

FERNANDO SANTIAGO, PETITIONER, VS. THE HONORABLE COURT OF APPEALS, GOVERNMENT SERVICE INSURANCE SYSTEM, AND SPOUSES RUSTICO AND FE SANTOS, RESPONDENTS.

G.R. NO. 127440. January 27, 2007

Ponente: VELASCO, JR., J.

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VELASCO, JR., J.:

Challenged in this Petition for Review on Certiorari is the June 25, 1996 Decision of the Court of Appeals (CA) in CA-G.R. CV No. 32374, entitled *Fernando Santiago v. Government Service Insurance System (GSIS), et al.*, which affirmed with modification the July 29, 1988 Decision of the Manila Regional Trial Court (RTC), Branch XXVI in Civil Case No. R-81-616 for specific performance and damages against GSIS and for ejectment and damages against spouses Santos. Likewise assailed is the December 10, 1996 CA Resolution rejecting petitioner's Motion for Reconsideration.

The Facts

On October 8, 1959, a Contract to Sell[1] was entered into by and between petitioner Fernando Santiago, with residence at 756 Padilla St., San Miguel, Manila and respondent GSIS over Lot 15, Block 2, Leonila Hills Subdivision, Baguio City, for a consideration of Thirty-three Thousand Pesos (PhP 33,000.00), subject to the following terms and conditions, viz:

1. The PURCHASER agrees to pay the CORPORATION, upon signing this Agreement, the sum of (15% for Member and 25% for Non-Member) FOUR THOUSAND NINE HUNDRED FIFTY PESOS ONLY (P4,950.00) Pesos, and the amount of THREE HUNDRED ELEVEN PESOS & 41/100 (P311.41) Pesos, Philippine Currency, monthly thereafter until the whole or full amount of the purchase price hereinabove stipulated has been fully paid to the entire and full satisfaction of the CORPORATION, with interest at the rate of Six Percent (6%) per annum or Eight percent (8%) for Non-Member, said interest to be payable monthly. Interest at the rate of 1% per month, payable monthly, will be charged by the CORPORATION on all payments delinquent for more than thirty (30) days.

x x x x

3. Possession of the building, the improvements thereon and the parcel of land hereinby contracted to be sold will be delivered to the PURCHASER by the CORPORATION, or its duly authorized representative, after the approval of the application by the Board of Trustees, the signing of this contract, and the payment of the down payment of (15% for Member) (25% for Non-Member) P4,950.00 in the office of the CORPORATION at Manila.

x x x x

7. No promises, verbal or written agreement, contracts or stipulations entered into by the PURCHASER with third parties, contrary to any of the contents of this agreement, shall in any way supersede, alter, modify or nullify this contract, nor shall they be valid unless authorized herein.

8. Should the PURCHASER fail to pay any of the monthly installments herein provided within ninety (90) days of the date due, this contract shall be deemed automatically cancelled and forfeited, of no force and effect, and the CORPORATION shall have the complete, absolute, and boundless power, authority, jurisdiction and discretion, and without reservation by the PURCHASER, to dispose, sell, transfer, convey, assign and encumber the herein mentioned properties to any other person or persons, natural or juridical, in the same manner as if this contract or agreement has never been made, provided, however, that extension has been authorized expressly in writing by the CORPORATION or its duly authorized representative, may be allowed the PURCHASER upon proof of extra-ordinary misfortune satisfactory to the CORPORATION.

9. In the event of the cancellation and forfeiture mentioned in the next preceding [sic] paragraph, all sums of money paid by or due from the PURCHASER under paragraphs 1 and 2 of this contract shall be considered as rental for the use of said property and the PURCHASER waives and forfeits rights to ask or demand the return thereof.

x x x x

15. Any single violation of this agreement shall be sufficient and adequate reason to consider the contract forfeited and the PURCHASER agrees to leave or vacate the property, leaving all improvements made [thereon] in good and serviceable condition, after notice in writing have been made on PURCHASER that he violated this agreement and PURCHASER failed or refused to rectify or correct said violation of the agreement.

x x x x

17. The PURCHASER shall not sell, cede, encumber, transfer in any manner [nor] assign his rights under this contract without the express consent of the CORPORATION in writing and until all the stipulations of this contract shall have been fulfilled faithfully as of the date of the transfer, assignment, conveyance or resale.

x x x x

19. The PURCHASER hereby agrees to respect and abide [by] all rules that may be promulgated by the CORPORATION or its management for the protection of the property rights of the CORPORATION, the PURCHASERS and/or residents of the project; and for the enforcement of said rules and regulations, the CORPORATION shall have the right to bring court action which may be proper in the premises.

