whether the lessee would not pay rentals within the two-year period counted from the date when the new building is ready for occupancy.

It is evident that during the first two years of the fifteen years the lease is a gratuitous lease of the lot (as in commodatum) and that during the thirteen-year period the lease refers to the building which by then had become ipso facto the lessors’ property. Thereafter, or during the ten-year period the lease is limited to the last two doors or to the lessors’ obligation to recognize the easements of right of way and light and view in favor of Tan’s building on the adjacent lot.

Tan constructed the building. It was finished “some-time in 1956” (pp. 58 and 68, Rollo). However, on November 7 or 8, 1968 it was completely burned. On November 23 Tan informed Mrs. Ignacio that he was going to reconstruct the building. They could not agree on the conditions under which the building was to be reconstructed. Mrs. Ignacio insisted that Tan should construct the building as stipulated in the 1955 lease contract. Tan proposed, that Mrs. Ignacio should shoulder the cost of reconstruction in excess of P6,000, the amount fixed in the lease contract. Mrs. Ignacio rejected that proposal.

As Tan persisted in his determination to reconstruct the building at a cost of about P14,000 to P15,000, Mrs. Ignacio filed in the lower court an injunction action to restrain Tan from reconstructing the building. Executive Judge Ulpiano Sarmiento issued a restraining order. The case was assigned to Judge Delfin Vir. Suñga. On January 21, 1970 he issued an order dissolving the restraining order and denying the petition for injunction (Civil Case No. 6868).

Mrs. Ignacio assailed Judge Suñga’s order by certiorari in the Court of Appeals. That Court on February 11, 1970

issued a writ of preliminary injunction enjoining Tan from reconstructing the building.

The Court of Appeals in its decision held that because Tan's lease expired on October 1, 1970, he had no more right to stay in the leased premises and he had virtually become a squatter therein. Consequently, the injunction suit and the certiorari case had become moot and academic.

The Court of Appeals dismissed the petition without prejudice to Mrs. Ignacio's right to eject Tan should he refuse to vacate the leased premises. The Court found Tan in contempt of court for continuing with the reconstruction of the building in defiance of the injunction. It fined him five hundred pesos (Vda. de Ignacio vs. Judge Suñga, CA-G.R. No. 44657-R, October 28, 1970).

Tan in his motion for reconsideration assailed the Court's finding that the lease had already expired. He contended that the fifteen-year term of the lease did not commence on October 1, 1955 when the contract was executed; that it was stipulated that the rentals would be paid after the expiration of two years from the date the building was ready for occupancy; that even after the expiration of the fifteen-year period, Tan could still occupy for ten years the last two doors, and that, in case of reconstruction of the building, he could occupy it for two years without paying any rental, as stipulated in the lease contract.

The Court of Appeals denied Tan's motion for reconsideration. It noted that its conclusion on the expiration of the lease was based on the contract itself which formed part of the record. At the same time the Court observed that Tan's contentions regarding the term of the lease raised factual issues which could not be resolved at that stage of the case and which should be interposed as defenses in the trial court in the proper case at the proper time. That ambivalent observation spawned this controversy between Tan and Mrs. Ignacio.

Tan filed in this Court a petition for certiorari, praying for the reversal of the holding of the Court of Appeals that the lease had already expired and that he had committed contempt of court. This Court in a minute resolution denied the petition for lack of merit and because it involved factual matters (Tan vs. Vda. de Ignacio, L-33170, February 18, 1971).

On November 20, 1970 Mrs. Ignacio filed in the City Court of Naga an unlawful detainer action against Tan and his sublessee on the basis of the Court of Appeals' finding that Tan's lease expired on October 1, 1970. She alleged that the reasonable compensation for the use and occupation of the premises occupied by Tan was two thousand five hundred pesos a month.

She further alleged that the building reconstructed by Tan was destroyed on October 13, 1970 by the typhoon Sening and that the Court of Appeals denied Tan's motion for the repair of the building (Civil Case No. 3092).

Tan in his answer merely interposed the negative defense that his lease had not yet expired. He averred that the typhoon only partially destroyed the reconstructed building.

