

TALA REALTY SERVICES CORPORATION, PETITIONER, VS. BANCO FILIPINO SAVINGS AND MORTGAGE BANK, RESPONDENT.*G.R. No. 129887. February 17, 2000*

Ponente: DE LEON, JR., J.

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Before us is a petition for review of the Decision[1] of the Court of Appeals dated July 18, 1997, upholding the dismissal[2] of the complaint for ejectment filed by petitioner Tala Realty and Services Corp. (hereafter, Tala Realty) against respondent Banco Filipino Savings and Mortgage Bank (hereafter, Banco Filipino) on the ground of expiration of monthly lease on a parcel of land with a building thereon in Poblacion, Urdaneta, Pangasinan where respondent Banco Filipino established a branch office (hereinafter referred to as the Urdaneta branch). The subject property is covered by TCT No. 124643 and currently registered in the name of Banco Filipino.

The General Banking Act[3] regulates the number of branches that a bank may operate. Under said law, a bank is allowed to own the land and the improvements thereon used as branch sites but only up to a maximum of fifty percent (50%) of its net worth.

In 1979, private respondent Banco Filipino had reached the allowable limit in branch site holdings but contemplated further expansion of its operations. Consequently, it unloaded some of its holdings to petitioner Tala Realty. Banco Filipino thereafter leased the same branch sites from Tala Realty which was conceived and organized precisely as a transferee corporation by the major stockholders[4] of respondent Banco Filipino.

The board of directors of respondent Banco Filipino authorized negotiations for the sale of some of its branch sites to petitioner Tala Realty, through Board Resolutions dated February 20, 1979, April 17, 1979 and August 18, 1981.

On August 25, 1981, respondent Banco Filipino sold eleven (11) of its branch sites to petitioner Tala Realty; in the process it executed eleven (11) separate deeds of sale. The Urdaneta branch was among those sold to Tala Realty.

On the same date, Tala Realty and Banco Filipino executed contracts of lease covering all the branch sites subject of the sale.

Private respondent Banco Filipino asserts ownership over the Urdaneta branch as well as the other branches conveyed to petitioner Tala Realty. It commenced an action in the Securities and Exchange Commission (SEC) for the reconveyance of said branches on the ground that Tala Realty is a mere trustee of the bank. The present controversy, however, stems from an ejectment case filed by Tala Realty against Banco Filipino when they disagreed over the period of their lease agreement covering the Urdaneta branch.

Private respondent Banco Filipino relies on a lease contract with a twenty (20)-year term renewable for another period of twenty (20) years while petitioner Tala Realty claims that the lease is covered by an eleven (11)-year term renewable for another period of nine (9) years. Except for the term of the lease, the two contracts are

essentially identical in their terms and conditions. Both contracts were executed on August 25, 1981 with the payment of rentals commencing on September 1, 1981. Tala Realty insists that the eleven (11)-year lease contract amended the twenty (20)-year lease contract.

Since petitioner Tala Realty's eleven (11)-year contract allegedly expired in August 1992, it claims to have extended the lease on a month-to-month basis under the rental rates of the expired eleven (11)-year contract. It tried to negotiate with private respondent Banco Filipino to increase the amount of rent in a letter dated February 10, 1993. Aside from increased rents, the letter proposed conditions on the payment of goodwill, deposit, rental escalation and advance rental.

On June 22, 1993, petitioner Tala Realty informed private respondent Banco Filipino that the new rates will be retroactive to September 1, 1992[5].

Banco Filipino must have found such terms unreasonable, prompting it to reject the letter proposal. Tala Realty reacted by sending a letter dated April 14, 1994 with the following tenor: (1) that at the end of April, the lease contract will not be renewed; (2) that Banco Filipino must pay the unpaid rentals; and (3) that it had until April 30, 1994 to vacate the premises in case of failure to pay said rentals. Banco Filipino did not comply with such demands.

Consequently, on November 22, 1994 petitioner Tala Realty filed an ejectment case[6] in the Municipal Trial Court (MTC) of Urdaneta, Pangasinan against private respondent Banco Filipino with a prayer for the payment of unpaid rents in the amount of P632,985.00 as of September 30, 1994.

The MTC dismissed the case upon finding Tala Realty's lease contract with an eleven (11)-year term, to be spurious and thus inexistent. It held that Banco Filipino's lease contract with a twenty (20)-year term was valid and subsisting, making legitimate and effective its possession of the Urdaneta branch site.

Petitioner Tala Realty appealed[7] the MTC decision to the Regional Trial Court (RTC), which, however, affirmed the same. Tala Realty also elevated its cause[8] to the Court of Appeals, but it was similarly rebuffed in the decision of the appellate court dated July 18, 1997.

Hence, this petition. The following issues,

"I.