At the time petitioner Santiago signed the Contract to Sell, he was connected with the Law Division of the Department of Justice with office address at 756 Padilla St., San Miguel, Manila, the address he indicated in the contract. However, his home address was at 151 Cebu Avenue (now Mother Ignacia Avenue), Quezon City.

In 1963, petitioner became Chief of the Agrarian Counsel. In 1970, he was appointed Judge of the Court of First Instance of Quezon, Lucena City. He leased his Quezon City residence and he and his family resided in Lucena City.

With regard to the Baguio City property, petitioner took possession of it, undertook valuable improvements on the house, furnished it, and had it repainted twice.

Sometime in 1961, petitioner requested Mrs. Lydia B. Salonga, his first cousin and immediate neighbor in Quezon City, to take physical custody and care of the disputed property in Baguio City. Mrs. Salonga is married to Sen. Jovito Salonga. The property is situated near the house and lot of Mr. Fernando Busuego, uncle of petitioner.[2]

Likewise, petitioner asked Mrs. Salonga to lease or sell the property in order to at least recoup his investment. In summer of 1973, Dr. Jose De la Rosa, a resident of Baguio and a friend of the Busuegos, offered to rent the premises, in behalf of a certain American, Mr. Dennis Ireton. Mrs. Salonga authorized Dr. De la Rosa to sell or

lease the property to Ireton, who eventually became a tenant.[3]

Meanwhile, Dr. De la Rosa negotiated with Mrs. Salonga for the eventual sale of the property to him. She apprised the petitioner of the developments. Thereafter, petitioner sent Mr. Agustin Ortega to the GSIS to verify the records.

However, based on the GSIS records, petitioner failed to pay the agreed monthly amortizations of the subject property. Consequently, the GSIS Acquired Assets Department sent a September 9, 1968 demand letter to petitioner at his given address at 756 Padilla St., San Miguel, Manila based on the Contract to Sell; however, he failed to comply with the demand letter. Subsequently, the Acquired Assets Accounts Division of GSIS sent two (2) additional demand letters dated February 5, 1970 and December 7, 1972 to petitioner through registered mail at the same address.

Meanwhile, the GSIS Claims Department sent two letters dated July 24, 1970 and November 16, 1970 to petitioner through mail at Lucena City regarding the refund to him of the insurance premiums he paid with interest. While said department was informed of the office address of petitioner at the Court of First Instance of Quezon, Lucena City, the Acquired Assets Department was not aware of his new address which was why all communications relating to the Baguio lot were sent to his Manila address.

Sometime in October 1973, petitioner thought that he had already fully paid for the property and even exceeded his payments to GSIS. Thus, he sent a representative to the GSIS to ask the latter to execute a final deed of sale and to deliver the torrens title of the subject property to him, but he was apprised by his representative that his GSIS account was in arrears.

On October 29, 1973, Dr. Jose Dela Rosa wrote a letter to the GSIS informing the latter that he allegedly acquired the property of Senator Jovito Salonga at Leonila Hills, Baguio City, which the latter purchased from petitioner. He sent Fe Santos to find out the amount due to GSIS because of his desire to pay it in full so that he could have the title to the property transferred to him.[4] It appeared that Dr. De la Rosa allowed Fe Santos to rent petitioner's house and he offered to sell the lot to her.[5] Santos wanted to verify the papers with GSIS but in the process, she discovered that the owner of the subject property was petitioner Santiago and not De la Rosa. She also found out that petitioner was in arrears for 71 installments. A GSIS employee advised her to apply for the purchase of the property. Thus, on November 12, 1973, she filed an application with the GSIS to purchase the subject property.[6]