In the City Court the parties entered into a stipulation of facts which included the lease contract, the injunction complaint in Civil Case No. 6868, the restraining order, Judge Suñga's order denying the injunction, the record of the aforementioned certiorari case in the Court of Appeals, Vda. de Ignacio vs. Judge Suñga, CA-G.R. No. 44657-R, October 28, 1970, the record of the certiorari case in this Court, Tan vs. Vda. de Ignacio, L-33170, the contract of sublease dated September 25, 1970 and the sublessee's affidavit wherein it was stated that the sublease would take effect on October 1, 1970 when the lease contract between Tan and Mrs. Ignacio would expire.

On March 26, 1973 the City Court issued a ruling disallowing cross-examination questions to Mrs. Ignacio which would revive the issue as to the expiration of the lease.

Tan moved for the reconsideration of that ruling. The City Court denied his motion. It assumed that this Court in

its minute resolution dismissing Tan's appeal had affirmed the finding of the Court of Appeals that the lease expired on October 1, 1970. The City Court said that it had "no legal authority to set aside" this Court's resolution. It cited the ruling that a final judgment of this Court "is binding on all inferior courts, and hence beyond their power and authority to alter or modify" (*Macansantos vs. Fernan*, 112 Phil. 1100).

In view of the City Court's refusal to entertain evidence on the expiration of the lease, Tan did not present any evidence. On July 31, 1973 the City Court rendered a decision ejecting Tan and his sublessee. It adhered to the Appellate Court's finding that the lease expired on October 1, 1970. It ordered the defendants to pay solidarily to Mrs. Ignacio a monthly rental of five hundred pesos beginning October, 1970.

Tan appealed. The case was assigned to Judge Suñga (Civil Case No. 7580), the same Judge who in 1970 denied Mrs. Ignacio's petition to enjoin Tan from reconstructing the building.

Tan filed a memorandum praying that the City Court's decision be set aside and that the case be remanded to the inferior court for the reception of his evidence. Mrs. Ignacio in her memorandum prayed that the City Court's decision be affirmed.

Judge Suñga in his order of April 30, 1975 disregarded the finding of the Court of Appeals that Tan's lease expired on October 1, 1970. Judge Suñga said:

"With due respect to the better opinion of the Court of Appeals and the Supreme Court, this Court finds no ground for the said Courts to rule on the expiration of the contract of lease (Exh. A) as the same was not in issue. ***. What was in issue raised by the pleadings and/or prayers of the appellant was an injunction to prevent the appellee Sixto Tan and his agent from continuing the reconstruction of a new commercial building as provided for in par. 10 (Exh. A-7) of the lease contract between them".

Judge Suñga, disagreeing with the Court of Appeals, ruled that the lease had not yet expired. He ordered the remand of the ejectment case to the City Court for the reception of Tan's evidence "pursuant to his answer to the complaint and rebut whatever evidence that the plaintiff has presented".

Mrs. Ignacio moved for the reconsideration of Judge Suñga's order. She cited the elementary rule that an inferior court has no legal authority to set aside a final and executory judgment of this Court and grant new trial (*Usaffe Veterans Association, Inc. vs. Treasurer of the Philippines*, L-18393, December 17, 1966, 18 SCRA 1091).

Judge Suñga denied Mrs. Ignacio's motion for reconsideration in his order of July 7, 1975. He in effect held that the Court of Appeals could not rule on the expiration of the lease because that matter was allegedly not in issue; that its finding on that point was an obiter dictum, and that the question as to the expiration of the lease could still be litigated in the ejectment case.

On September 1, 1975 Mrs. Ignacio filed in this Court the aforementioned special civil actions of certiorari, mandamus and prohibition. She contends that respondent Judge gravely abused his discretion in not accepting the finding of the Court of Appeals that the lease expired on October 1, 1970.

The issue is whether that finding is binding on the City Court and Court of First Instance. It should be clarified, that this Court did not affirm that finding. This Court merely refused to review the decision of the Court of Appeals presumably because Tan's appeal was not warranted under Rule 45 of the Rules of Court.

