

**THE HEIRS OF JACOBO BOLUS, NAMELY, JAKE B. BOLUS,
ELIZABETH BOLUS-NERI, RICARDO B. BOLUS, EMMANUEL B. BOLUS,
CORAZON BOLUS, CARLITO BOLUS AND ROMEO BOLUS,
PETITIONERS, VS. THE C...**

G.R. No. 107036. February 09, 1993

Ponente: CRUZ, J.

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CRUZ, J.:

The spouses Ricardo and Gliceria Jimenez filed an action for ejectment in the Municipal Trial Court of Metro Manila against the heirs of Jacobo Bolus, the original lessee, on the grounds of non-payment of rentals and unauthorized sub-leasing.

In their answer, the defendants argued inter alia that the court had no jurisdiction over the case as the ownership of the leased premises by the plaintiffs was in issue; there was no cause of action because the lessees had in fact made prior consignment of the claimed rentals; and the action was premature for non-compliance with PD 1508.

The trial court, brushing aside the challenge to its jurisdiction, held that the issue to be decided was not ownership but possession of the subject property. It then proceeded to declare, on the basis of the evidence before it, that the defendants had indeed defaulted in the payment of the rentals from 1988 to 1991.

The decision nevertheless did not order the ejectment of the defendants in view of the valuable improvements they had made on the property. Applying Article 1687 of the Civil Code, Judge Francisco D. Villanueva allowed the defendants to stay for two more years in the subject property to enable them to look for another place to transfer and to recover the substantial amounts they had spent for the improvements they had made on the land. At the same time, however, he increased the rentals from P100.00 to P3,000.00 a month.[1]

The decision was appealed by the defendants to and affirmed by the Regional Trial Court of Metro Manila, which agreed with the court a quo that they had not really paid rentals from 1988 to 1991 and deposited their arrearages only after the decision of the Municipal Trial Court was rendered on June 5, 1991. At that, the deposit was made only in the form of a supersedeas bond for the purpose of staying the immediate execution of the appealed decision.[2]

Judge Oscar L. Leviste did not discuss the validity of the increased rental but deleted the two-year extension of the lease. His reason was that extension of the lease pursuant to Article 1687 was not allowed if the ground for ejectment was non-payment of rentals.[3]

The petitioners appealed to the respondent court, again raising the issue of jurisdiction as well as the validity of the increased rental. They also questioned the revocation of the two-year extension of the lease. The Court of Appeals upheld the Regional Trial Court in a decision dated April 30, 1992,[4] and denied their motion for reconsideration on September 2, 1992.[5]

In the present petition, the respondent court is faulted for sustaining the jurisdiction of the Metropolitan Trial Court; for finding that the defendants were in default in the payment of their rentals; for approving the increase of their rentals to P3,000.00; and for disauthorizing the two-year extension of their lease.

These are our rulings.

On the issue of jurisdiction, the firmly settled principle is that a municipal court has jurisdiction over forcible entry or unlawful detainer cases even if the question of the ownership of the property is raised by the defendant.[6] The exception is where the question of title is so involved in the ejectment case that it cannot be decided unless the title to the property is first ascertained.[7]

That situation does not obtain in the present case. In fact, the defendants do not even claim the leased property and invoke only a right of pre-emption thereto under PD 1508. That is only an inchoate right that has yet to be perfected. Moreover, they have acknowledged their status as mere lessees and their obligation to pay their accrued rentals to the private respondents. They have done this not only expressly in their pleadings[8] but also by their act of consigning the said rentals before and after the period from 1984 to 1988.[9]

The question of default is factual and was decided by all the three courts below against the defendants. Their findings are conclusive on this Court, there being no satisfactory showing that they were reached arbitrarily or without basis.

Regarding the extension of the period of the lease, the view that this could not be granted because the defendants were in default in their rentals is not supported by law or doctrine. There is no such prohibition in Article 1687, which reads in full as follows:

Art. 1687. If the period for the lease has not been fixed, it is understood to be from year to year, if the 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.