With regard to the rent of the premises, she tendered the payments of rentals to GSIS corresponding to two (2) months pending the processing of her application to purchase.[7] Through a November 23, 1973 letter,[8] GSIS then informed Santos to comply with its requirements in order to process her application; and she deposited PhP 622.82 to GSIS after complying with its requirements.[9]

On November 15, 1973, petitioner sent a letter to Mr. Cesar S. del Rosario, Accounting Chief of the Acquired Assets Accounts Division of the GSIS, stating that he was surprised to learn, through his representative, that he still had arrearages amounting to PhP 22,324.28 as of September 30, 1973. He reasoned that since he had already paid PhP 44,549.94, he concluded that the purchase price of PhP 33,000.00 was already fully paid. He also stated that he was informed that GSIS had sent letters or notices to his old address in San Miguel, Manila and not to the Court of First Instance of Quezon, Lucena City. Thus, he wanted to make arrangements with GSIS to settle his arrearages through his representatives, Agustin Ortega and Leopoldo Echevarria, Jr.[10]

On November 27, 1973, petitioner filed a letter of protest with Atty. Jaime Marcelo, Manager of the GSIS Acquired Assets Department. He vehemently objected to any plan of awarding the property to any other person

and manifested his willingness to pay whatever balance he may owe the GSIS. He also stated that Fe Santos and her family, who had been able to enter the premises without his knowledge or consent, may wish to leave the premises.[11]

Meanwhile, on December 5, 1973, Fe Santos gave PhP 3,300.00 to GSIS in the nature of good faith deposit and PhP 100.00 processing fee.[12]

On December 6, 1973, petitioner sent a letter to Atty. Marcelo, which was hand carried by petitioner's representatives, Ortega and Echevarria, enclosing the check in the amount of PhP 17,024.71 as full payment of the alleged unpaid balance of the purchase price.[13] The letter and check were presented to the Manager of the Acquired Assets Department but these were transferred to his Assistant Manager for comment and recommendation.[14]

It was only on December 7, 1973 that GSIS sent a letter to petitioner at the Court of First Instance of Quezon, Lucena City notifying him of the cancellation of his award of the subject property effective October 25, 1973 for non-compliance with the terms and conditions of the Contract to Sell.[15] Specifically, he was in arrears for seventy-one (71) monthly amortizations as of September 30, 1973. Petitioner then sent a telegram of protest to the Manager of the Acquired Assets Department and requested reconsideration of the revocation of the award.

On December 12, 1973, the Assistant Manager of the Acquired Assets Department stated that "Judge Santiago, [the former owner,] should be given preference per existing policy provided that the new purchase price is paid in full." He likewise averred that the new applicant, Fe Santos, had no perfected contract as her application was not yet approved by the Board and her payment would be subjected to refund under the GSIS' November 23, 1973 letter of proposal.[16]

On December 26, 1973, petitioner wrote a letter to GSIS to reconsider the cancellation of his award.[17] Then, on January 2, 1974, he repeated his request for reconsideration through a memorandum.[18] He argued that he failed to receive any notice of arrears or delinquency from the GSIS, notwithstanding the fact that it knew the address of his residence and all his changes of address and residence as a consequence of his promotions.

On February 12, 1974, Santos paid PhP 934.24 to the GSIS corresponding to the three (3)-month rental.[19]

On March 4, 1974, GSIS informed Santos that any improvements introduced to the lot or building, if any, were unauthorized, and the expenses that would be incurred were chargeable against her account.[20]

On June 11, 1974, Atty. Manuel Lazaro, Assistant General Manager of the GSIS Legal Affairs, recommended that the cancellation of the award of petitioner be set aside but with conditions that he would hold GSIS free and unharmed from any and all liability by reason of the cancellation, and to defend GSIS in any and all suits connected or related to the return of the money of Fe Santos.[21] On August 1, 1974, in its Board Resolution No. 21, the GSIS Board of Trustees approved the recommendation of Atty. Lazaro, with the conditions that were set forth in the meeting.[22]

In a letter dated August 31, 1974, Santiago accepted the terms and conditions of Board Resolution No. 21 provided however that "the full force and effect of the said original Deed of Conditional Sale x x x is recognized conformably with law x x x." [23] He later designated Leopoldo Echevarria as his attorney-in-fact, through a Special Power of Attorney,[24] to sign the Deed of Absolute Sale covering the property located at Leonila Hills, Baguio City.

