

COCA-COLA BOTTLERS PHILIPPINES, INC., PETITIONER, VS. THE COURT OF APPEALS, CESAR BAUTISTA AND THE HEIRS OF PACIANO B. BAUTISTA, RESPONDENTS.

G.R. No. 100957. January 27, 1994

Ponente: ROMERO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-100957/>

ROMERO, J.:

This is a petition for review on certiorari of the decision[1] of the Court of Appeals in CA-GR No. 15858 which affirmed the decision of the Regional Trial Court, Malabon, Metro Manila, Branch 169 in Civil Case No. 452-MN, entitled "Bautista v. Coca-Cola," an action for specific performance and damages, the dispositive portion of which reads:

"WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against the defendant, ordering the latter:

- To pay P43,861.48, representing the amount owing the plaintiffs for rentals in arrears, 1st and 2nd quarters of 1984;
- To pay P986.88, representing interest at 1 - 1/2% a month from January 5, 1984 to March 31, 1984, and which interest rate should run up to the time the full amount is paid;
- To comply with the provisions of the lease contract respecting the period thereof, or in the alternative:
- Should defendant refuse to honor the lease contract specifically the provisions concerning the 10-year period, to pay plaintiffs the amount of P789,606.64, representing unrealized rental income for the duration of the lease contract;
- To pay P50,000.00 by way of attorney's fees; and
- To pay the costs of litigation.

SO ORDERED."

The facts are as follows:

Sometime in 1981, herein petitioner Coca-Cola Bottlers Philippines, Inc. (Coca-Cola for brevity), through its Sales Supervisor in Malabon, Metro Manila, approached private respondent Cesar B. Bautista to inform him that the company was interested in leasing a parcel of land belonging to him and his brother, the late Paciano Bautista. A certain Manaloto, Coca-Cola Sales Supervisor, negotiated the lease of the premises with respondent Bautista, who wanted the term of the lease to be limited to five (5) years. However, Coca-Cola insisted on a ten-year period as it planned to put up a warehouse & sales office in the said place. The result of the negotiations was a contract of lease executed between the Bautistas as lessors and Coca-Cola as lessee for a period of ten (10) years from October 1, 1982 to September 30, 1992, renewable for a five-year term subject to the mutual agreement of the parties.

Since the land leased was partially under water, Coca-Cola filled it up with ten (10) trucks of filling materials before constructing a warehouse and sales office. In addition, it installed a water tank and a gasoline tank. The Malabon Sales Office had 14 route trucks, 7 haulers, and 10 private vehicles to deliver their goods to its customers. It also had a forklift used in handling their products at the warehouse.

Upon the onset of the rainy season in the latter part of June 1983, Jesus Solis Calderon, Operations Manager of Coca-Cola, received a report from the supervisor of the Malabon branch that the sales office and the warehouse were sinking, mud was coming up from the ground and the asphalt pavement was being wiped out. As a result, their trucks were stuck to the ground.

To remedy the situation, Coca-Cola filled up the place with escombros but to no avail because the silt still continued to seep out of the ground. Calderon then prepared a memorandum addressed to their General Manager recommending corrective measures to solve the problem. Coca-Cola engaged the services of San Agustin Construction Corp. and spent the sum of P143,725.00 to arrest the rapid deterioration of the premises. Despite the steps taken, the site continued to sink. Coca-Cola then consulted another firm, Industrial Inspection (International), Inc. (III) which conducted a test of the soil in the land area. The firm's report was submitted to the Civil Engineering Office of San Miguel Corporation and the latter estimated the cost for site development of the area to amount to P904,970.00 - a sum far exceeding the allocated budget.

However, III could not assure San Miguel that even if its recommendations were followed and the repairs undertaken, the ground would stop sinking. San Miguel decided to leave and vacate the place and to return its stocks back to its Quezon City plant.

Sometime in December 1983, private respondents received a letter from Coca-Cola informing it of the company's intention to terminate the lease agreement. After he met with the managers of Coca-Cola and with the heirs of Paciano Bautista, Cesar Bautista wrote Coca-Cola that its proposal of terminating the contract was not acceptable. This was also reiterated in a subsequent letter sent by private respondents' counsel.

Coca-Cola, however, insisted on turning over the leased premises to private respondents. For failure of Coca-Cola to pay the rentals on the leased property after December 1983, the Bautistas filed a complaint against it with the lower court for specific performance and damages.

The trial court ordered Coca-Cola to pay back rentals plus interest. In the event that Coca-Cola did not wish to comply with the terms of the lease contract, the court ordered it to pay the amount of P789,606.64 representing unrealized rental income for the duration of the lease contract.

Coca-Cola elevated the case to the Court of Appeals, praying for reimbursement of the cost of the improvements and the expenses it had incurred to keep the site from sinking.

The Court of Appeals held that there was no duty on the part of private respondents to fill up the place so that petitioner could properly use it for the purpose intended. That was the obligation of the petitioner.

