

**SPOUSES ALEX AND ALIAH DIMAKUTA, AND ALL PERSONS ACTING
IN THEIR BEHALF OR DERIVING AUTHORITY FROM THEM TO
OCCUPY THEIR LEASED STALLS AT FUN PLAZA MALL,
PETITIONERS, V. MANSO FO...**

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GALAPATE-LAGUILLES, J:

This is a Petition for Review,[1] challenging the Decision[2] dated June 2, 2010 of the Regional Trial Court of Cavite City, Branch 88 in Civil Case No. N7932, which affirmed in toto the Decision[3] of the Municipal Trial Court of Rosario, Cavite in MTC Civil Case No. 06-104, viz:

WHEREFORE, the decision appealed from is hereby AFFIRMED in toto.

In addition, defendants are hereby ordered to pay unto the plaintiff a daily rental of P 400.00 beginning April 1, 2008 until they actually vacate the premises.

SO ORDERED.

The present controversy arose from the lease of two stalls at the Fun Plaza Mall operated by Manso Foods and Management Corporation (respondent Manso), located at General Trias Drive, Rosario, Cavite.

The facts follow.

Sometime in August 2004, respondent Manso, by virtue of a verbal contract, leased to petitioners spouses Alex and Aliah Dimakuta (spouses Dimakuta) the stall beside Fuji shop measuring about four (4) square meters for P12,000.00 a month. The rent was increased to P13,200.00 a year after.[4] Besides the agreed monthly rental, respondent Manso obliged the spouses Dimakuta to pay P50,000.00 as payment for the rights over the said stall. The spouses agreed to the verbal arrangement and deposited P122,000.00 to the account of respondent Manso representing payment for the “right” with three months deposit and three months advance rentals.[5]

In April 2005, respondent Manso leased to spouses Dimakuta another stall near the fastfood center (near Smokey's Grill) consisting of four (4) square meters for P12,000.00 a month. Again, no written contract was provided. Upon knowledge that other persons were interested in the stall, spouses Dimakuta agreed to pay P125,000.00 over the rights thereof. An initial payment of P50,000 was made but no receipt was issued. The full payment in the amount of P 75,000 was deposited[6] in the account of Michelle Leslie Chua, the daughter of the owner of respondent Manso. Respondent Manso also required spouses Dimakuta to pay two months deposit and two months advance rentals which were deposited in the same account of Michelle Leslie Chua. The parties agreed that the rents should be paid monthly.

Sometime in May 2006, respondent Manso billed the spouses Dimakuta for the excess spaces in both stalls that they allegedly occupied, with two (2) percent interest and three (3) percent penalty charges. The spouses Dimakuta were charged the amount of P133,671.19 corresponding to the period of June 2005 to May 2006, for the “stall beside Fuji”, and P43,394.80 for the period of October 2005 to May 2006 for the “stall near Smokey's Grill”. Despite repeated demands, the spouses Dimakuta failed to settle the said obligation. Thus, on October 2,

2006, respondent Manso ordered them to vacate the rented stalls.

On October 11, 2006,[7] spouses Dimakuta sent a letter to respondent Manso expressing their willingness to pay for the excess spaces they allegedly occupied sans interest and penalty charges since they were regularly paying rentals and because there was no agreement as to payment thereto. They pleaded that instead of vacating the premises, they would be allowed to increase the monthly rentals of the two stalls.

It turned out, however, that spouses Dimakuta failed to comply with their commitment to pay the increased rentals. Accordingly, on October 25, 2006, respondent Manso filed a Complaint for Unlawful Detainer before the Municipal Trial Court of Rosario, Cavite against spouses Dimakuta praying that the latter be ordered to vacate the subject premises and to pay the overdue obligation in the amount of P210,835.64 corresponding to the alleged excess spaces. It also sought payment for moral and exemplary damages, attorney's fees, litigation expenses in the amount of P20,000.00 and P3,000.00 as per appearance fee of its lawyer.