Through a July 2, 1974 letter, GSIS notified Santos that her application to purchase the subject property was denied by its Board of Trustees and that GSIS was returning to her the amount of PhP 3,300.00 deposit she

previously paid.[25] Moreover, through an August 15, 1974 letter, GSIS also informed Santos that it set aside the cancellation of the Contract to Sell in petitioner's favor.[26]

On September 16, 1974, petitioner sent a letter[27] to GSIS indicating his readiness to pay the balance he owed the latter, provided that he would not pay the interest charges and that the rental fees paid by Santos to the GSIS should be deducted from the total amount. Thereafter, he paid the amount of PhP 17,230.78 to GSIS under protest.[28]

On December 12, 1974, petitioner, through Enrique Andres, sent a letter[29] to Santos demanding that she pay PhP 50,000.00 for damages for her continued illegal occupation of the premises, and asking her to immediately vacate them.[30]

On February 5, 1975, GSIS and petitioner executed a Deed of Absolute Sale.[31] Leopoldo Echevarria signed in favor of petitioner as his attorney-in-fact. However, petitioner asked GSIS to reform said deed to conform to the stipulations in the Contract to Sell because the deed contained onerous stipulations, but the latter rejected the demand. The new conditions stated that:

1. Within a period of five (5) years from and after the issuance of a Certificate of Title in favor of the VENDEE, the latter agrees and obligates not to assign, sell, lease, sublease, or otherwise encumber the above-described property or any portion thereof in favor of any party except in case of hereditary succession or resale in favor of the VENDOR. In case of breach thereof, the VENDEE obligates to pay liquidated damages in the amount of ₱5,000.00 or to resell the property in favor of the VENDOR at the original price [at] which it was sold to the VENDEE, less the amount of ₱5,000.00 by way of liquidated damages, at the option of the VENDOR.

x x x x

6. The VENDEE agrees to finally and unconditionally abide by the interpretation or construction of the VENDOR of any term, condition, or stipulation contained in this deed including its implementation. Should the VENDEE violate this provision or any provision contained in this Deed, VENDEE agrees, warrants and obligates to pay liquidated damages in the amount of FIVE THOUSAND (₱5,000.00) PESOS.[32]

On August 25, 1975, petitioner filed a Complaint[33] before the Manila RTC for specific performance to compel GSIS to execute a new Deed of Absolute Sale without any onerous conditions as petitioner alleged, to place him in peaceful possession of the premises, to refund to him the interest charges he paid to GSIS, to pay him the rentals paid by Fe Santos to GSIS, and for GSIS and Spouses Rustico and Fe Santos to pay damages and attorney's fees.

On July 29, 1988, the trial court rendered its Decision in favor of petitioner, as follows:

WHEREFORE, PREMISES CONSIDERED, judgment is hereby rendered DECLARING—

(1) the Deed of Absolute Sale executed by and between the GSIS and plaintiff Fernando A. Santiago dated February 5, 1975 valid and enforceable as of the date of execution, February 5, 1975;

and ORDERS the following:

(2) The GSIS to refund to the plaintiff the interest it collected from the plaintiff for the months of December 6, 1973 to September 1974;

(3) The GSIS to deliver to the plaintiff all rentals it has received and paid by the defendants Rustico and Fe Santos;

(4) The defendants Rustico Santos and Fe Santos to immediately vacate the premises, Lot No. 15, Block No. 2

with an area of four hundred ninety four (494) square meters, together with the building and improvements thereon and deliver the possession to the plaintiff;

(5) The defendants Rustico Santos and Fe Santos to pay the plaintiff the rentals for occupying the house and lot from November 1973 to and until they have vacated the premises, at the prevailing rate in the vicinity;

(6) Defendants Rustico Santos and Fe Santos to pay the plaintiff the amount of P200,000.00 as moral damages and P200,000.00 as exemplary damages and P50,000.00 as attorney's fees;

(7) All improvements introduced by the defendants Rustico Santos and Fe Santos as builders in bad faith, to be forfeited in favor of the plaintiff; and

(8) Defendants Rustico Santos and Fe Santos to pay [the] costs of suit.

