

**TEODORO ARAOS, ALEJANDRO LANG-CAUAN, EUGENIA PITOY,
SPOUSES PERFECTO REYES AND ROSARIO REYES, RUTH RAYCO,
PROSPERO PERALTA, MYRNA MENDOZA, AND SPOUSES REDENTOR
COMINTAN AND LUCY...***G.R. No. 107057. June 02, 1994*

Ponente: DAVIDE, JR., J.

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This is a petition for review on certiorari seeking the reversal of the decision of the Court of Appeals of 8 September 1992 in CA-G.R. SP No. 27819[1] which reversed the decision of the Regional Trial Court (RTC) of Manila and reinstated the judgment of Branch 26 of the Metropolitan Trial Court (MeTC) of Manila in several ejectment cases filed against the petitioners.

The petitioners are lessees of a ten-door apartment building located at No. 2222 Pedro Gil Street, Sta. Ana, Manila, which they have been occupying for some 25 years. The building was originally owned by one Vivien B. Bernardino with whom the petitioners had a written contract of lease which expired on 31 January 1988. Nevertheless, after this period, the petitioners peacefully occupied their respective units and the lessor continued to collect monthly rentals from the petitioners despite the absence of a written contract.

On 11 July 1991, the apartment was sold to private respondent Jovan Land, Inc. Three days after, or on 15 July 1991, demands to vacate the units the petitioners and other lessees were occupying were made simultaneously by Bernardino and the private respondent. When the demands went unheeded, ten separate cases for unlawful detainer were filed against the petitioners and other lessees by the private respondent before the MeTC of Manila.[2] The cases were assigned to Branch 26 of the said court.

After the parties submitted their respective position papers, the MeTC rendered a joint Judgment[3] holding that the contracts between the lessor and the lessees provided for a lease on a month-to-month basis and, in the light of Article 1687 in relation to Article 1670 of the Civil Code, that the lease period had expired. Accordingly, it ordered the defendants to vacate the premises and to pay the following, amounts:

Rental Arrearages from August to October 1991

Reasonable Compensation

for the use and occupancy of

the premises

TEODORO ARAOS

P18,000.00

P 6,000.00/mo

FLORENCIO JAVIER

13,500.00

4,500.00/mo

Spouses JESUS and

VILMA TAPEL

18,000.00

6,000.00/mo

EUGENIA PITOY

13,500.00

4,500.00/mo

PROSPERO PERALTA

13,500.00

4,500.00/mo

Spouses ALBERTO

and MYRNA MENDOZA

18,000.00

6,000.00/mo

RUTH RAYCO

13,500.00

4,500.00/mo

Spouses PERFECTO

and ROSARIO REYES

18,000.00

6,000.00/mo

Spouses REDENTOR

and LUCY COMINTAN

18,000.00

6,000.00/mo

ALEJANDRO LANGCAUAN

13,500.00

4,500.00/mo

Each defendant was also ordered to pay P2,500.00 as attorney's fees and costs.

The MeTC rejected the lessees' contention that since they have been occupying the property for more than ten years, they are protected by P.D. No. 1517,[4] the law on Urban Land Reform, and ruled that the subject matter is outside an Area of Priority Development (APD) Zone.[5]

The abovenamed lessees (defendants) appealed the decision to the RTC of Manila. The cases were assigned to Branch 38 thereof.[6]

During the pendency of the appeal, the Tapel spouses[7] and Florencio Javier[8] vacated the premises and their appeals were accordingly dismissed.

In its joint Decision of 7 April 1992,[9] the RTC reversed the decision of the MeTC on the ground that the cases are covered by B.P. Blg. 25, as amended by B.P. Blg. 877, specifically Section 6 thereof, which provides:

"SEC. 6. Application of the Civil Code and the Rules of Court of the Philippines. -- Except when the lease is for a definite period, the provisions of paragraph (1) of Article 1673 of the Civil Code of the Philippines, insofar as they refer to residential units covered by this Act, shall be suspended during the effectivity of this Act, but other provisions of the Civil Code and the Rules of Court on lease contracts, insofar as they are not in conflict with the provisions of this Act shall apply."

Paragraph 1, Article 1673 of the Civil Code refers to Article 1687 which states that if the period for the lease has not been fixed, it is understood to be from month to month, if the rent agreed upon is monthly. The RTC then concluded that even if the month-to-month lease under Article 1687 had expired, the expiration cannot be a ground for judicial ejectment in view of the suspension of the provision of paragraph 1 of Article 1673 by B.P. Blg. 25, as amended. It further considered the increase in rental, as awarded by the MeTC, to be iniquitous and unconscionable. It opined that the increase should not exceed 20% per year as provided for in R.A. No. 6828, the law which further extended the effectivity of B.P. Blg. 877.[10]

Dissatisfied with the RTC decision, the private respondent filed with the Court of Appeals a petition for review. In its decision promulgated on 8 September 1992,[11] the Court of Appeals reversed the decision of the RTC and affirmed the decision of the MeTC. It ruled that based on existing jurisprudence an oral contract of lease on a month-to-month basis is a lease with a definite period which expires upon previous demand by the lessor to vacate and thus can justify ejectment.[12] It also relied on our pronouncement in *Uy Hoo and Sons Realty Development Corporation vs. Court of Appeals*[13] where we said that while Section 5(f) of B.P. Blg. 25 originally stated that "expiration of the period of a written contract" is a ground for judicial ejectment, the amendatory law, B.P. Blg.

877, now merely states "expiration of the period of the lease contract," as a ground for judicial ejectment.

Hence, this petition which although initially denied in the Resolution of 31 March 1993[14] was reinstated and given due course after our finding of a prima facie merit with respect to the issue on rates of rentals.[15]

The core issue for our resolution is the propriety and validity of the increase in the monthly rates of rentals as decreed by the MeTC and sustained by the Court of Appeals.

