

CARLOS SUPER DRUG CORPORATION, PETITIONER, VS. HON. COURT OF APPEALS AND BANK OF THE PHILIPPINE ISLANDS, RESPONDENTS.

G.R. No. 126711. March 14, 2003

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

Sometime in 1978, private respondent Bank of the Philippine Islands (BPI), then owner of the BPI Cubao Arcade[1] in Cubao, Quezon City, leased two units in the arcade, designated as Bays 4 and 5, to petitioner Carlos Super Drug Corporation (CSDC).

On August 9, 1985, following purported non-payment of rentals by CSDC, BPI filed a complaint against it for unlawful detainer (the first case) before the Metropolitan Trial Court (MeTC) of Quezon City, docketed as Civil Case No. 35-48285.

The parties later entered into a compromise agreement, which was approved on May 8, 1989 by Branch 35 of the MeTC, the pertinent provision of which reads:

- That effective November 16, 1988 for a term of one year, defendant agrees to pay a new monthly rate of P26,116.39. For this purpose, a new contract of lease shall be executed by the parties.

On May 15, 1989 and thereafter, however, CSDC paid BPI only P9,564.64 corresponding to the rental of Bay 4, it harping on the remark, before the forging of the compromise agreement on May 2, 1989, of Atty. Alfonso B. Versoza, the then BPI counsel, to Rolando Carlos, the then president and general manager of CSDC, “that there should already be an imaginary line between Bays 4 and 5 on May 15, 1989.”[2]

On March 29, 1990, BPI filed before MeTC, Branch 35 a Motion for the Issuance of a Writ of Execution of the decision based on the compromise agreement on the ground that CSDC refused to pay the P26,116.39 monthly rental and to sign a new contract of lease. The MeTC, Branch 35 granted the motion over the objection of CSDC. And a writ of execution was issued. BPI later filed a “Motion to Direct the Sheriff” to eject CSDC. CSDC also filed a “Motion to Quash, Vacate and/or Set Aside Order/Writ of Execution.”

By Order of May 31, 1990, the MeTC, Branch 35 denied BPI’s “Motion to Direct the Sheriff to Eject” in this wise:[3]

x x x

Plaintiff have (sic) executed to the full satisfaction the arrearages and allegedly defendant failed to pay the monthly rental for which reason plaintiff corporation sought for the eviction of defendant. The compromise agreement however does not speak of ejection in case of violation. Plaintiff in its motion, in effect seeks to modify the compromise agreement. A compromise agreement is considered final and executory and as held in the case of *Sps. Santiago vs. IAC*, I-73202, April 9, 1986, a Decision being final and executory can no longer be altered, modified or reversed by the trial court nor by the appellate court.

While Article 2041 of the Civil Code provides for a remedy to a party in a compromise agreement to either enforce the compromise or regard it as rescinded and insist upon his original demand should one of the parties fails or refuses to abide by the compromise, this cannot hold water to herein plaintiff who have (sic) already sought enforcement of the compromise agreement.

IN VIEW OF THE FOREGOING, the Motion for Execution directing the Sheriff to eject the defendant filed by plaintiff on April 19, 1990 is hereby DENIED for lack of merit.

x x x (Underscoring supplied.)

On June 18, 1990, BPI filed another complaint against CSDC for unlawful detainer (the second case) before the Quezon City MeTC, docketed as Civil Case No. 2996, on the grounds that the lease contract had expired and that CSDC had not paid the agreed rentals.

In its Answer (to the complaint in the second case) with Counterclaim, CSDC contended that, among other things, the lease contract had not yet expired, and BPI “has no cause of action because its right or cause of action is with [the first case] before M[e]TC, Branch 35 which approved the compromise agreement.”