SO ORDERED.[34]

Unconvinced of the Decision, both petitioner Santiago and respondents Santos spouses appealed to the CA in CA-G.R. CV No. 32374.

On June 25, 1996, the CA rendered its assailed Decision[35] affirming the July 29, 1988 Decision of the Manila RTC, but deleted the award of moral and exemplary damages and attorney's fees.

The CA upheld the validity of the Deed of Absolute Sale executed by and between GSIS and petitioner on February 5, 1975, and ruled that the latter remains the absolute owner of the disputed property at Leonila Hills, Baguio City.

With respect to Fe Santos' application to buy the disputed property, the appellate court observed that said application was received by GSIS on November 12, 1973, when the Contract to Sell was already deemed automatically cancelled and of no force and effect pursuant to paragraph eight (8) of the contract; hence, GSIS acted in good faith. Likewise, it had no participation in placing Santos in possession of the disputed property, since it was Dr. dela Rosa who authorized her to occupy the house and lot. More importantly, the Santos application was denied by GSIS in 1974; thus, there was no perfected contract of sale between her and the GSIS, and she had no preferential or legal right over the property. Lastly, the CA held that spouses Santos should pay petitioner the fair rental value or the reasonable compensation for the use and occupation of the disputed property from November 1973 up to the time they vacate said property.

The CA however considered the award of moral or temperate, exemplary damages, and attorney's fee unwarranted because the trial court failed to state any factual basis for the award.

After petitioner's plea for reconsideration was rejected in the December 10, 1996 CA Resolution,[36] he interposed the instant petition raising the following issues, viz:

I

The Court of Appeals' ruling that respondent GSIS had acted in good faith is contrary to the documentary evidence and the established facts on record.

II

The Court of Appeals' ruling that respondent Santos' possession of the property is in the concept of a lessee – is contrary to the evidence and this honorable court's affirmation of the finding of the court a quo.

III

The Court of Appeals' reversal of the award of moral and exemplary damages is not in accord with the rulings

of this Honorable Supreme Court.[37]

The Court's Ruling

Unfortunately, the petition has to fail.

Factual Matters Subject of Issues I and II Barred

The aforequoted grounds in petitioner's issues I and II raise factual issues which are precluded in this petition under the factual issue bar rule under Section 1, Rule 45 of the 1997 Rules of Civil Procedure, which provides that the petition shall raise only questions of law.

Under the first ground, petitioner claims GSIS acted in bad faith as shown by documentary evidence and the facts extant on the record. The query whether GSIS acted in bad faith is a question of fact as it will necessitate the examination of the probative value of the evidence adduced before the Manila RTC. The Court is not predisposed to render a review of such evidence as it is not a trier of facts.

Even if we entertain the issue on whether GSIS acted in good faith in its dealings with petitioner, we agree with the CA that the GSIS acted aboveboard with regard to petitioner's contract. We uphold the ruling of the CA, thus:

We agree with the trial court that appellee GSIS acted in good faith in its transaction with the appellants regarding the properties in question.

Good faith is defined as an honest intention to abstain from taking unconscientious advantage of another (*Guzman Bocalinga v. Bonnevie*, 206 SCRA 668). On the other hand, bad faith is a state of mind affirmatively operating with furtive design or with some motive of self-interest or ill-will or for ulterior purpose (*Air France v. Carrascoso*, 18 SCRA 155).

The undeniable fact is that appellant Santiago was in arrears for 71 monthly amortizations as of September 1973. Under the provision of the Contract to Sell (Exhibit A) x x x, said contract was automatically cancelled on account of the long delay of appellant Santiago in settling those 71 amortizations. Appellant Santos filed her application to buy said properties on November 12, 1973 – at the time when the Contract to Sell was already deemed cancelled. Additionally, appellee GSIS had nothing to do with placing appellant Santos in possession of the properties in question. It was a certain Dr. Jose dela Rosa who put appellant Santos in possession of said properties as confirmed in his letter (Exhibit 17) dated November 10, 1973. Under these fully established facts, there is no way to label appellee GSIS as having acted in bad faith.[38]

Under paragraph eight (8) of the Contract to Sell, GSIS had every right to cancel petitioner's contract for he was delinquent for five (5) years and eleven (11) months, and still, respondent GSIS was even generous enough to reinstate petitioner's contract. GSIS' act of restoring petitioner's contract is eloquent proof of its fairness to its members like petitioner and the absence of bad faith on its part.

