

SPOUSES HILARIO & ARLYN ARAO, PETITIONERS, VS. IRENE GALOLO, RESPONDENT.

Ponente: VIDAL, M.D., J.

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VIDAL, M.D., J.:

Before Us is a Petition[1] for Review under Rule 42 of the Revised Rules of Court seeking to set aside the Decision[2] dated 26 May 2004 of the Regional Trial Court, National Capital Judicial Region (NCJR) Branch 119, Pasay City (Court a quo) in Civil Case No. 03-0367-CFM, the fallo thereof reads:

“WHEREFORE, the instant appeal is hereby dismissed for lack of merit and the appealed decision dated July 2, 2003 in Civil Case No. 180-03 of the Metropolitan Trial Court of Pasay City, Branch 44 is hereby affirmed in toto.

Let the records of this case be remanded to the Court a quo for execution proceedings.

SO ORDERED.”[3]

THE FACTS

As synthesized in the Decision[4] of the Metropolitan Trial Court(MTC), of the NCJR Branch 47, Pasay City and adopted by the Court a quo:

“ Plaintiffs in its verified complaint alleged that she is of legal age, Filipino Citizen, widow and resident of 98 Saint Claire St. Maricaban, Pasay City; that she is absolute owner of a house located at 98 Saint Claire St. Pasay City, which the defendants are occupying since February 11, 2001 up to the present by virtue of Contract of Lease covering the said house, which expired on February 11, 2002, the terms and conditions thereof are stated in the said contract of lease marked as Annex A; that after the Contract of lease expired on February 11, 2002, defendants continued to occupy the property paying the monthly rental of Php.2,500.00, however, from July, 2002 up to the present, defendants failed to pay their monthly rentals in the total amount of Php22,500.00; that verbal demands were made by plaintiff to the defendants to pay their arrears and update the payments but defendants despite the plea of plaintiff did not pay their arrears and in fact ignored the verbal demands of plaintiff; that plaintiff became exasperated with the continued refusal of the defendants to pay their rentals in arrears;thus, referred the matter to her counsel who wrote Mr. Hilario Arao (defendant herein) a letter demanding the payment of their arrears but which was likewise ignored by the defendants. (Copy of the letter is attached as Annex B); that subsequently, plaintiff's counsel wrote defendants a final demand letter demanding payment of rental in arrears and to vacate the premises which was likewise ignored by the defendants(copy attached as Annex C); that plaintiff referred the matter to the Barangay as required by law but no amicable settlement was arrived at; thus, a Certification to File Action was issued by the Punong Barangay (copy is attached as Annex D); that to protect her rights and interests , plaintiff secured the services of counsel to file the necessary case in court to which plaintiff agreed to pay the sum of Php10,000.00 as attorney's fees and to spend the amount of Php.5,000.00 as filing fee and other incidental expenses. .

In their answer, defendant-spouses admits the existence of the contract of lease as well as the ownership of the house by the plaintiff and the existence of the demand letter made by plaintiff's counsel dated January 20,

2003. By way of affirmative defenses, defendants claimed that while it is true that the plaintiff is the owner of the subject house the designation that is located at No. 98 St. Claire Street, Maricaban, Pasay City, is misleading because the said house is located across the street separated by Dilain Creek (Maricaban Creek) and that plaintiff has appropriated for her own personal benefit a land owned by the government by building houses for lease on the said property without any approval or authority from the government, hence, the alleged contract of lease between plaintiff and defendants is void. As compulsory counterclaim, the defendant is asking the award of Php20,000.00 by way of exemplary damages.”[5]

After due trial, the MTC rendered its Decision supra disposing as follows:

“WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendats, Sps. Hilario and Arlyn Arao ordering the latter and all persons claiming rights under them to:

- vacate the premises and surrender the possession thereof to the plaintiff peacefully;
- pay the amount of Php22,500 covering the period up to March 2003 and Php2,500.00 every month thereafter as rentals until defendant have finally vacated the premises;
- pay the amount of Php10,000.00 as attorneys fees including costs of litigation in the amount of Php5,000.00;

SO ORDERED”[6]

Aggrieved by the above-quoted decision, Defendants-Spouses HILARIO and ARLYN ARAO (hereinafter Petitioners) interposed an appeal before the court a quo which rendered the assailed Decision, supra.

Hence, the present Petition with the lone assigned error to wit:

THE REGIONAL TRIAL COURT (RTC) ERRED IN NOT FINDING THAT THE VALIDITY OF CONTACT OF LEASE IS THE MATERIAL ISSUE IN THIS INSTANT EJECTMENT CASE[7]

The Petition is unimpressed with merit.

Petitioners principally argue that the contract of lease between them and the Respondent is not enforceable as the construction of houses on the subject property is illegal since Respondent is a professional squatter and member of a squatting syndicate who does not own the land on which she built the structure being leased out to Petitioners.[8] The latter add that the land is a government owned property[9], hence, their lease contract is void citing Section 3[10], pars. m and s in relation to Section 27 of R. A 7279 which provide:

“Section 3.

xxx xxx

(m) Professional squatters refers to individuals or groups who occupy lands without the express consent of the landowner and who have sufficient income for legitimate housing. The term shall also apply to persons who have previously been awarded homelot or housing units by the Government but who sold, leased or transferred the same to settle illegally in the same place or in other urban area, and non-bona fide occupants and intruders of land reserved for socialized housing. The term shall not apply to individuals or groups who simply rent land and housing from professional squatters or squatting syndicates;

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(s) squatting syndicates refers to groups of persons engaged in the business of squatter housing for profit or gain.

