

ALFREDO ARNULFO L RAMOS., PETITIONER, VS. HEIRS OF SOCORRO ABELLA SORIANO, REPRESENTED BY MERCEDES I. DIAZ, RESPONDENTS.*SP No. 111606, December 29, 2010*Read online (full-text search, related cases, audio case brief): <https://batas.org/library/68634ff4b51e/>**Court of Appeals**

Before Us is a Petition for Review under Rule 42 of the Rules of Court assailing the Decision¹ dated August 26, 2009 of the Regional Trial Court, Branch 25, Naga City in Civil Case No. 2009-005[1] for Unlawful Detainer with Damages reversing the Decision² dated March 26, 2009 of the Municipal Trial Court in the City of Naga (MTCC), Branch 2, and in its stead ordered herein petitioner Alfredo Arnulfo Ramos to pay respondents Heirs of Socorro Abella Soriano the amount of P100,000.00 as unpaid rentals, the dispositive portion of which reads:

WHEREFORE, in view of all the foregoing disquisition, the Decision dated 26 March 2009 penned by Hon. Marvel C. Clavecilla of the Municipal Trial Court of Naga City, Branch 2, is hereby ordered reversed and set aside, and a new one entered, ordering as follows:

- For defendant-appellee Alfredo Arnulfo Ramos to pay plaintiffs-appellants Heirs of Socorro Abella Soriano represented by Mercedes I. Diaz the total sum of Php100,000.00 representing unpaid rentals covering the period from January 2008 to May 2008, inclusive of VAT but exclusive of 5% withholding tax; and
- No pronouncement as to costs.

SO ORDERED.[3]

THE FACTS

Respondents Heirs of Socorro Abella Soriano, namely: Teresa Ballesteros; Benita Tinio; Teresita Buenaventura; and Aurora Corazon Diaz⁴, are the co-owners of a six (6-) door, two (2)-storey commercial building located at Elias Angeles St., Naga City. Sometime in March 2004, respondents entered into a contract to lease one (1) unit of their building to petitioner Alfredo Arnulfo Ramos for two (2) years or until March 2006. Petitioner used the unit as a drugstore, and he continued to do so even after the lapse of the contract of lease on March 2006.⁵

Sometime in November 2007, respondents informed petitioner that they are increasing the monthly rent of the unit of P25,000.00 effective January 1, 2008. Petitioner, by way of letter⁶ dated November 28, 2007, negotiated that the rent be increased only by 10%, or for the total of P20,000.00 per month, considering that he renovated his unit and was yet to recoup the expenses therefor. Respondents acceded to the request.⁷

Petitioner, however, failed to pay the rent for January and February 2008, prompting respondents to demand the payment of P40,000.00 rent and for him to vacate the leased unit.⁸ Petitioner replied that he was willing to pay the rent as it becomes due, but respondents unreasonably refused to accede to his two requests, viz: first, respondents must execute a written contract of lease because the same was a requirement to the renewal of his license to operate a drugstore; and second, respondents must issue the corresponding receipts for his monthly payments. He thus decided to withhold his payment to protect his interests.⁹

On April 10, 2008, respondents filed a Complaint[10] for Unlawful Detainer with Damages seeking an order for petitioner to vacate the subject property. Respondents likewise prayed for the award of P20,000.00 per month as rent, which is inclusive of VAT but exclusive of withholding tax, starting January 2008 until petitioner vacates the property as actual damages; and P50,000.00 as attorney's fees plus P2,000.00 per court appearance fees. For his defense, petitioner sought the dismissal of the complaint on the ground that he was justified in refusing to pay rent over the leased premises considering that respondents refused to execute a written contract of lease and to issue receipts evidencing payment of his monthly rents. In any case, if found liable to pay rent, it should be computed at the old rate of P9,450.00 per month plus 10% VAT but exclusive of withholding tax instead of P20,000.00 as alleged by respondents. Finally, by-way of counterclaim, petitioner prayed for the award of P50,000.00 as moral damages; and P20,000.00 as attorney's fees plus P10,000.00 per court appearance fee.[11]

