RIZAL COMMERCIAL BANKING CORPORATION, PETITIONER, VS. METRO CONTAINER CORPORATION, RESPONDENT.

G.R. No. 127913. September 13, 2001

Ponente: KAPUNAN, J.

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KAPUNAN, J.:

Assailed in this petition for review on certiorari are the Decision, promulgated on 18 October 1996 and the Resolution, promulgated on 08 January 1997, of the Court of Appeals in CA-G.R. SP No. 41294.

The facts of the case are as follows:

On 26 September 1990, Ley Construction Corporation (LEYCON) contracted a loan from Rizal Commercial Banking Corporation (RCBC) in the amount of Thirty Million Pesos (P30,000,000.00). The loan was secured by a real estate mortgage over a property, located in Barrio Ugong, Valenzuela, Metro Manila (now Valenzuela City) and covered by TCT No. V-17223. LEYCON failed to settle its obligations prompting RCBC to institute an extrajudicial foreclosure proceedings against it. After LEYCON's legal attempts to forestall the action of RBCB failed, the foreclosure took place on 28 December 1992 with RCBC as the highest bidder.

LEYCON promptly filed an action for Nullification of Extrajudicial Foreclosure Sale and Damages against RCBC. The case, docketed as Civil Case No. 4037-V-93, was raffled to the Regional Trial Court (RTC) of Valenzuela, Branch 172. Meanwhile, RCBC consolidated its ownership over the property due to LEYCON's failure to redeem it within the 12-month redemption period and TCT No. V-332432 was issued if favor of the bank. By virtue thereof, RCBC demanded rental payments from Metro Container Corporation (METROCAN) which was leasing the property from LEYCON.

On 26 May 1994, LEYCON filed an action for Unlawful Detainer, docketed as Civil Case No. 6202, against METROCAN before the Metropolitan Trial Court (MeTC) of Valenzuela, Branch 82.

On 27 May 1994, METROCAN filed a complaint for Interpleader, docketed as Civil Case No. 4398-V-94 before the Regional Trial Court of Valenzuela, Metro Manila, Branch 75 against LEYCON and RCBC to compel them to interplead and litigate their several claims among themselves and to determine which among them shall rightfully receive the payment of monthly rentals on the subject property. On 04 July 1995, during the pre-trial conference in Civil Case No. 4398-V-94, the trial court ordered the dismissal of the case insofar as METROCAN and LEYCON were concerned in view of an amicable settlement they entered by virtue of which METROCAN paid back rentals to LEYCON.

On 31 October 1995, judgment was rendered in Civil Case No. 6202, which among other things, ordered METROCAN to pay LEYCON whatever rentals due on the subject premises. The MeTC decision became final and executory.

On 01 February 1996, METROCAN moved for the dismissal of Civil Case No. 4398-V-94 for having become moot and academic due to the amicable settlement it entered with LEYCON on 04 July 1995 and the decision in

Civil Case No. 6202 on 31 October 1995. LEYCON, likewise, moved for the dismissal of the case citing the same grounds cited by METROCAN.

On 12 March 1996, the two motions were dismissed for lack of merit. The motions for reconsideration filed by METROCAN and LEYCON were also denied prompting METROCAN to seek relief from the Court of Appeals via a petition for certiorari and prohibition with prayer for the issuance of a temporary restraining order and a writ of preliminary injunction. LEYCON, as private respondent, also sought for the nullification of the RTC orders.

In its Decision, promulgated on 18 October 1996, the Court of Appeals granted the petition and set aside the 12 March 1996 and 24 June 1996 orders of the RTC. The appellate court also ordered the dismissal of Civil Case No. 4398-V-94. RCBC's motion for reconsideration was denied for lack of merit in the resolution of 08 January 1997.

Hence, the present recourse.

RCBC alleged, that:

> (1)
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> THE DECISION OF THE METROPOLITAN TRIAL COURT IN THE EJECTMENT CASE BETWEEN METROCAN AND LEYCON DOES NOT AND CANNOT RENDER THE INTERPLEADER ACTION MOOT AND ACADEMIC.
>
> (2)
>
> WHILE A PARTY WHO INITIATES AN INTERPLEADER ACTION MAY NOT BE COMPELLED TO LITIGATE IF HE IS NO LONGER INTERESTED TO PURSUE SUCH CAUSE OF ACTION, SAID PARTY MAY NOT UNILATERALLY CAUSE THE DISMISSAL OF THE CASE AFTER THE ANSWER HAVE BEEN FILED. FURTHER, THE DEFENDANTS IN AN INTERPLEADER SUIT SHOULD BE GIVEN FULL OPPORTUNITY TO LITIGATE THEIR RESPECTIVE CLAIMS.[1]

We sustain the Court of Appeals.

