

**REMEDIOS NAVOA RAMOS, PETITIONER, VS. COURT OF APPEALS,
HON. PRESIDING JUDGE, REGIONAL TRIAL COURT, BRANCH 93,
QUEZON CITY, AND SPS. MANUEL AND ESMERALDA MALAPIT,
RESPONDENTS.**

G.R. No. 119872. July 07, 1997

Ponente: MENDOZA, J.

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MENDOZA, J.:

This is a petition for review on certiorari of the resolution of the Court of Appeals, dismissing the appeal of petitioner from the decision of the Regional Trial Court, Branch 93, of Quezon City.

The facts of the case are as follows:

Petitioner is the owner of factory space No. 5 at the corner of Scout Madrinan and Scout Torillo Streets, Quezon City. On September 30, 1988, she entered into a contract of lease with private respondents respecting the property in question.

The contract of lease contained, among other things, the following stipulations:

1(2) The Lessee agrees that on the 5th year, the Lessee shall change the principal Yakal posts into reinforced concrete posts, all the way from the base on the ground up to the roofing holding or supporting the main trusses of the galvanized roofing at the expense of the Lessee and no expense whatsoever to the Owner-Lessor. Failure of the Lessee to comply with this term will automatically terminate or cancel this contract.

1(3) . . . In case of inflation or devaluation of the Philippine Peso, the monthly rental will automatically increase or decrease depending on the devaluation or inflation rate of the pesos to a dollar.

12. The monthly rental shall be paid every first week of the month. In case of delay in the payment of monthly rental, the Lessee will pay a penalty of 20% per annum for every month of delay; this contract is terminated if the delay reaches 3 months.

20. The Lessee agrees that on the 5th year, the Lessee shall change the roofing and the three posts located at the back part of the lease premises into reinforced concrete post all the way from the base on the ground up to the roofing holding or supporting the main trusses of the galvanized roofing at the expense of the Lessee and no expense whatsoever to the Lessor.

On May 24, 1994, petitioner filed a complaint for ejectment before the Metropolitan Trial Court of Quezon City, alleging failure by respondents to comply with their undertakings under the contract of lease without any valid or justifiable reason.

The MeTC gave judgment for petitioner, describing private respondents' defenses as "utterly flimsy." It rejected private respondents' defense that they were not able to comply with the requirement to replace wooden posts with concrete ones because petitioner's son forbade them to do so. The MeTC held that since petitioner's son was not

a party to the contract, only petitioner's waiver could excuse private respondents from complying with their obligation under the lease contract. As regards the failure of private respondents to pay the rents for more than three months, the MeTC also rejected private respondents' claim that the petitioner's son refused to accept payment because even if this was true, private respondents had a remedy of consigning the rentals in court. For these reasons, the MeTC upheld petitioner's right to rescind the contract even in the absence of judicial pronouncement. It quoted the ruling in *University of the Philippines v. De los Angeles*,^[1] reiterated in *Lim v. Court of Appeals*,^[2] that a party who deems the contract violated may consider it resolved and rescinded and act accordingly without previous court action, although it acts at its own risk as only the final judgment of a court can finally determine his right.

On appeal, the RTC reversed the decision and dismissed the case. First, with respect to the failure of private respondents to replace the yakal posts with reinforced concrete ones, the RTC said that, as private respondents alleged, it was not only petitioner's son but petitioner as well who prevented private respondents from replacing the wooden posts. In fact, private respondents had already engaged the services of a contractor to undertake the work.

With respect to the alleged failure of private respondents to pay increased rent because of inflation or devaluation of the Philippine peso, the RTC held that there had been no official declaration of inflation or devaluation of the Philippine peso. The RTC added that since the contract between the parties already provided for an annual increase in the rent over a period of ten years and for penalty of twenty (20) per cent per annum for every month of delay in the payment of the monthly rental, the imposition of additional rent due to inflation or devaluation of the Philippine peso would be exceedingly unconscionable.