Branch 38 of the MeTC dismissed the second case by decision of June 26, 1992,[4] it finding that “the lease contract has not yet expired until and unless a new contract of lease shall have been formally executed by the herein parties.” It however, ordered CSDC to pay BPI:

the sum of P39,864.98 as compensation for its use and occupancy of... Bay 4 and 5... plus the sum of P26,116.39 thereafter as monthly rentals... for Bay 4.[5]

Both parties appealed to the Regional Trial Court (RTC) of Quezon City. By Decision of June 14, 1993 [6], Branch 81 of the RTC affirmed the dismissal of the second case but on a different ground, to wit: that, as contended by CSDC, MeTC Branch 38 had no jurisdiction over the second case, BPI having therein sought to enforce the terms and conditions of the compromise agreement forged in the first case, hence, BPI’s remedy was to seek enforcement of the compromise agreement in the first case before MeTC Branch 35, citing *Tiongson v. Court of Appeals*. [7]

On appeal, the Court of Appeals, by Decision of November 29, 1995[8] sustained the jurisdiction of the MeTC, Branch 38 in this wise:

Basic is the rule that jurisdiction over the subject matter of the action is conferred by law and not within the courts, let alone the parties, to themselves determine or conveniently set aside (*La Naval Drug Corporation vs. Court of Appeals*, 226 SCRA 78). Under Section 33 (2) of Batas Pambansa Blg. 129, otherwise known as the “Judiciary Reorganization Act of 1980”, as amended by Section 3 of Republic Act No. 7691, municipal trial courts shall have exclusive original jurisdiction over cases of forcible entry and unlawful detainer.

The action of the petitioner in filing a separate suit for ejectment before the M[e]TC, Branch 38 was predicated upon the violation by the private respondent of the terms and conditions of the lease contract embodied in the compromise agreement and after the M[e]TC, Branch 35, which rendered the compromise judgment, correctly rejected BPI’s motion to eject CSDC from the premises of Bay(s) 4 and 5 on the ground that ejectment is not a remedy provided for under the compromise in case of violation of its terms by the private respondent and to grant such plea would amount to modifying its final judgment. The M[e]TC, Branch 35 could not have ruled otherwise without doing violence to the settled rule that a court can no longer amend, modify, much less set aside its judgment once the same has become final. (Emphasis in the original; Underscoring supplied.)[9]

It accordingly reversed the Decision of the RTC, it finding that the lease agreement had expired and as CSDC “continues to enjoy the premises leased with the acquiescence of [BPI], an implied new lease is created for the period mentioned in Art. 1687, Civil Code, [and] [t]he other terms of the original contract are revived.”[10] It thus

ordered CSDC to immediately vacate the leased premises and return the possession thereof to BPI, and to pay the rentals due thereon in accordance with the compromise agreement.[11]

Hence, CSDC filed the present petition for review on certiorari on November 21, 1995 which raises the following issues:

- WHETHER OR NOT PRIVATE RESPONDENT CAN VALIDLY FILE AN UNLAWFUL DETAINER CASE (CIVIL CASE No. 2996) BEFORE THE M[e]TC, BRANCH 38, QUEZON CITY, NOTWITHSTANDING THE COMPROMISE AGREEMENT ENTERED INTO BETWEEN THE SAME PARTIES IN AN EARLIER UNLAWFUL DETAINER CASE (CIVIL CASE No. 48285) BEFORE THE M[e]TC-BRANCH 35, QUEZON CITY;
- WHETHER OR NOT THE LEASE PERIOD PROVIDED FOR IN THE COMPROMISE AGREEMENT HAD EXPIRED;
- WHETHER OR NOT THE PETITIONER MAY BE ORDERED TO VACATE THE SUBJECT PREMISES.[12]

In its comment to the petition, BPI argued that CSDC was challenging the trial court's decision and not that of the Court of Appeals, prompting CSDC to file on March 31, 1996 an Addendum[13] to the petition and assign the following errors:

- THE HONORABLE COURT OF APPEALS ERRED IN APPLYING SECTION 3 OF REPUBLIC ACT NO. 7691; [an act amending the Judiciary Reorganization Act of 1980].
- THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE FILING OF THE CASE BEFORE THE METROPOLITAN TRIAL COURT OF QUEZON CITY, BRANCH 38 IS THE PROPER REMEDY TAKEN BY THE PRIVATE RESPONDENTS;
- THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE INTERPRETATION OF THE REGIONAL TRIAL COURT CANNOT BE UPHELD;
- THE HONORABLE COURT OF APPEALS ERRED IN NOT FINDING THAT THE PRIVATE RESPONDENT IS ESTOPPED TO QUESTION THE BELIEF OF THE PETITIONER THAT THERE IS AN UNDERSTANDING BETWEEN THEM AS TO THE LATTER'S RELINQUISHING [SIC] OF ITS RIGHTS TO BAY 5;
- THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT CSDC IS STILL OCCUPYING BAY 5.