It further negated bad faith on the part of the Bautistas and held that their refusal to accede to Coca-Cola's request for the pre-termination of the lease was justified. The Court of Appeals affirmed the Regional Trial Court's decision with costs against Coca-Cola. Petitioner filed a Motion for Reconsideration but the same was denied in a resolution[2] by the Court of Appeals.

Hence, this petition.

Petitioner contends that as lessee, it has been denied its rights to the enjoyment or use of the thing leased under Art. 1643 of the Civil Code, thereby unjustly exempting respondents from their obligation to render the same fit

for the use intended.[3]

Petitioner avers that the ruling of the Court of Appeals exempts, without justification, respondents from their warranty against hidden defects,[4] and is not in accord with the ruling in *Alburo v. Villanueva*[5] wherein this Court held that the lessor has the obligation to make the necessary repairs to render the premises fit for the use intended.

Lastly, petitioner argues that relevant evidence was ignored by the trial and appellate courts when these tribunals held that it knew that the leased premises had originally been a fishpond and, therefore, it could not possibly have been unaware of the instability of the leased area's subsurface.

We find petitioner's contentions to be unmeritorious.

Central to the resolution of the issue of whether or not petitioner was justified in pre-terminating the contract of lease is the determination of the fact of private respondents' alleged bad faith in not informing petitioner that the land had originally been a fish pond. In its resolution denying petitioner's Motion for Reconsideration, the Court of Appeals quoted extensively from the testimony on direct examination of Jesus Solis Calderon, Operations Manager of Coca-Cola, wherein he categorically stated that petitioner had filled up the premises with ten (10) truck loads of materials.

The appellate court also reproduced the testimony of respondent Cesar Bautista on cross-examination who stated that during negotiations with Jose Palma, sales manager of Coca-Cola, the latter advised him against setting a high price for the lease of the land because it was under water.

The Appellate Court, having found that petitioner was fully aware of the nature and condition of the land as it, in fact, had even filled it up and sought a lower rental price from private respondents, held that the latter were not in bad faith when they entered into the contract of lease with petitioner.

We see no reason to disturb this finding of fact by the Court of Appeals, sufficiently supported as it is, by the evidence on record. It is axiomatic that factual findings of the Court of Appeals are conclusive on the parties and reviewable by us only when the case falls within any of the recognized exceptions, which is not the situation obtaining in this petition.[6]

Petitioner insists that private respondents, as lessors, have the obligation to render the subject premises fit for the use intended, and in the face of their denial to comply with their duty to make the necessary repairs, their refusal to accede to petitioner's demand to pre-terminate the contract of lease was unjustified.

Article 1654, par. 1, of the Civil Code provides that the lessor has the obligation to deliver the leased premises "in such a condition to render it fit for the use intended." The facts as found by the Court of Appeals in the present case reveal that petitioner initiated the negotiation to lease the subject land for its Malabon office. Further, in the contract of lease entered into by the parties, it is expressly stipulated that a warehouse worth not less than P300,000.00 would be constructed and that "all improvements constructed by the lessee on the leased premises shall belong in full ownership to the lessors at expiration hereof or its termination for any and all causes whatsoever."

Petitioner's authorized representatives made ocular inspections of the land in 1981 and several times thereafter until the contract of lease was executed on October 11, 1982. After satisfying themselves that the subject land would serve their purpose, or, put differently, that the land was indeed fit for the use intended, petitioner entered into the aforesaid contract of lease. It constructed a warehouse and other structures worth at least P430,000.00 and used a number of route trucks, haulers and other vehicles, including a forklift. At the start of the rainy season in

June 1983, when the vehicles were getting stuck in the mud, the warehouse floorings sinking and silt coming out of the sales office floors, petitioner took steps to remedy the situation and did not make any demand on respondents to make the "necessary repairs" thereon. This shows that the petitioner did not consider it the duty of respondents at the time, to solve the problem. Evidently, it tried to do everything it could to continue the lease until it became financially prohibitive to do so.

It was clearly the intention of the parties, upon entering into the contract of lease, for petitioner to simply obtain a site, "a flat surface," for the establishment of a Malabon sales office. This was understood and agreed upon by private respondents. Thus, in accordance with the said contract, petitioner constructed on the subject land its sales office, warehouse, water tank and gasoline tank. Under these circumstances, private respondents were under no obligation to make the necessary repairs in order to keep the land suitable for the purpose for which it had been intended.

Had it been private respondents who constructed the structures on their land and leased the same to petitioner, the situation would have been different. They would then have the obligation to deliver the said structures in such a condition as to render them fit for the use intended. However, as lessee/builder, petitioner had the responsibility to make sure that the foundations of its building and the structures were firm and secure. It should have tested the underground soil before and not after the construction.