Moreover, GSIS entertained Santos' application to purchase the subject property only after petitioner Santiago committed the breach of the latter's contractual obligation to pay 71 monthly amortizations. Under the Contract to Sell, GSIS had the discretion to consider the contract automatically revoked even after a delinquency of only one monthly installment under paragraph eight (8) of the contract, but it did not. In this situation, GSIS had been more than liberal and accommodating to petitioner.

In addition, GSIS neither assisted nor placed Fe Santos in possession of the subject property. As a matter of fact, it was petitioner who indirectly authorized Santos to take possession of his lot by allowing Dr. Jose De la Rosa, through Mrs. Salonga, to manage the property by permitting Santos to use the lot as lessee.[39] This is the only plausible explanation for Santos' possession of the lot as there was no allegation that she committed acts of forcible entry on the lot. Thus, the act of petitioner in leasing the property through Dr. De la Rosa is a violation of

paragraph 17 of the Contract to Sell, which prohibits him from selling or encumbering the property without GSIS' consent.

Furthermore, Ortega and Echevarria, authorized representatives of petitioner, notified the Manager of the GSIS Acquired Assets Departments, through a December 12, 1973 letter,[40] that Fe Santos be allowed to be a sub-tenant by Dr. Jose De la Rosa, who, in turn, previously informed GSIS that he had purchased the subject property awarded to petitioner.

GSIS was cautious in its dealings with Santos so as not to prejudice petitioner. It apprised Santos that her application to purchase was conditioned upon the approval of the GSIS Board of Trustees inclusive of its other terms and conditions. Eventually, her application was disapproved in 1974 after GSIS granted petitioner's request to reconsider its cancellation of his award.

It is hard to believe that GSIS acted in bad faith by colluding with Santos in depriving petitioner Santiago of the disputed lot. As a whole, we do not find the acts of GSIS dishonest or malicious to take an unconscionable advantage of petitioner.

Similarly, the second ground to support the instant petition likewise pertains to a factual issue—whether the possession of respondents spouses Rustico and Fe Santos is in the nature of a lessee based on the evidence. Again, petitioner would like the Court to evaluate and calibrate the evidence anew—a task already accomplished by the Manila RTC and later by the CA. We deny petitioner's request for it is not the Court's duty to analyze or weigh evidence all over again.

As a rule, the findings of fact of the CA are final and conclusive and cannot be reviewed on appeal by this Court.[41] More so, as in this case, when the findings of fact of the trial court were affirmed by the CA, the Court perforce must confirm and approve said findings. While every rule has its exceptions, petitioner has not satisfactorily shown that his appeal can lead to a departure from the aforementioned rule.

Even if we consider the second issue as proper under Rule 45, still, the Court agrees with the CA that respondent Santos be treated as petitioner's lessee. This conclusion stems from the admission of petitioner himself in his RTC Complaint in Civil Case No. R-81-616, where he alleged:

3. The [respondent] GSIS to refund the amount of interest charges paid by the herein plaintiff to the [respondent] GSIS for the period covering December 11, 1973 to September 30, 1974 and to deliver to the plaintiff the amount of monthly rentals collected by the [respondent] GSIS from the [respondent] Fe Santos;[42]

Secondly, the December 12, 1973 letter of Ortega and Echevarria,[43] petitioner's authorized representatives, reveals without equivocation that respondent Fe Santos was allowed to be a sub-tenant of Dr. Jose Dela Rosa. Mr. Dela Rosa previously wrote to GSIS on October 29, 1973 that he had purchased the lot from petitioner. Thus, an implied lease was entered into between Santos and petitioner in view of the cancellation of Santos' GSIS application and her prolonged stay in said property.