Meanwhile, on June 2, 2008, petitioner voluntarily vacated the leased premises.[12]

In a Decision[13] dated March 26, 2009, the MTCC dismissed both respondents' complaint for ejectment and petitioner's counterclaim for damages after finding that the parties were in *pare delicto* or equally at fault. In the first place, respondents' complaint for unlawful detainer had become moot and academic after petitioner voluntarily vacated the leased premises. They, however, cannot demand for the unpaid rentals considering that they failed to renew petitioner's lease contract and to issue receipts of his monthly payments. Neither can petitioner claim damages considering his unjustified refusal to pay monthly rent.

It was only respondents who filed an appeal with the court *a quo*.

In the assailed Decision[14] dated August 26, 2009, the court *a quo* reversed the decision of the MTCC insofar as respondents' claim for unpaid rentals. It ordered petitioner to pay P100,000.00 as unpaid rentals from January to May 2008 when he vacated the leased premises, *ratiocinating* that there is no question that he failed to pay the rent for the said period. Petitioner's justification for his refusal to pay the same were clearly mere afterthoughts, having been made after receiving a demand to vacate the property. The court *a quo*, however, no longer delved into the propriety of petitioner's counterclaims considering that he did not file an appeal from the MTCC's decision. The pertinent portions of the court *a quo*'s decision are quoted:

Since defendant did not interpose any appeal from the decision of the court *a quo* dismissing his counterclaim, this court will only discuss on the propriety of awarding damages to the plaintiffs.

As regards plaintiffs-appellants' claim for unpaid rentals over the leased premises covering the period from January, 2008 until May, 2008 at the rate "of Php20,000.00 per month, the same is hereby granted. However, their claim for other forms of damages such as moral, exemplary, attorney's fees, etc., the same are hereby denied. Our jurisprudence on the matter is very instructive:

"Lastly, we agree with the CA and the RTC that there is no basis for the MTC to award actual, moral, and exemplary damages in view of the settled rule that in ejectment cases, the only damage that can be recovered is the fair rental value or the reasonable compensation for the use and occupation of the property. Considering that the only issue raised in ejectment is that of rightful possession, damages which could be recovered are those which the plaintiff could have sustained as a mere possessor, or those caused by the loss of the use and occupation of the property, and not the damages which he may have suffered but which have no direct relation to his loss of material possession..." [citing *CGR Corporation vs. Reyes* G.R. No. 170916, April 27, 2007]

Other damages must thus be claimed in an ordinary action.

Defendant's defense that plaintiffs' inaction for issuance of rental payment receipts and copy of lease contract led to the closure of defendant's drugstore is merely an afterthought. Defendant's formal demand dated 13 March 2008 for the aforesaid documents was only made after he received on 13 March 2008 the plaintiffs'

demand letter to vacate. Besides, a copy of the Contract of Lease was only required had defendant made any change of business address. But this was not so in his case. Further, nothing in the checklist shows that rental payment receipts of the leased premises were required from the defendant.

The award for attorney's fees under this instant case is not justified. The prevailing party is not always entitled for attorney's fees [every time] he wins the case. Attorney's fees may be awarded when a party was compelled to litigate or incur expenses to protect his interest by reason of an unjustified act of the other party. But this was not so in this case considering that defendant voluntarily vacated his occupied leased premises even before pre-trial was conducted.[15]

Hence, the instant Petition for Review raising the following assignments of error[16], to wit:

I

THE COURT A QUO ERRED IN ITS FINDINGS, WHICH ARE CONTRARY TO THE EVIDENCE ON RECORD;

II

THE COURT A QUO ERRED IN NOT FINDING RESPONDENTS AT FAULT WHEN THEY UNREASONABLY REFUSED TO EXECUTE A WRITTEN LEASE CONTRACT WHICH WAS NECESSARY FOR THE ISSUANCE OF A LICENSE TO OPERATE A DRUGSTORE, LEADING TO THE CLOSURE OF PETITIONER'S STORE;