We hold that that finding, which is found in the body of the decision of the Court of Appeals as well as in the dispositive portion or fallo thereof, is *res judicata* or is the law of the case between Tan and Mrs. Ignacio. It is conclusive between them. It is beyond the power of the lower court to alter or set aside although it may be erroneous (Sec. 49[c] Rule 39, Rules of Court; 21 C.J.S. 330-331; *Peñalosa vs. Tuason*, 22 Phil. 303, 312;

People's Homesite and Housing Corporation vs. Mencias, L-24114, August 16, 1967, 20 SCRA 1031; People vs. Olarte, L-22465, February 28, 1967, 19 SCRA 494; Zarate vs. Director of Lands, 39 Phil. 747; Rodriguez vs. Director of Prisons, L-35386, September 28, 1972, 47 SCRA 153; Balmes vs. Suson, L-27235, May 22, 1969, 29 SCRA 304; National Waterworks and Sewerage Authority vs. NWSA Consolidated Union, L-26894-96, February 28, 1969, 27 SCRA 227).

That finding is the ratio decidendi of the decision of the Court of Appeals which held that the injunction action had become moot and academic, that Tan was a squatter and that Mrs. Ignacio could judicially eject him if he did not vacate the leased premises extrajudicially.

The Court of Appeals in its resolution of Tan's motion for reconsideration said that his contention that the term of the lease had not yet expired could be raised by him as a defense in the ejectment suit. That dictum did not impair the binding force of its conclusive finding that the lease had expired. It averred that the said finding was supported by the record. By denying Tan's motion for reconsideration, the Court of Appeals in effect reiterated its decision that the injunction action had become moot because of the expiration of the lease on October 1, 1970.

Tan's contention that the oft-mentioned conclusion of the Court of Appeals on the expiration of the lease was merely tentative is belied by the tenor of its decision. Because of the expiration of the lease, the Court of Appeals held that Tan could be ejected from the leased premises; that there was no need for an injunction against him, and that he had no more right to reconstruct the burned building.

Tan further contends that if the lease had already expired, then an ejectment suit was not necessary for then there would be nothing more to decide. That contention is untenable. An ejectment suit was required because if Tan persisted in remaining in the leased premises, Mrs. Ignacio could not forcibly oust him therefrom. She would have no choice but to go to court. The Court of Appeals could not decree in the certiorari case that Tan should be ejected. Moreover, the reasonable compensation for the use and occupation of the lot should be ascertained in the ejectment suit.

Respondent Judge acted with grave abuse of discretion in not giving effect to the ruling of the Court of Appeals. He could express his honest conviction that it was an erroneous ruling but he could not refuse to give it effect (People vs. Santos, 104 Phil. 551, 560; People vs. Vera, 65 Phil. 56, 82; Shioji vs. Harvey, 43 Phil. 333, 337). By not applying that ruling, he virtually nullified the decision of the Court of Appeals.

The lower court erred in remanding the ejectment suit to the City Court for the purpose of receiving Tan's evidence in support of his defense that the lease had not yet expired. The lease contract is the best evidence on the expiration of the lease. Its provisions reveal that during the two-year period from the date when the building was ready for occupancy (sometime in 1956 according to Mrs. Ignacio), no rentals were due because, obviously, the building, which would become the lessors' property, served as the compensation for Tan's use of the lot.

During the remaining thirteen years, the subject matter of the lease was the building for which a monthly rental of three hundred pesos was due. Upon the expiration of the fifteen-year period (which could have been in 1971 but which the Court of Appeals in its final judgment found to be October 1, 1970), the lease would continue for another ten years (up to September 30, 1980) but only with respect to the easements of right of way and light and view for which a monthly rental of one hundred fifty pesos would be paid by Tan to Mrs. Ignacio.

The lower court should decide Tan's appeal on the assumption that the lease expired on October 1, 1970 since, as already stated, that finding is res judicata. It should find out whether the evidence presented by Mrs. Ignacio in the City Court is sufficient to sustain the inferior court's finding that the reasonable compensation for the use and occupation of the one hundred eighty-one square meters originally leased by Tan is five hundred pesos a month,

and that Tan should pay P2,000 as attorney's fees.

WHEREFORE , respondent Judge's orders of April 30, and July 7, 1975 are set aside. The lower court is directed to conduct further proceedings along the guidelines herein stated. It should decide the ejectment suit by using as a basis the finding of the Court of Appeals that the lease expired on October 1, 1970 and that Tan is a squatter on the leased premises. No costs.

SO ORDERED.

Fernando, (Chairman), Barredo, Antonio, and Martin, JJ., concur.

Concepcion, Jr., J., is on leave.

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