Deletion of damages sanctioned

Anent the third issue, the Court rules that no reversible error was committed by the CA in recalling the award of moral and exemplary damages in petitioner's favor.

In awarding damages, it is settled principle that the trial court should state the factual bases of the award of these damages and attorney's fees.[44] A simple perusal of the July 29, 1988 Decision of the Manila RTC easily reveals the absence of any basis for the award of PhP 200,000.00 as moral damages and PhP 200,000.00 as

exemplary damages in petitioner's favor. Such being the case, the CA is correct in disregarding said damages.

It is also a firm rule that while no proof of pecuniary loss is necessary in order that moral damages may be awarded, the amount of indemnity being left to the discretion of the court, "it is, nevertheless, essential that the claimant satisfactorily prove the existence of the factual basis of the damage and its causal relation to defendant's acts." [45]

As previously discussed, the Court has adopted the findings of fact of the CA, more particularly, its finding that spouses Santos are occupying the disputed lot as lessees. We agree with the CA that petitioner can recover only the fair rental value or the reasonable compensation for the use and occupation of the disputed property. The fact that the trial court awarded petitioner the rentals from respondents Santos spouses for the use of the house and lot from November 1973 until the latter vacates the premises necessarily precludes an additional award of damages. Hence, petitioner has not demonstrated ample justification for the reinstatement of moral damages.

In addition, Article 2234 of the Civil Code bars the award of exemplary damages since respondent spouses were not held liable for moral damages.

From the foregoing considerations, petitioner has not shown that the CA deviated from applicable laws and pertinent Supreme Court rulings and hence, the Court rules that the CA has not committed any reversible error in its June 25, 1996 Decision and December 10, 1996 Resolution.

WHEREFORE, we DENY the petition for lack of merit and AFFIRM the assailed CA Decision and Resolution, with no costs.

SO ORDERED.

Quisumbing, (Chairperson), Carpio, and Tinga, concur.

Carpio-Morales, J., no part, having concurred in the assailed decision.

[1] Records, pp. 599-604.

[2] Id. at 606.

[3] Contract of Lease, id. at 715; Memorandum in Support of Judge Santiago's Request to Set Aside Notice of Cancellation, id. at 611-617, 612.

[4] Id. at 690.

[5] Id. at 621.

[6] Id. at 691.

[7] Id. at 512.

[8] Id. at 592.

[9] Id. at 692.

[10] Id. at 495.

[11] Id. at 497.

[12] Id. at 693.

[13] Id. at 10 & 498.

[14] Id. at 503.

[15] Id. at 499.

[16] Id. at 503.

[17] Id. at 550-555.

[18] Id. at 382A-388.

[19] Id. at 512.

[20] Id. at 593.

[21] Id. at 607-609.

[22] Id. at 510-513.

[23] Id. at 509.

[24] Id. at 622-623.

[25] Id. at 595.

[26] Id. at 598.

[27] Id. at 505-506.

[28] Id. at 516-517.

[29] Id. at 713.

[30] Id. at 716.

[31] Id. at 522-527.

[32] Id. at 523-525.

[33] Id. at 7-22.

[34] CA rollo, pp. 146-147.

[35] Rollo, pp. 41-49. The Decision was penned by Associate Justice Hilarion L. Aquino, and concurred in by Associate Justices Jainal D. Rasul and Conchita Carpio Morales (now a member of this Court).

[36] Id. at 51.

[37] Id. at 25-26.

[38] Id. at 47.

[39] Records, pp. 612 & 621.

[40] Id. at 620.

[41] Lanuza v. Muñoz, G.R. No. 147372, May 27, 2004, 429 SCRA 562, 571-572.

[42] Supra note 33, at 21.

[43] Supra note 40.

[44] See *Saguid v. Security Finance, Inc.*, G.R. No. 159467, December 9, 2005, 477 SCRA 256, 275 and *Del Rosario v. Court of Appeals*, G.R. No. 118325, January 29, 1997, 267 SCRA 158, 175.

[45] *Raagas v. Traya*, G.R. No. L-20081, February 27, 1968, 22 SCRA 839, 843.

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