# T & C DEVELOPMENT CORP., PETITIONER, VS. COURT OF APPEALS AND ELIGIO DE GUZMAN, RESPONDENTS.

*G.R. No. 118381. October 26, 1999*

Ponente: MENDOZA, J.

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**MENDOZA, J.:**

This is a petition to review on certiorari the decision of the Court of Appeals,[1] dated December 15, 1994, affirming with modification the dismissal by the Regional Trial Court, Branch 5, Manila, the complaint for ejectment which petitioner had filed against private respondent.

The facts are as follows:

Petitioner T & C Development Corporation is the owner-lessor of an apartment building at 433 P. Gomez Street, Quiapo, Manila, while private respondent Eligio de Guzman is the lessee of a unit of said apartment for which he paid a monthly rental of P700.00. On the ground floor, private respondent maintains an optical clinic for his wife and a watch repair service for himself. The second floor is used as the family residence.

On October 31, 1992, petitioner wrote a letter to private respondent informing him that, effective November 1, 1992, the monthly rentals for the apartment unit would be increased to P2,000.00, and that if he did not agree to the increase in rate, the lease of the premises would be considered ipso facto terminated.

It appears that, after negotiations, the parties agreed to increase the monthly rent to P1,800.00. However, from November 1, 1992 until February 1993, private respondent failed to pay the increased rent despite demands made by petitioner. Instead, he sent notice to petitioner that the monthly rentals of P700.00 for the period November 1, 1992-February 1993 had been deposited in his account at the Monte de Piedad Savings Bank, Quiapo branch, and that petitioner could claim and withdraw the amount anytime.[2]

Petitioner then instituted an action for ejectment against private respondent before the Metropolitan Trial Court, Branch 7, Manila. As no settlement had been reached by the parties, they were required to submit their position papers, their affidavits as well as those of their witnesses, and other evidence to establish their claims.

On January 13, 1994, the Metropolitan Trial Court rendered judgment for petitioner and ordered private respondent to pay the monthly rentals in the amount of P1,800.00 from November 1, 1992 until he vacated the premises, as well as attorney’s fees and the costs of suit.[3]

On appeal, the Regional Trial Court, Branch 5, Manila, reversed and dismissed the ejectment case filed by petitioner.[4]

Petitioner then filed a petition for review in the Court of Appeals which, in its decision dated December 15, 1994, affirmed the ruling of the Regional Trial Court, with modification. The dispositive portion of its decision reads:

> WHEREFORE, premises considered, the decision appealed from is affirmed with modification. The decision as MODIFIED now reads as follows: Respondents are ordered to pay the rental of Eight Hundred Forty

> (P840.00) Pesos monthly from November, 1992 to December, 1992. From January, 1993 and as the payment become due for the year 1993, the monthly rental shall be One Thousand Eight (P1,008.00) Pesos.
>
> SO ORDERED.

Hence, this petition. Petitioner assigns the following errors as having been allegedly committed by the Court of Appeals:

> 1. [THE COURT OF APPEALS] ERRED IN NOT FINDING NON-PAYMENT OF THE MONTHLY RENTAL FOR MORE THAN 3 MONTHS, ON THE PART OF PRIVATE RESPONDENT ELIGIO DE GUZMAN, A VALID GROUND FOR EJECTMENT.
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> 2. IT ERRED IN RULING THAT THE SUBJECT PREMISES IS RESIDENTIAL; AND
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> 3. IT ERRED IN FIXING THE MONTHLY RENTAL RATE AT P1,008.00 ONLY.

First. Petitioner contends that the Court of Appeals erred in dismissing the ejectment case against private respondent considering that it affirmed the trial court's finding that private respondent had failed to pay the monthly rental of P1,800.00 for more than three months.