We sustained such an extension in the case of *Divino v. Marcos*[10] although non-payment of rentals was the ground invoked for the ejectment of the lessees. Through Mr. Justice Jose Ma. Paredes, this Court observed:

The lot in question has been rented to the petitioner for about 20 years and his predecessor-in-interest for more. Even though rentals had been paid monthly, still no period for the duration of the lease had been set. The lease had been consistently and tacitly renewed ("tacita reconduccion") until the ejectment case was filed (*Co Tiam v. Diaz*, 75 Phil. 672; *Villanueva v. Canlas*, 77 Phil. 381; Art. 1670, N.C.C.; Art. 1566, Old Civil Code). Having made substantial or additional improvements on the lot, and considering the difficulty of looking for another place to which petitioner could transfer such improvements, and the length of his occupancy of the lot (since 1936), and the impression acquired by him that he could stay on the premises, as long as he could pay the rentals, it would seem that there exists just grounds for granting the extension of lease and that the extension of two years granted by the trial court, is both fair and equitable.

The petitioners herein are in a similar situation as they have been leasing the property since 1979 and, as observed by the lower courts, have introduced valuable improvements thereon. The Court also notes that the validity of the extension was not appealed by the private respondents, who thereby accepted the same. The issue was not even raised by the petitioners in their appeal.

We now come to the increase of the monthly rental by the Metropolitan Trial Court from P100.00 to P3,000.00.

Since the stipulated rental was P100.00 per month, any increase thereof should be in accordance with BP 25, the original law regulating the rentals of dwelling units and lots, and all the succeeding amendatory laws. BP 25, which was applicable to all residential units with monthly rentals not exceeding P300.00, provided that such rentals could not be increased by more than 10% every year. It had an initial duration of five years from 1979 but its effectivity was extended to June 1985 by BP 867, and again extended to December 1987 by BP 877, with the following authorized rates of increase:

Period

Max. Increase

July 1, 1985 to Dec. 31, 1985

10%

Jan. 1, 1986 to Dec. 31, 1986

20%

Jan. 1, 1987 to Dec. 31, 1987

20%

On January 1, 1988, the effectivity of BP 877 was extended to December 31, 1989, by RA 6643, which provided a maximum increase also of 20%. Another extension on the same terms was made for 3 more years or until December 31, 1991, by RA 6828. On January 1, 1993, RA 7644 gave still another extension from January 1, 1993, to December 31, 1997, but the maximum increase was retained at 20% per year.

Applying these laws, we find the following monthly rentals to be demandable from the petitioners for the years indicated:

Year

Maximum Increase

Monthly rate

1979

10%

P110.00

1980

10%

121.00

1981

10%

133.00

1982

10%

146.40

1983

10%

161.00

1984

10%

177.00

1985

10%

194.70

1986

20%

233.60

1987

20%

280.00

1988

20%

366.00

1989

20%

403.00

1990

20%

483.00

1991

20%

580.30

1992

20%

596.30

1993

20%

835.50

The Metropolitan Trial Court held, after resolving the factual question of default, that the petitioners should start paying the new rentals from November 1990, when the complaint for ejectment was filed. Accordingly, they should pay the increased monthly rent of P483.00 for November 1990 to December 31, 1990; P580.00 for January 1, 1991 to December 31, 1991; P696.00 for January 1, 1992 to December 13, 1992 and P835.50 for January 1, 1993 to 1993, with legal interest.

The two-year extension of the lease is computed from the date the decision of the Metropolitan Trial Court became final as to the private respondents, who did not appeal.

WHEREFORE, the appealed decision is hereby AFFIRMED except as to the amount of the rentals to be paid by the petitioners, which should be computed in accordance with the discussion in the body of this opinion.
SO ORDERED.

Padilla, Griño-Aquino, and Bellosillo, JJ., concur.

[1] Rollo, pp. 37-42.

[2] Ibid., pp. 43-45.

[3] Id., p. 45.

[4] id., pp. 45-56.

[5] id., p. 57.

[6] Manlapaz v. Court of Appeals, 191 SCRA 795 citing Lopez v. Santiago, 107 Phil. 668; De Gaerlan v. Martinez, 85 Phil 375; De la Cruz v. Burgos, 28 SCRA 977.

[7] Luna v. Nable, 67 Phil. 340.

[8] Annex B, Rollo, pp. 31, 32.

[9] Rollo, p. 14.

[10] 4 SCRA 186.

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