III

THE COURT A QUO ERRED IN AWARDING UNPAID RENT CONSIDERING THAT THE INSTANT CASE HAD ALREADY BECOME MOOT AND ACADEMIC WHEN PETITIONER VACATED THE SUBJECT PREMISES; AND

IV

IN ANY CASE, THE COURT A QUO ERRED IN AWARDING P100,000.00 AS UNPAID RENT CONSIDERING THAT IT SHOULD HAVE FIXED A REASONABLE AMOUNT AS RENTAL

THE ISSUE

The sole issue in this case is whether or not the court a quo erred in ordering petitioner to pay P100,000.00 as unpaid rent over the leased premises for the period of January to May 2008.

THE RULING

The petition is bereft of merit.

Petitioner contends that the court a quo erred in awarding P100,000.00 as unpaid rent for the period of January to May 2008 considering that the instant case had already become moot and academic after he vacated the leased premises. Moreover, petitioner was justified in not paying the rent when respondents unreasonably refused to execute a written contract of lease and to issue receipts evidencing his payment of rent.

We do not agree.

The court a quo did not err when it awarded damages in the form of rent arrears in favor of respondents notwithstanding the fact that petitioner had already vacated the subject property during the pendency of the case before the MTCC. It must be remembered that respondents' reliefs included not only the restitution of possession of their property, but also for the award of unpaid rent from January 2008 until petitioner vacated the property.

Even if there is no longer any issue regarding the possession of the subject property, the court a quo must still resolve the issue of whether the award of damages in the form of rent arrears is proper. An ejectment case does not become moot and academic when the subject property is vacated by the petitioner as it involves not only restitution of possession but also the award of damages necessarily arising therefrom. This may be gleaned from Section 17, Rule 70 of the Rules of Court which mandates court in meritorious ejectment cases not only to restore the plaintiffs possession of the premises, but also to award in their favor the sum justly due as arrears of rent or as reasonable compensation for the use and occupation of the premises, attorney's fees and cost. We quote:

Sec. 17. Judgment.—If after trial the court finds that the allegations of the complaint are true, it shall render judgment in favor of the plaintiff for the restitution of the premises, the sum justly due as arrears of rent or as reasonable compensation for the use and occupation of the premises, attorney's fees and costs * * *. [Emphasis supplied]

Thus, in *Santos vs. Spouses Ayon*[17] the Supreme Court ruled that actions for forcible entry or ejectment shall include not only the plea for restoration of possession but also all claims for damages and costs arising therefrom.

The court a quo was also correct when it brushed aside as mere afterthoughts petitioner's attempts to justify his non-payment of rent. There is nothing in the records that will support petitioner's allegation that he had been continuously demanding for respondents to issue receipts of his rent payments. In fact, his letter[18] dated November 28, 2007 requesting for the decrease in the rate of rent from P25,000.00 to P20,000.00 was conspicuously silent regarding this. There was also no mention therein that his assent to the rent increase is conditioned on the execution of a written contract of lease. The full text of the letter reads:

November 28, 2007

MRS. MERCEDES I. DIAZ
Harvard Road
Wack Wack Village
Mandaluyong City

Dear Madam:

I acknowledge receipt of your letter dated November 23, 2007, informing me of the new rental rate effective January 1, 2008.

I am earnestly appealing for a reconsideration of the increased rental rate of Twenty Five Thousand (P25,000.00) PESOS per month. When I occupied the unit, I spent a substantial amount for the renovation of the place to make it safe and presentable. To the present, I have not recovered the amount spent for the renovation and rights. My counter proposal is a ten percent (10%) increase in the current rental for at least five (5) years, to help me recoup the costs.

Thank you. I am willing to see you anytime most convenient to you to discuss my proposal.