Petitioner also argues that the Court of Appeals misapplied the ruling in *Alburo v. Villanueva*. In this case, we said:

"In support of her claim for reimbursement for expenses in filling in and leveling the lot, defendant relies on the provisions of paragraph 2 of article 1554 of the Civil Code, wherein it is provided that the landlord is obliged 'during the lease to make all necessary repairs in order to preserve the thing rented in condition to serve for the purpose to which it was destined.' But, as Manresa points out, this article is strictly limited in its effect to repairs necessary to preserve the thing rented in a condition suitable to the use agreed upon (*para el uso pactado*). A repair implies the putting of something back into the condition in which it was originally and not an improvement in the condition thereof by adding something new thereto, unless the new thing be in substitution of something formerly in existence and is added to preserve the original status of the subject-matter of the repairs; the filling in of a vacant lot can not be regarded as a repair as the word is used in this article." (Underscoring supplied)

Petitioner avers that its case is different from *Alburo*, since what was leased there was a vacant lot needing filling up, and which was later filled up by the lessee. In the present case, it claims, the lot was already filled up by private respondents.

The facts show, however, that petitioner filled up the land with 10 trucks of filling materials prior to the construction of its structures. Thus, we find no logic in petitioner's argument.

Petitioner wants private respondents held liable for their warranty against hidden defects under Articles 1561[7] and 1653[8] of the Civil Code.

Considering that the representatives of the petitioner were given every opportunity to visit and inspect the premises prior to the execution of the contract of lease, we cannot impute bad faith on the part of respondents for having allegedly withheld the information that the leased land was a former fishpond. Furthermore, as found by both the trial court and the Court of Appeals, when petitioner was furnished a copy of the tax declaration of the property for purposes of registration of the lease contract, it was aware that the property was described therein as a former fishpond.

This fact was never controverted by petitioner.

It was clearly petitioner's duty to examine and determine the suitability of the land for the use to which it was to be devoted. Since it is in the business of bottling, manufacturing and marketing soft drinks, nobody could be in a better position to determine the condition of the site and the facilities needed to operate such an enterprise. It is late in the day for it to shift this responsibility to the private respondents who merely provided the site therefor.

Accordingly, private respondents cannot be held liable for the alleged warranty against hidden defects under Art. 1561 of the Civil Code.

Under the circumstances, the refusal of respondents to accede to petitioner's request for the pre-termination of the lease being justified, they are entitled to demand from the latter compliance with the terms and conditions of the contract of lease. Although sound business practice dictates the necessity of abandoning the Malabon sales office, rather than continuing with the contract of lease which would entail more losses, such is not a valid ground to justify breach of the lease contract, private respondents not having committed any actionable wrong.

In *Vales v. Villa*, 35 Phil. 769, 788, this Court held:

"x x x. Courts cannot constitute themselves guardians of persons who are not legally incompetent. Courts operate not because one person has been defeated or overcome by another, but because he has been defeated or overcome illegally. Men may do foolish things, make ridiculous contracts, use miserable judgment, and lose money by them -- indeed, all they have in the world; but not for that alone can the law intervene and restore. There must be, in addition, a violation of law, the commission of what the law knows as an actionable wrong, before the courts are authorized to lay hold of the situation and remedy it."

While one may commiserate with the petitioner for the losses it has incurred, it has no one else to blame but itself for the exercise of poor judgment by its representatives.

Lastly, while we agree with the decision of the Court of Appeals, we find the award of P50,000.00 as attorney's fees excessive. P30,000.00 is a more reasonable award.

WHEREFORE, except for the modification of the award of attorney's fees to private respondents Cesar Bautista and the heirs of Paciano Bautista, the decision of the Court of Appeals in CA-G.R. CV No. 15858, is hereby **AFFIRMED** in all other respects. No costs.

SO ORDERED.

Feliciano, (Chairman), Bidin, Melo, and Vitug, JJ., concur.

[1] See Annex "A," Petition, Rollo, p. 29.

[2] Annex "B," Petition.

[3] Art. 1654, par. 2, Civil Code.

[4] Art. 1653 & 1561, NCC.

[5] 7 Phil. 277.

[6] *Investment & Development, Inc. v. CA*, G.R. No. L-51377, June 27, 1988, 162 SCRA 636; *Chua Giok Ong v. CA*, G.R. No. L-41689-90, April 8, 1987, 149 SCRA 115; *Dulos Realty & Development Corp. v. CA, et al.*, G.R. No. 76668, January 28, 1988, 157 SCRA 425.

[7] Art. 1561. The vendor shall be responsible for warranty against the hidden defects which the thing sold may have, should they render it unfit for the use for which it is intended, or should they diminish its fitness for such

use to such an extent that, had the vendee been aware thereof, he would not have acquired it or would have given a lower price for it; but said vendor shall not be answerable for patent defects or those which may be visible, or for those which are not visible if the vendee is an expert who, by reason of his trade or profession, should have know them.

[8] Art. 1653. The provisions governing warranty, contained in the Title on Sales, shall be applicable to the contract of lease.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.