On the claim that because private respondents had been in arrears for three months, the contract was terminated, the RTC ruled that there was no delay in the payment of rent because the case was brought on May 20, 1994, eleven (11) days before the end of three (3) months since the arrears started, so that petitioner had no cause of action against private respondents.

The dispositive portion of the decision of the RTC reads:

Wherefore, finding reversible errors in appealed decision of the lower court, this Court hereby reverses the aforesaid decision of the lower court and finds judgment in favor of the defendant and that the aforesaid decision is hereby dismissed and the plaintiff is ordered to:

1. pay the defendant exemplary damages in the amount of P50,000.00;
2. pay the defendant the amount of P100,000.00 for and as attorney's fees and expenses of litigation;
3. pay actual and compensatory damages in the amount of P50,000.00; and
4. pay the costs.

On March 2, 1995, petitioner filed a petition for review in the Court of Appeals, but the appellate court dismissed her petition on March 13, 1995 for her failure to attach a certified true copy of the decision of the MeTC as well as the corrected dispositive portion of that decision, in addition to the certified true copy of the decision of the RTC.

On March 29, 1995, petitioner filed a motion for reconsideration but her motion was denied. Hence, this petition for review on certiorari.

The petitioner assigns three (3) errors to wit: (1) the respondent Court of Appeals erred in dismissing petitioner's appeal from the decision of the RTC and denying petitioner's motion for reconsideration; (2) the respondent RTC

erred in reversing the decision of the MeTC; and (3) the respondent RTC erred in awarding damages of P50,000.00 as exemplary damages, P100,000.00 as attorney's fees, and P50,000.00 actual and compensatory damages.

Petitioner argues that her lawyer's failure to attach a certified true copy of the decision of the MeTC and the corrected dispositive portion of that decision to her petition for review in the Court of Appeals was due to an honest mistake and that the mistake was made without bad faith.

The pertinent provision of the Revised Internal Rules of the Court of Appeals (hereafter RIRCA), on the basis of which the Court of Appeals dismissed petitioner's appeal, provides:

Rule 6, §3(b). The petition shall be accompanied by a certified true copy of the disputed decisions, judgments, or orders of the lower courts, together with true copies of the pleadings and other material portions of the record as would support the allegations of the petition.

Petitioner's counsel claims that he thought that only a certified true copy of the decision of the RTC had to be attached to the petition for review which he filed because the decision of the MeTC is not a "disputed decision" within the meaning of Rule 6, §3(b), it being favorable to her.

Petitioner is right that the MeTC's decision cannot be considered a "disputed decision." The phrase is the equivalent of "ruling, order or decision appealed from" in Rule 32, §2 of the 1964 Rules made applicable to appeals from decisions of the then Courts of First Instance to the Court of Appeals by R.A. No. 296, as amended by R.A. No. 5433. Since petitioner was not appealing from the decision of the MeTC in her favor, she was not required to attach a certified true copy - but only a true or plain copy - of the aforesaid decision of the MeTC. The reason is that inclusion of the decision is part of the requirement to attach to the petition for review "other material portion of the record as would support the allegations of the petition." Indeed, petitioner referred to the MeTC decision in many parts of her petition for review in the Court of Appeals for support of her theory.

Nonetheless, the Court of Appeals should have reconsidered its dismissal of petitioner's appeal after petitioner submitted a certified true copy of the MeTC's decision. It was clear from the petition for review that the RTC incurred serious errors in awarding damages to private respondents which were made without evidence to support the award and without any explanation. It should have been evident to the appellate court that the RTC made these awards in gross disregard of the rulings of this Court that, for example, no award of attorney's fees can be made without an express finding of the facts that bring the case within the exception in Art. 2208 of the Civil Code.[3]

Indeed, there was compelling reason to set aside the procedural defect in order to correct the patent injustice. "Rules of procedure are but mere tools designed to facilitate the attainment of justice, such that when rigid application of the rules would tend to frustrate rather than promote substantial justice, this Court is empowered to suspend its operation." [4]

Coming now to the merits of the petition, we think petitioner is right that the RTC erred in giving judgment for private respondents because the fact is that the latter violated the provisions of the lease contract, to wit: (1) failure of private respondents to change the principal yakal posts on the fifth year of the contract of lease and (2) to pay the rent for more than three months on several occasions.