The records show that the petitioners' monthly rentals were increased as follows:

Former Rentals[16]

Increased Rentals[17]

TEODORA ARAOS

P945.00

P6,000.00

ALEJANDRO LANGCAUAN

760.00

4,500.00

EUGENIO PITOY

795.00

4,500.00

PROSPERO PERALTA

760.00

4,500.00

Spouses ALBERTO

and MYRNA MENDOZA

945.00

6,000.00

RUTH RAYCO

710.00

4,500.00

Spouses PERFECTO

and ROSARIO REYES

945.00

6,000.00

Spouses REDENTOR

and LUCY COMINTAN

790.00

6,000.00

In increasing the rentals, the MeTC took into consideration the fact that the area where the apartment is located is highly commercialized.

There is no basis for the increase in the rentals. The issue must then be resolved in favor of the petitioners.

The rule is settled that in forcible entry or unlawful detainer cases, the only damage that can be recovered is the fair rental value or the reasonable compensation for the use and occupation of the leased property.[18] The reason for this is that in such cases, the only issue raised in ejectment cases is that of rightful possession; hence, the 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.[19]

It should be borne in mind that although the rent control laws allow unilateral increases in rentals by the lessor within the period and the maximum rates provided therein, still the demand for such increase must be made upon the lessee himself. The courts have no authority to fix the same for the parties where no valid demand for an increased rent has been made by the lessor. Hence, in the case of *Orlino vs. Court of Appeals*,[20] we reversed the MTC's award of increase in rental in accordance with Section 1 of B.P. Blg. 877, after finding that the award was merely based on the prayer in the complaint, although no previous demand was made on the defendant-lessee.

In the present case, the demand letters to vacate sent to the petitioners only mentioned the purchase of the apartment units by the private respondent. Nothing in the record shows that there were prior disputes on the rentals or that there was a demand for increased rentals made by the private respondent or its predecessor on the petitioners. Hence, the MeTC did not have the authority to decree the increase in rental rates.

WHEREFORE, the instant petition is hereby partly GRANTED. The challenged decision of the Court of Appeals and that of the Metropolitan Trial Court in Civil Cases Nos. 136824-CV, 136826-CV to 136831-CV, inclusive, and 136857-CV are hereby MODIFIED by setting aside the increase in rentals fixed therein and directing the petitioners to pay the accumulated rentals, from 15 July 1991 until they shall have effectively vacated the leased premises, at the same monthly rates they were paying before 15 July 1991, with interest thereon at the legal rate.

No pronouncement as to costs.

SO ORDERED.

Bellosillo and Quason, JJ., concur.

Cruz, (Chairman), and Kapunan, JJ., on official leave.

[1] Annex "C" of Petition; Rollo, 48-52. Per Associate Justice Serafin E. Camilon, concurred in by Associate Justices Jorge S. Imperial and Cancio C. Garcia.

[2] Docketed as Civil Cases Nos. 136782-CV, 136824-CV to 136831-CV, inclusive, and 136857-CV.

[3] Annex "A" of Petition; Rollo, 27-37. Per Judge Reinato G. Quilala.

[4] "Section 6. Land Tenancy in Urban Land Reform Areas. -- Within the Urban Zones legitimate tenants who have resided on the land for ten years or more who have built their homes on the land and residents who have legally occupied the lands by contract, continuously for the last ten years shall not be dispossessed of the land and shall be allowed the right of first refusal to purchase the same within a reasonable time and at reasonable prices, under terms and conditions to be determined by the Urban Zone Expropriation and Land Management Committee created by Section 8 of this Decree."

[5] Rollo, 33-37.

[6] They were docketed as Civil Cases Nos. 92-59882 to 92-59891, inclusive.

[7] Civil Case No. 92-59882.

[8] Civil Case No. 92-59884.

[9] Annex "B" of Petition; Rollo, 38-47. Per Judge Arturo U. Barias, Jr.

[10] Section 1 of B.P. Blg. 877, otherwise know as the Rent Control Law, was extended by R.A. 6643 until 31 December 1989, which was in turn extended by R.A. 6828 until 31 December 1992, and was further extended until 31 December 1997 by R.A. 7644. The pertinent provision provides:

"SECTION 1. Monthly Rentals and Maximum Increases. -- Beginning July 1, 1985 and for a duration of two and a half years thereafter ending on December 31, 1987, monthly rentals of all residential units not exceeding four hundred eighty (P480.00) pesos shall not be increased by the lessor by more than the rates herein provided:

Period Maximum Increase

July 1, 1985-Dec. 31, 1985 10 percent

Jan. 1, 1986-Dec. 31, 1986 20 percent

Jan. 1, 1987-Dec. 31, 1987 20 percent

The increases authorized herein shall be cumulative and compounded."

[11] Supra at footnote no. 1.

[12] Miranda vs. Ortiz, 156 SCRA 10 [1987]; Palanca vs. Intermediate Appellate Court, 180 SCRA 119 [1989].

[13] 174 SCRA 100 [1989].

[14] Rollo, 86.

[15] Id., 132.

[16] Based on the affidavits each of the petitioners respectively signed; Original Records (OR), 42-51; Rollo, 45-46.

[17] As awarded by the MeTC.

[18] Felisilda vs. Villarama, 139 SCRA 431 [1985]; Shoemart, Inc. vs. Court of Appeals, 190 SCRA 189 [1990].

[19] Hualam Construction and Development Corp. vs. Court of Appeals, 214 SCRA 612 [1992].

[20] G.R. No. 88804, 15 November 1989, Minute Resolution.

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