While the case was pending, spouses Dimakuta continued occupying the two stalls and paying rents thereto until August 2007 when respondent Manso refused to receive the rents. Consequently, the spouses consigned the rental payments for the months of August to December 2007 and January 2008 to the MTC in the total amount of P151,200.00.[8]

On April 2, 2008, the MTC rendered a Decision in favor of respondent Manso declaring that the verbal contract of lease was deemed terminated after notice to vacate was issued to spouses Dimakuta. The MTC applied the provisions of Article 1687 of the Civil Code which fixed the duration of the lease when the parties failed to specify the period thereof. The MTC explained that:

One of the grounds that a lessor may judicially eject the lessee is when the period agreed upon, or that which is fixed for the duration of leases under Article 1687 has expired. The record reveals that defendants have paid their monthly rentals and later their daily rentals of both stalls, but subsequently plaintiff refused to accept the same. Plaintiff's refusal is construed that it is not willing to renew the verbal contract of lease with the defendants. Thus, the period has already expired and the plaintiff has the right to eject the defendants.[9]

The dispositive portion of the said Decision reads:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendants, ordering the latter and all persons acting in their behalves or deriving authority from them:

1. to vacate the subject premises and restore possession thereof to plaintiff;
2. to pay plaintiff the amount of twelve thousand pesos (Php 12,000.00) for Smokey Stall and thirteen thousand two hundred pesos (Php13,200.00) for Fuji Stall from March 2008 until the defendants shall have vacated the premises;
3. to pay plaintiff the amount of twenty thousand pesos (Php 20,000.00) as and by way of attorney's fees; and
4. to pay the costs.

SO ORDERED.[10]

Aggrieved, the spouses Dimakuta appealed to the Regional Trial Court of Cavite City, which affirmed in toto the decision of the MTC and ordered spouses Dimakuta to pay unto respondent Manso a daily rental of P400.00 beginning on April 1, 2008 until they have actually vacated the premises. It ruled that the court a quo was correct in applying Article 1687 of the Civil Code. When the respondent gave the notice to vacate the leased premises, the verbal contract was deemed to have been terminated. Thus, the RTC concluded that with the termination of the contract, respondent Manso can legally evict the spouses in accordance with Article 1673 of the Civil Code.

On July 12, 2010, the spouses Dimakuta filed a motion for reconsideration but it was denied for lack of merit. Hence, this petition alleging that the RTC gravely erred and committed serious errors of fact and law:

1. WHEN IT FAILED TO CONSIDER THAT THE LEASE CONTRACT BETWEEN THE PARTIES IS NOT AN ORDINARY LEASE CONTRACT BECAUSE THE PETITIONERS PAID FOR LEASEHOLD RIGHTS ON THE SUBJECT STALLS;
2. IN FINDING THAT THE PETITIONERS COULD BE EVICTED FROM THE SUBJECT PREMISES BECAUSE THE LEASE TERM HAS EXPIRED;
3. IN FINDING THAT THE PETITIONERS ADMITTEDLY OCCUPIED MORE THAN THE AGREED SPACE WITHOUT PAYING ANY RENTALS.[11]

Stripped of the non-essentials, the main issue of the present petition is whether respondent Manso has the right to evict spouses Dimakuta from the subject premises. It is the contention of the spouses Dimakuta that respondent Manso cannot simply invoke the provisions of Article 1687 because they paid “rights” over the subject stalls, other than the verbal lease agreed by them.

The petition is bereft of merit.

It is not disputed that the parties entered into two verbal contracts of lease, the period of which were not fixed by them. There is likewise no quibble that spouses Dimakuta paid the rents on a monthly basis, as shown in the receipts issued by respondent Manso. The conclusion reached by the MTC and the RTC that the parties subsequently agreed to make the payment of rents on a day-to-day basis in the amount of P400.00 lacks evidentiary support, documentary or otherwise. Be that as it may, the prevailing circumstances of the case warrant the application of Article 1687 of the Civil Code, which provides:

Art. 1687. If the period for the lease has not been fixed, it is understood to be from year to year if rent agreed upon is annual; from month to month, if it is monthly; from week to week, if the rent is weekly; and from day to day, if the rent is to be paid daily. However, even though a monthly rent is paid, and no period for the lease has been set, the courts may fix a longer term for the lease after the lessee has occupied the premises for over one year. If the rent is weekly, the courts may likewise determine a longer period after the lessee has been in possession for over six months. In case of daily rent, the courts may also fix a longer period after the lessee has stayed in the place for over one month.

As claimed by the spouses Dimakuta, they had been religiously paying the agreed rent for the stall beside Fuji shop since August 2004 and since April 2005 for the stall near Smokey's Grill. Since the payment of rents was on a monthly basis, and there was no evidence to the contrary, it is understood that the parties agreed that the lease expires at the end of every month. Apropos is the ruling in *Lopez v. Fajardo*,^[12] where the Supreme Court clarified that a verbal lease on a month-to-month basis under Article 1687 is deemed a lease with a definite period and expires after the last day of any given thirty-day period, upon proper demand and notice by the lessor to vacate. It held:

In the instant case, it was noted that the rentals were paid on a month-to-month basis. Thus, the lease could be validly terminated at the end of any given month upon prior notice to that effect on the lessee. After all, when the rentals are paid monthly, the lease is deemed to be for a definite period, i.e., it expires at the end of every month.