With respect to the first item (private respondents' failure to change the yakal posts on the fifth year of the contract of lease), while the MeTC found that it was the petitioner's son who stopped the private respondents from changing the posts and, hence, private respondents should not have felt bound to comply with the order, the RTC found that it was not petitioner's son alone but also petitioner who prevented the private respondents from changing the yakal posts.[5] The RTC relied on the letter, dated March 23, 1994, of private respondents' counsel

to petitioner's counsel in which it was claimed that private respondents did not replace the wooden posts of the building with concrete ones because petitioner, "through one of her children stated that it was unnecessary to perform such changes at the time as it may alter the structure." Private respondents said that they had in fact started to look for contractors to undertake the work but petitioner prevented them from doing so. This was denied by petitioner and indeed, if it was true that petitioner did not want private respondents to replace the posts, this was a modification of their contract. Under paragraph 10 of the contract, the alleged agreement would not be binding unless it was reduced in writing and was duly signed by both of them. Indeed, the replacement of the yakal posts on the fifth year of the contract was deemed by the parties so important that its nonfulfillment is a ground for the termination of the contract.

The second violation alleged (private respondents' failure to pay the rent for three consecutive months, i.e., March, April and May, 1994) was likewise proven. As already noted, the RTC dismissed this allegation on the ground that when the complaint against private respondent was filed on May 20, 1994 the period covered by private respondents' failure was eleven (11) days short of three months. Hence, petitioner had no cause of action against private respondents based on this ground.

But, as petitioner correctly points out, under the contract of lease (par. 12) the monthly rental was due on the first week of the month so that, inasmuch as the rent for May 1994 was due in the first week of May, private respondents' failure to pay then, plus their previous default in payment of the rent for March and April 1994, made them altogether in arrears for three consecutive months. The error of the RTC lay in assuming that the monthly rental fell due only at the end of the month, which is contrary to the express agreement of the parties. Pursuant to the contract, the failure to pay the rent for three consecutive months resulted in the termination of the lease.

Because of these violations of the lease contract by private respondents there is ground, based on Art. 1673(3) of the Civil Code, for their ejectment.[6]

But petitioner's last contention (that private respondents failed to pay increased rent despite supervening inflation or devaluation of the Philippine peso) is untenable. The provision of Art. 1250 requires for its application a declaration of inflation by the Central Bank. Without such declaration creditors cannot demand an increase of what is due them.[7]

WHEREFORE, the resolutions of the Court of Appeals dismissing the petition for review and denying reconsideration are REVERSED and the decision of the Metropolitan Trial Court is REINSTATED.

SO ORDERED.

Regalado, (Chairman), and Romero, JJ., concur.

Puno, and Torres, Jr., JJ., on leave.

[1] 35 SCRA 102 (1970).

[2] 182 SCRA 564 (1990).

[3] E.g., *Buan v. Camaganacan*, 16 SCRA 322 (1966); *Mirasol v. De la Cruz*, 84 SCRA 337 (1978).

[4] *Buan v. Court of Appeals*, 235 SCRA 424, 431 (1994); cf. *Rivas, Jr. v. Court of Appeals*, G.R. No. 127018, July 2, 1997.

[5] *Rollo*, p. 61.

[6] Puahay Lao v. Suarez, 22 SCRA 215 (1968).

[7] Mobil Oil Philippines, Inc. v. Court of Appeals, 180 SCRA 651 (1989).

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