> Section 1, Rule 63 of the Revised Rules of Court[2] provides:
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> Section 1. - Interpleader when proper. - Whenever conflicting claims upon the same subject matter are or may be made against a person, who claims no interest whatever in the subject matter, or an interest which in whole or in part is not disputed by the claimants, he may bring an action against the conflicting claimants to compel them to interplead and litigate their several claims among themselves.

In the case before us, it is undisputed that METROCAN filed the interpleader action (Civil Case No. 4398-V-94) because it was unsure which between LEYCON and RCBC was entitled to receive the payment of monthly rentals on the subject property. LEYCON was claiming payment of the rentals as lessor of the property while RCBC was making a demand by virtue of the consolidation of the title of the property in its name.

It is also undisputed that LEYCON, as lessor of the subject property filed an action for unlawful detainer (Civil Case No. 6202) against its lessee METROCAN. The issue in Civil Case No. 6202 is limited to the question of physical or material possession of the premises.[3] The issue of ownership is immaterial therein[4] and the outcome of the case could not in any way affect conflicting claims of ownership, in this case between RCBC and LEYCON. This was made clear when the trial court, in denying RCBC's "Motion for Inclusion x x x as an Indispensable Party" declared that "the final determination of the issue of physical possession over the subject premises between the plaintiff and the defendant shall not in any way affect RCBC's claims of ownership over the said premises, since RCBC is neither a co-lessor or co-lessee of the same, hence he has no legal personality to join the parties herein with respect to the issue of physical possession vis-à-vis the contract of lease between the

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parties."[5] As aptly pointed by the MeTC, the issue in Civil Case No. 6202 is limited to the defendant LEYCON's breach of the provisions of the Contract of Lease Rentals.[6]

Hence, the reason for the interpleader action ceased when the MeTC rendered judgment in Civil Case No. 6202 whereby the court directed METROCAN to pay LEYCON "whatever rentals due on the subject premises x x x." While RCBC, not being a party to Civil Case No. 6202, could not be bound by the judgment therein, METROCAN is bound by the MeTC decision. When the decision in Civil Case No. 6202 became final and executory, METROCAN has no other alternative left but to pay the rentals to LEYCON. Precisely because there was already a judicial fiat to METROCAN, there was no more reason to continue with Civil Case No. 4398-V-94. Thus, METROCAN moved for the dismissal of the interpleader action not because it is no longer interested but because there is no more need for it to pursue such cause of action.

It should be remembered that an action of interpleader is afforded to protect a person not against double liability but against double vexation in respect of one liability.[7] It requires, as an indespensable requisite, that "conflicting claims upon the same subject matter are or may be made against the plaintiff-in-interpleader who claims no interest whatever in the subject matter or an interest which in whole or in part is not disputed by the claimants."[8] The decision in Civil Case No. 6202 resolved the conflicting claims insofar as payment of rentals was concerned.

Petitioner is correct in saying that it is not bound by the decision in Civil Case No. 6202. It is not a party thereto. However, it could not compel METROCAN to pursue Civil Case No. 4398-V-94. RCBC has other avenues to prove its claim. Is not bereft of other legal remedies. In fact, he issue of ownership can very well be threshed out in Civil Case No. 4037-V-93, the case for Nullification of Extrajudicial Foreclosure Sale and Damages filed by LEYCON against RCBC.

WHEREFORE, the petition for review is DENIED and the Decision of the Court of Appeals, promulgated on 18 October 1996, as well as its Resolution promulgated on 08 January 1997, are AFFIRMED.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Pardo, and Ynares-Santiago, JJ., concur.
Puno, J., on official leave.

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[1] Rollo, p. 25.

[2] Now Section 1, Rule 62 of the 1997 Rules of Civil Procedure.

[3] Lagrosa vs. Court of Appeals, 312 SCRA 298 (1999); Arcal vs. Court of Appeals, 285 SCRA 34 (1998).

[4] Carreon vs. Court of Appeals, 291 SCRA 78 (1998).

[5] Rollo, p. 79.

[6] Id., at 76.

[7] Wack Wack Golf and Country Club, Inc. vs. Won, 70 SCRA 165 (1976).

[8] Lim vs. Continental Development Corporation, 69 SCRA 349 (1976) citing Beltran vs. People's Homesite and Housing Corporation, 29 SCRA 145 (1969).

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