In the main, CSDC contends that since BPI seeks the enforcement of the compromise agreement forged in the first case, "what [BPI] should have done is to move for the issuance of a writ of execution." In any event, CSDC contends that the filing of the second case is improper because the parties had agreed on CSDC's relinquishing of Bay 5 and that the lease contract had not expired.

With respect to CSDC's contention that BPI should have filed a Motion for Execution before the MeTC Branch 35, did not BPI file one which CSDC, however, opposed?

As regards the alleged impropriety of the filing of the second case upon the ground provided by CSDC: A reading of the allegations in BPI's complaint[14] in the second case determines BPI's cause of action. Consider the following pertinent allegations:

x x x

- That on May 2, 1989, plaintiff [BPI] and defendant [CSDC] entered into a compromise agreement in Civil

Case No. 35-48285 whereby defendant agreed to lease the aforementioned property for a term of one year from November 16, 1988 and to pay a monthly rental of P26,116.39. A copy of said compromise agreement is hereto attached as Annex “A”.

- That the said lease agreement contained in the compromise agreement expired last November 16, 1989 and the defendant likewise failed to pay the agreed rent which as of May 31, 1990 amounted to P39,864.98.

- That despite the expiry of the lease agreement and plaintiff’s demands to settle its obligation, defendant failed to pay his back rents and refused to vacate the abovementioned premises. A copy of the final demand letter is hereto attached as Annex “B”.

x x x (Emphasis and Underscoring supplied.)

BPI thus anchored its cause of action in the second case, in the main, on the expiration of the lease contract reflected in the compromise agreement, CSDC’s failure to pay back rentals, and CSDC’s refusal to vacate the leased units, hence, the complaint for unlawful detainer.

Since the one year lease agreement had expired (on November 16, 1989), CSDC was already unlawfully withholding possession of the leased premises from BPI to entitle the latter to file (on June 18, 1990) an unlawful detainer case.[15]

CSDC’s assertion that the lease period provided for in the compromise agreement had not yet expired to abate the filing of an unlawful detainer case fails, for paragraph 3 of the compromise agreement reading:

- That effective November 16, 1988 for a term of one year, defendant agrees to pay a new monthly rental rate of P26,116.39. For this purpose, a new contract of lease shall be executed by the parties. (Emphasis supplied.)

indicates otherwise.

As for CSDC’s assertion that BPI is estopped from claiming in the courts below that their lease contract covers both Bays 4 and 5 (to entitle BPI to a total monthly rental of P26,116.39), BPI having “kept silent as to [CSDC’s] relinquishment of [B]ay 5 until the filing of the [second] case”:[16] The Court of Appeals, however, held that, and this was not assailed by CSDC, when CSDC conveyed its request to BPI for the relinquishment of Bay 5, it (CSDC) was notified of its subsequent disapproval by the bank’s management.[17] CSDC’s claim of estoppel, does not thus lie. More importantly, CSDC knowingly entered into the judicially approved compromise agreement under which it undertook to pay a monthly rental rate of P26,116.39 representing monthly rentals for the two units leased.

In fine, CSDC has failed to show that the Court of Appeals committed a reversible error in its assailed decision.

WHEREFORE, the petition is hereby DENIED.

SO ORDERED.

Puno, (Chairman), Panganiban, Sandoval-Gutierrez and Corona, JJ., concur.

[1] Now owned by the Franciscan Missionaries of Mary.

[2] CA Rollo at 70.

[3] Rollo at 18-19.

[4] CA Rollo at 28-40.

[5] Id. at 39.

[6] Id. at 16-20.

[7] 49 SCRA 429 (1973).

[8] CA Rollo at 69-76.

[9] Id. at 72-73.

[10] Id. at 74.

[11] Id. at 75-76.

[12] Rollo at 25-26.

[13] Id. at 59-60.

[14] CA Rollo at 21-22.

[15] Vide Villegas v. C.A., 168 SCRA 553 (1988).

[16] Rollo at 64.

[17] CA Rollo at 70.

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