Sincerely,

[SGD.] ALFREDO RAMOS [19]

As pointed out by the court a quo, petitioner mentioned the alleged conditions for his payment of rent for the first time in his letter dated March 13, 2008 and only after respondents had demanded for him to vacate the leased unit. In any case, respondents' refusal to execute a contract of lease and to issue receipts would not justify petitioner's failure to pay rent. Instead, his remedies should have been to file an action to compel respondents to execute a contract of lease under Article 1357[20] of the New Civil Code; and to consign the payment of rent under Article 1256(3)[21] of the same Code. This finds support in the case of *Pasricha and Pasricha vs. Don Luis Disson Realty*,

Inc.,[22] where the Supreme Court ruled that lessors cannot unilaterally withhold payment of rent if they have an existing remedy under the law.

We quote:

What was, instead, clearly established by the evidence was petitioners' non-payment of rentals because ostensibly they did not know to whom payment should be made. However, this did not justify their failure to pay, because if such were the case, they were not without any remedy. They should have availed of the provisions of the Civil Code of the Philippines on the consignment of payment and of the Rules on Court on interpleader [Emphasis supplied]

The court a quo was also correct when it computed petitioner's rent arrears at P100,000.00. It is undisputed that the parties agreed to increase the rent to P20,000.00 starting January 2008. There is also no question that petitioner failed to pay the rent for five (5) months, or from January 2008 until he vacated the unit on June 2, 2008. There is no merit in petitioner's asseveration that his liability for unpaid rentals should have been fixed by the court a quo at a reasonable rate instead of computing the same at the current rent of P20,000.00 per month. He failed to cite any basis why he is entitled to the reduction of the monthly rent except for his insistence that he was not able to use the leased unit as he had originally intended because of the fault of respondents. As previously discussed, however, such allegation is not supported by the evidence on record.

In view of the foregoing, We find no compelling reason to depart from the assailed Decision dated August 26, 2009 of the court a quo.

Wherefore, premises considered, the instant petition for review is hereby denied.

SO ORDERED.

Carandang and Barriors, JJ., concur.

[1] Rollo, pp. 48-51.

[2] Annex A to the Petition for Review, Rollo, pp. 20-22.

[3] Emphasis withheld, Rollo, pp. 50-51.

[4] Paragraph 1 of the Complaint dated March 25, 2008, Rollo, p. 23.

[5] Page 1 of the court a quo's Decision dated August 26, 2009, Rollo, p. 48.

[6] Annex I to the Petition for Review, Rollo, p. 43.

[7] Page 1 of the court a quo's Decision dated August 26, 2009, Rollo, p. 48.

[8] Page 1 of the court a quo's Decision dated August 26, 2009, Rollo, p. 48.

[9] Annex J to the Petition for Review, Rollo, p. 44.

[10] Annex B to the Petition for Review, Rollo, pp. 23-26.

[11] Petitioner's Answer dated May 10, 2008, Rollo, pp. 27-29.

[12] Page 1 of the court a quo's Decision dated August 26, 2009, Rollo, p. 48.

[13] Supra note 2.

[14] Supra note 1.

[15] Emphasis withheld, Rollo, pp. 49-50

[16] Rollo, p 14.

[17] G.R. No. 137013, May 6, 2005.

[18] Annex I to the Petition for Review, Rollo, p 43.

[19] Ibid.

[20] Article 1357 of the Civil Code reads: If the law requires a document or other special form, as in the acts and contracts enumerated in the following article, the contracting parties may compel each other to observe that form, once the contract has been perfected. This right may be exercised simultaneously with the action upon the contract.

[21] Article 1256 of the Civil Code reads: If the creditor to whom tender of payment has been made refuses without just cause to accept it, the debtor shall be released from responsibility by the consignation of the thing or sum due.

Consignation shall produce the same effect in the following cases:

(3) When, without just cause, he refuses to give a receipt[.]

[22] G.R. No. 136409, March 14, 2008

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