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Section 27. Action Against Professional Squatters and Squatting Syndicates.- The local government units, in cooperation with Philippine National Police, The Presidential Commission for the Urban Poor(PCUP), and the PCUP accredited urban poor organization in the area, shall adopt measures to identify and effectively curtail the nefarious and illegal activities of professional squatters and squatting syndicates, as herein defined.

Any person or group identified as such shall be summarily evicted and their dwelling or structures demolished, and shall be disqualified to avail of the benefits of the Program. A public official who tolerates or abets the commission of the above-mentioned acts shall be dealt with(sic) accordance with existing laws.

For purposes of this Act, professional squatters or members of squatting syndicates shall be imposed the penalty of six (6) years of imprisonment or fine not less than Sixty Thousand Pesos (P60,000.00) but not more than One Hundred Thousand Pesos (P100,000.00) or both, at the discretion of the court.”

In assailing further the validity of the lease contract, Petitioners submit that the same is void pursuant to Article 1409 and in relation to Article 1411 of the Civil Code which provides:

“Article 1409.The following contracts are inexistent and void from the very beginning:

(1) Those whose cause, object or purpose is contrary to law, morals, good customs, public order and policy;

xxx xxx”

“Article 1411. When nullity proceeds from the illegality of the cause or object of the contract, and the act constitutes a criminal offense, both parties in pari delicto, and both shall be prosecuted. Moreover, the provisions of the Penal Code relative to the disposal of effects or instrument of crime shall be applicable to the things or the price of the contract.

This rule shall be applicable when only one of the parties is guilty; but the innocent one may claim what he has given, and shall not be bound to comply with his promise”

Petitioners argument is specious.

As borne out by the evidentiary records, Petitioners voluntarily entered into a contract of lease with the Respondent involving the property in question. Unquestionably, the Petitioners had been initially paying the agreed monthly rentals of P2,500.00 for the leased premises and it was only later, starting in July 2002 until the present when they refused to pay the rentals despite repeated demands by the Respondent, claiming that the latter is a mere squatter in the government owned land where the leased premises stand.

It is settled that in ejectment cases such as the case at bar, the only issue to be resolved is who is entitled to possession de facto independent of ownership.[11] In ejectment case, it is beyond the power of the court to determine the issue of ownership over the subject property[12] unless the issue of ownership is intertwined with the issue of possession.[13] Such does not obtain in the case at bar.

The pronouncement of the Supreme Court in the case of Carreon vs. Court of Appeals[14] is instructive, thus:

“ The issue of ownership or title is generally immaterial and foreign to an ejectment suit”

Petitioners should not and can not escape their obligations under the lease contract by the simple expedient of raising the issue of ownership which is immaterial by the very nature of the case. They can not negate their obligations arising from their lease agreement which they voluntarily and freely agreed with Respondent.

Art. 1436 of the New Civil Code clearly provides:

“A lessee or a bailee is estopped from asserting title to the thing leased or received, as against the lessor or bailor”

The explicit ruling of the High Tribunal in the case of *South Pacsem Development, Inc. vs. Court of Appeals*[15] is essentially relevant thus:

“Under the principle of estoppel, petitioner is precluded from denying the validity of any transaction it had earlier freely and voluntarily entered into with respondent ”

With the preceding discussion, the Court a quo correctly sustained the findings of the MTC thus:

“On the other hand, defendants contend that the subject Contract of Lease is contrary and prohibited by section 3, paragraphs (m) and (s) of RA 7279 otherwise known as the Urban Development and Housing Act of 1992 and as such is considered void. This contentions of the defendants is erroneous. It is very clear that the plaintiff and the defendants entered into contract of lease for the occupation of the house owned by the plaintiff at an agreed rental of P2,500.00 a month. Their relationship is that of a lessor-lessee and pursuant to Article 1665 of the New Civil Code: “The lessee shall return the thing leased, upon the termination of the lease , just as he received it, save what has been lost or impaired by the lapse of time, or by ordinary wear and tear, or from an inevitable cause.”[16]

It is settled that, factual conclusions of the trial court are entitled to great respect by the appellate court.[17] There are, to be sure, exceptions to the rule but none has been shown to obtain here.

WHEREFORE, premises considered and for evident lack of merit, the instant petition is hereby DENIED. The assailed Decision of the Court a quo is hereby AFFIRMED in toto.

Reyes, and Lampas Peralta, JJ., concur.

[1] Rollo, pp.7-25

[2] Rollo, pp.26-33

[3] Rollo,p.33

[4] Rollo,pp.49-53

[5] Rollo,pp.49-50

[6] Rollo, p.53

[7] Rollo,p.11

[8] Rollo, p.15

[9] Ibid

[10] Rollo,pp.14-15

[11] *Lagrosa vs. Court of Appeals*, 312 SCRA 298

[12] *Montañez vs. Mendoza*, 392 SCRA 541

[13] *Carreon vs. Court of Appeals*, 291 SCRA 78

[14] Ibid

[15] 447 SCRA 85

[16] Rollo, pp. 51-52

[17] Philippine Air Lines vs. Court of Appeals, 417 SCRA 196

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