The contention is well taken. Under Art. 1673 of the Civil Code, 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 leases under articles 1682 and 1687, has expired;

(2) Lack of payment of the price stipulated;

(3) Violation of any of the conditions agreed upon in the contract;

> (4) When the lessee devotes the thing leased to any use or service not stipulated which causes the deterioration thereof; or if he does not observe the requirement in No. 2 of article 1657, as regards the use thereof.

The ejectment of tenants of agricultural lands is governed by special laws.

On the other hand, the Rent Control Law provides:

> Section 5. Grounds for Judicial Ejectment. - Ejectment shall be allowed on the following grounds:
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> . . . .
>
> (b) Arrears in payment of rent for a total of three (3) months: Provided, That in case of refusal by the lessor to accept payment of the rental agreed upon, the lessee may either deposit, by way of consignation, the amount in court, or with the city or municipal treasurer, as the case may be, or in a bank in the name of and with notice to the lessor, within one month after the refusal of the lessor to accept payment.
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> The lessee shall thereafter deposit the rental within ten days of every current month. Failure to deposit rentals for three months shall constitute a ground for ejectment. If an ejectment case is already pending, the court upon proper motion may order the lessee or any person or persons claiming under him to immediately vacate the leased premises without prejudice to the continuation of the ejectment proceedings. At any time, the lessor may, upon authority of the court, withdraw the rentals deposited.
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> The lessor, upon authority of the court in case of consignation and upon joint affidavit by him and the lessee to be submitted to the city or municipal treasurer and to the bank where deposit was made, shall be allowed to withdraw the deposits.

The trial court found that private respondent had failed to pay the monthly rental of P1,800.00 from November


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1992 to February 16, 1993, despite demands to pay and to vacate the premises made by petitioner. Even if private respondent deposited the rents in arrears in the bank, this fact cannot alter the legal situation of private respondent since the account was opened in private respondent's name. Clearly, there was cause for the ejectment of private respondent. Although the increase in monthly rentals from P700.00 to P1,800.00 was in excess of 20% allowed by B.P. Blg. 877, as amended by R.A. No. 6828, what private respondent could have done was to deposit the original rent of P700.00 either with the judicial authorities or in a bank in the name of, and with notice to, petitioner. As this Court held in Uy v. Court of Appeals:[5]

> The records reveal that the new rentals demanded since 1979 (P150.00 per month) exceed that allowed by law so refusal on the part of the lessor to accept was justified. However, what the lessee should have done was to deposit in 1979 the previous rent. This deposit in the Bank was made only in 1984 indicating a delay of more than four years.
>
> From the foregoing facts, it is clear that the lessor was correct in asking for the ejectment of the delinquent lessee. Moreover, he should be granted not only the current rentals but also all the rentals in arrears. This is so even if the lessor himself did not appeal because as ruled by this Court, there have been instances when substantial justice demands the giving of the proper reliefs.

Second. Petitioner contends that the apartment unit leased by private respondent is located in a commercial district in the metropolis and is used for commercial - not residential - purposes, and, therefore, it is not covered by the Rent Control Law.

This argument is without merit. It is undisputed that private respondent and his family use the second floor of the leased premises for dwelling, although on the ground floor they operate a watch repair shop and an optical clinic.

In Caudal v. Court of Appeals,[6] we defined the term "residential unit" as follows:

> As an intrinsic aid in fully appreciating the term "residential unit." We must refer to the Rental Law, Batas Pambansa 877. Legislative intent must be ascertained from a consideration of the whole and every part thereof must be considered in fixing the meaning of any of its parts. Said law in defining the term "residential unit" states:

Section 2(b): Residential Unit - refers to an apartment, house and/or land on which another's dwelling is located used for residential purposes and shall include not only buildings, parts or units thereof used solely as dwelling places, except motels, motel rooms, hotels, hotel rooms, boarding houses, dormitories, rooms and bedspaces offered for rent by their owners, but also those used for home industries, rental rooms and bedspaces offered for rent by their owners, but also those used for home industries, retail stores and other business purposes if the owner thereof and his family actually live therein and use it principally for dwelling purposes. Provided, That in the case of a retail store, home industry or business, the initial capitalization thereof shall not exceed five thousand pesos (P5,000.00); and Provided, further, That in the operation of the store, home industry or business, the owner thereof shall not require the services of any person other than the members of his household. (Emphasis added)