The notice to vacate that respondent Manso sent to the spouses Dimakuta on October 2, 2006, signified an express intention on the part of the lessor to terminate the lease. After such notice, the spouses Dimakuta's right to continue in possession ceases and respondent Manso can rightfully bring an action for judicial ejectment under Article 1673(1) of the Civil Code.^[13] The case of *Lopez v. Umale-Cosme*,^[14] citing *Lee Wee V. De Castro*,^[15]

is enlightening, thus:

The rentals being paid monthly, the period of such lease is deemed terminated at the end of each month. Thus, respondents have every right to demand the ejectment of petitioners at the end of each month, the contract having expired by operation of law. Without a lease contract, petitioner has no right of possession to the subject property and must vacate the same. Respondents, thus, should be allowed to resort to an action for ejectment before the MTC to recover possession of the subject property from petitioner.

Grasping at straws, the spouses Dimakuta argue that the period fixed by law is not applicable to them as they had paid “rights” over the stalls they rented – P50,000.00 for the stall near Fuji and P125,000.00 for the stall near Smokey's Grill.

We are not convinced.

While respondent Manso did not refute the payment of “rights” over the two stalls, there is no evidence showing the nature or purpose thereof. The spouses Dimakuta failed to establish that the “rights” allowed them to stay in the subject premises indefinitely as long as they continuously paid rents. To be sure, the “rights” do not deter the application of the periods fixed by law in Article 1687 of the Civil Code. However, equity dictates that respondent Manso shall return the amounts paid by spouses Dimakuta for the “rights” over the stalls as well as the corresponding deposit thereto. We likewise note spouses Dimakuta's consignment to the MTC of the rents for the two stalls for the period of August to December 2007 and January 2008 in the total amount of P151,200.00, which were withdrawn by respondent Manso.[16]

Anent the excess spaces allegedly occupied by spouses Dimakuta, We note that the MTC and the RTC did not order the latter to pay additional rent therefor. We shall not deviate from the foregoing finding as there is no sufficient evidence to hold spouses Dimakuta liable for the payment of additional rent. More significantly, respondent Manso failed to prove the exact amount of space allegedly encroached on by the spouses Dimakuta. Also, there is no showing that the alleged ocular inspection was conducted by respondent Manso in the presence of the spouses Dimakuta which rendered it dubious and unfair on the part of the latter.

FOR THESE REASONS, We DENY the petition. The Decision of the Regional Trial Court, Branch 88, of Cavite City is hereby AFFIRMED with the following MODIFICATIONS:

1. The spouses Alex and Aliah Dimakuta are ordered to pay respondent Manso Foods and Management Corporation the amount of P12,000.00 for the stall near Smokey's Grill and P13,200.00 for the stall beside Fuji shop from February 2008, considering that they have paid rent up to January 2008, until the time that they have actually vacated the subject premises;
2. The three months deposit for the stall beside Fuji shop and two months deposit for the stall near Smokey's Grill as well as the “rights” paid by spouses Dimakuta in the amounts of P50,000.00 and P125,000.00, respectively, shall be charged to the monetary obligation of the spouses and the excess, if there is any, shall be returned to them.
3. The daily rental in the amount of P400.00 which was awarded by the RTC is deleted for being excessive and redundant.

SO ORDERED.

Diamante[*] (Acting Chairperson) and Bueser,**] JJ., concur.

[*] Vice J. Mariflor P. Punzalan Castillo per Office Order No. 188-14-ABR dated May 6, 2014

[**] Vice J. Amy C. Lazaro-Javier per Office Order No. 185-14-ABR dated May 5, 2014

[1] Amended Petition dated September 15, 2010 Rollo, p. 83-99

[2] Id., pp. 65-70.

[3] Id., pp. 47-54.

[4] Memorandum of Appeal. Id., p. 55.

[5] Annex B-B1. Id. p. 25.

[6] Annex C (Deposit Slips). Id., p.26

[7] Id., p. 39.

[8] Id., p. 44.

[9] Id., p. 52.

[10] Id., pp. 53-54.

[11] Id., p. 87.

[12] G.R. No. 157971, August 31, 2005.

[13] Art. 1673. The lessor may judicially eject the lessee for any of the following causes:

(1) When the period agreed upon, or that which is fixed for the duration of lease under Articles 1682 and 1687, has expired.

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[14] G.R. No. 171891, February 24, 2009.

[15] G.R. No. 176405, August 20, 2008.

[16] Rollo, p. 44.

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