> Observe that the law does not strictly confine the meaning of the word "residence" mainly for habitation purposes as restrictedly interpreted by petitioner. In a way, the definition admits a measure of liberality, albeit limited, since a residence may also be the site of a home industry, or a retail store or be used for business purposes so long as it is principally for dwelling purposes, has set the limitation on the maximum amount of capitalization to P5,000.00, which is small by present standards.

Indeed, the decisive consideration is whether or not the premises leased by the petitioners constitute a dwelling unit, regardless of the fact that the premises are situated in the heart of the commercial section of Manila.[7]

Petitioner claims that the capitalization for the watch repair shop and the optical clinic exceeds P5,000.00, but no

evidence to this effect had been shown before the trial court. There is, thus, no reason to overturn the finding of the Court of Appeals that private respondent is using the said apartment unit for residential purposes. This issue is a factual matter which by the weight of judicial precedents cannot be inquired into by this Court in an appeal on certiorari.[8]

Third. Petitioner argues that the Court of Appeals erred in fixing the monthly rent at P1,008.00. It claims that the Metropolitan Trial Court was right in finding that the rental increase of P700.00 to P1,800.00 reasonable, and the Court of Appeals had no right to fix the rent.[9]

This contention is likewise without merit. As already stated, the apartment unit is residential. Consequently, the rates of rents are those provided in B.P. Blg. 877, as amended. Under Republic Act No. 6828, amending B.P. Blg. 877, the increase in rent for November 1992 was 20% of the actual monthly rental as of December 31, 1989.[10] Clearly, the increase from P700.00 to P1,800.00 was in excess of 20%.

In Limcay v. Court of Appeals,[11] the Regional Trial Court fixed the monthly rental for the use of an apartment unit, taking into account the provisions of B.P. Blg. 25, the Rental Law applicable at that time. The Court upheld the trial court's decision and ruled:

> In short, the RTC must have taken into account Section 1 of Batas Pambansa Blg. 25 in determining the reasonable value for the use and occupancy of the property after the expiration of the contract of lease. This is not at all an unfair and unjust termination for if the contract remained in full force and effect, private respondent could have justifiably increased the rental by ten percent (10%). In any event, the RTC had the authority to fix the reasonable value for such use and occupancy from the expiration of the contract of lease until the petitioner shall have vacated the premises and surrendered its possession to the private respondent. It was not bound by the stipulated rental in the contract of lease because it is settled that "the rental stipulated in the contract of lease that has expired or terminated may no longer be the reasonable value for the use and occupation of the premises as a result or by reason of the change or rise in values."[12]

Thus, the Court of Appeals correctly applied the pertinent laws in fixing the monthly rentals of private respondent. In doing so, it was able to make a reasonable valuation for the compensation due to petitioner for the use and occupation of the apartment unit. However, considering the time which has elapsed since the appellate court made this finding, the rent should be updated taking in account R.A. Nos. 7644[13] and 8437,[14] which extended the period of rent control from 1993 to 1997 and then from 1998 to 2001, respectively. Hence, the increases in rent in the succeeding years should be as follows:

> November 1992 to December 1992 P 840.00 monthly
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> January 1993 to December 1993 P1,008.00 monthly
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> January 1994 to December 1994 P1,209.60 monthly
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> January 1995 to December 1995 P1,451.52 monthly
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> January 1996 to December 1996 P1,741.82 monthly
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> January 1997 to December 1997 P2,090.19 monthly
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> January, 1998 to December, 1998 P2,403.72 monthly
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> January, 1999 to December, 1999 P2,764.27 monthly

WHEREFORE, the decision of the Court of Appeals is REVERSED and private respondent is ORDERED to pay monthly rents in the amount of P840.00 from November 1992 to December 1992; P1,008.00 from January 1993

to December 1993; P1,209.60 from January 1994 to December 1994; P1,451.52 from January 1995 to December 1995; P1,741.82 from January 1996 to December 1996; P2,090.19 from January 1997 to December 1997; P2,403.72 from January 1998 to December 1998; and, P2,764.27 from January 1999, until private respondent has vacated the premises. Costs against private respondent.

**SO ORDERED.**

Buena, and De Leon, Jr., JJ., concur.

Bellosillo, (Chairman), and Quisumbing, JJ., on official leave.

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[1] Per Justice Quirino D. Abad-Santos, Jr., and concurred in by Justices Pedro A. Ramirez and Romeo J. Callejo.

[2] CA Decision, pp. 1-2; Rollo, pp. 23-24.

[3] MTC Decision, Rollo, pp. 61-64.

[4] RTC Decision, Rollo, pp. 53-60.

**[5] 178 SCRA 671, 676 (1989).**

**[6] 175 SCRA 798, 804-805 (1989).**

[7] Caburnay v. Ongsiako, 197 Phil. 789 (1982).

[8] Alicbusan v. Court of Appeals, 336 Phil. 321 (1997).

[9] Rollo, pp. 18-19.

[10] R.A. 6828, §1 provides:

"The Effectivity of Batas Pambansa Blg. 877, entitled 'An Act Providing for the Stabilization and Regulation of Rentals of Certain Residential Units and For Other Purposes,' is hereby extended for three (3) years for the period January 1, 1990 to December 31, 1992: Provided, That the allowable maximum increase for the three-year period shall not be more than the rates herein provided:

PERIOD MAXIMUM INCREASE

January 1, 1990-December 31, 1990 Twenty percent (20%)

January 1, 1991-December 31, 1991 Twenty percent (20%)

January 1, 1992-December 31, 1992 Twenty percent (20%)

"Provided, further, That the basis for the maximum increase herein authorized for the three-year period shall be the actual monthly rental as of December 31, 1989: Provided, finally, That the increases authorized herein shall be cumulative and compounded."

**[11] 215 SCRA 1 (1992).**

[12] Supra, p. 9.

[13] SECTION 1. The effectivity of Batas Pambansa Blg. 877, entitled: "An Act Providing for the Stabilization and Regulation of Rentals of Certain Residential Units and for Other Purposes," as amended, is hereby extended


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for five (5) years from January 1, 1993 to December 31, 1997: Provided, That the allowable maximum increase for the five-year period shall not be more than the rates herein provided:

PERIOD MAXIMUM INCREASE

January 1, 1993-December 31, 1993 Twenty percent (20%)

January 1, 1994-December 31, 1994 Twenty percent (20%)

January 1, 1995-December 31, 1995 Twenty percent (20%)

January 1, 1996-December 31, 1996 Twenty percent (20%)

January 1, 1997-December 31, 1997 Twenty percent (20%)

Provided, further, That the basis for the maximum increase herein authorized for the five-year period shall be the actual monthly rental as of December 31, 1992: Provided, finally, That the increases authorized herein shall be cumulative and compounded.

[14] SECTION 1. Beginning January 1, 1998 and for a duration of four (4) years thereafter ending on December 31, 2001, monthly rentals of all residential units covered by Batas Pambansa Blg. 877, shall not be increased by the lessor by more than the rates herein provided for:

PERIOD MAXIMUM INCREASE

January 1, 1998-December 31, 1998 Fifteen percent (15%)

January 1, 1999-December 31, 1999 Fifteen percent (15%)

January 1, 2000-December 31, 2000 Fifteen percent (15%)

January 1, 2001-December 31, 2001 Fifteen percent (15%)

Provided, That the basis for the maximum increase herein authorized for the four-year period shall be the actual monthly rental as of December 31, 1997: Provided, further, That the increase authorized herein shall be cumulative and compounded.


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