THE HONORABLE COURT OF APPEALS ERRED IN LAW IN DECIDING MATTERS EXTRANEEOUS TO ISSUES IN EJECTMENT SUITS;

II.

THE HONORABLE COURT OF APPEALS MISINTERPRETED AND MISAPPLIED THE REFUGIA v. COURT OF APPEALS CASE;

III.

THE HONORABLE COURT OF APPEALS COMMITTED NUMEROUS ERRORS IN LAW IN RELYING ON A SUPERSEDED LEASE CONTRACT AND DISREGARDING AMENDMENT THERETO;

IV.

THE HONORABLE COURT OF APPEALS MANIFESTLY OVERLOOKED CERTAIN RELEVANT FACTS NOT DISPUTED BY THE PARTIES AND WHICH, IF PROPERLY CONSIDERED, WOULD JUSTIFY A DIFFERENT CONCLUSION; [and]

V.

THE HONORABLE COURT OF APPEALS COMMITTED AN ERROR IN LAW IN NOT HOLDING THAT RESPONDENT FAILED TO PUT UP ANY VALID DEFENSE TO THE COMPLAINT FOR EJECTMENT."^[9]

raised by petitioner Tala Realty, however, do not convince this Court. The petition must be as it is hereby denied.

First. Petitioner Tala Realty contends that the municipal trial court has no jurisdiction to decide the issue of ownership in an ejectment case.

Nothing is more settled than the rule that ejectment is solely concerned with the issue of physical or material possession of the subject land or building. However, if the issue of possession depends on the resolution of the issue of ownership which is sufficiently alleged in the complaint, the municipal trial court may resolve the latter^[10] although the resulting judgment would be conclusive only with respect to the possession but not the ownership of the property^[11].

In the instant case, the issue of ownership was not even addressed, there being no need to do so as the ejectment case hinged on the question concerning the two (2) lease contracts of the contending parties.

Second. Petitioner Tala Realty insists that its eleven (11)-year lease contract controls. We agree with the MTC and the RTC, however, that the eleven (11)-year contract is a forgery because (1) Teodoro O. Arcenas, then Executive Vice-President of private respondent Banco Filipino, denied having signed the contract; (2) the records of the notary public who notarized the said contract, Atty. Generoso S. Fulgencio, Jr., do not include the said document; and (3) the said contract was never submitted to the Central Bank as required by the latter's rules and regulations^[12].

Clearly, the foregoing circumstances are badges of fraud and simulation that rightly make any court suspicious and wary of imputing any legitimacy and validity to the said lease contract.

Executive Vice-President Arcenas of private respondent Banco Filipino testified that he was responsible for the daily operations of said bank. He denied having signed the eleven (11)-year contract and reasoned that it was not in the interest of Banco Filipino to do so^[13]. That fact was corroborated by Josefina C. Salvador, typist of Banco Filipino's Legal Department, who allegedly witnessed the said contract and whose initials allegedly appear in all the pages thereof. She disowned the said marginal initials.^[14]

The Executive Judge of the RTC supervises a notary public by requiring submission to the Office of the Clerk of Court of his monthly notarial report with copies of acknowledged documents thereto attached. Under this procedure and requirement of the Notarial Law, failure to submit such notarial report and copies of acknowledged documents has dire consequences including the possible revocation of the notary's notarial commission.

The fact that the notary public who notarized petitioner Tala Realty's alleged eleven (11)-year lease contract did not retain a copy thereof for submission to the Office of the Clerk of Court of the proper RTC militates against the use of said document as a basis to uphold petitioner's claim. The said alleged eleven (11)-year lease contract was not submitted to the Central Bank whose strict documentation rules must be complied with by banks to ensure their continued good standing. On the contrary, what was submitted to the Central Bank was the twenty (20)-year lease contract.

Granting *arguendo* that private respondent Banco Filipino deliberately omitted to submit the eleven (11)-year contract to the Central Bank, we do not consider that fact as violative of the *res inter alios acta aliis non nocet*^[15] rule in evidence. Rather, it is an indication of said contract's inexistence.

It is not the eleven (11)-year lease contract but the twenty (20)-year lease contract which is the real and genuine contract between petitioner Tala Realty and private respondent Banco Filipino. Considering that the twenty (20)-year lease contract is still subsisting and will expire in 2001 yet, Banco Filipino is entitled to the possession of the subject premises for as long as it pays the agreed rental and does not violate the other terms and conditions thereof[16].

Finally. Petitioner Tala Realty contends that private respondent Banco Filipino must also be ejected for non-payment of rental. There is no dispute, however, that the unpaid rentals demanded by Tala Realty are based on a new rate which it unilaterally imposed and to which Banco Filipino did not agree.

Incidentally, it also appeared that although the parties had started negotiating for a new rental rate, the records show that no new agreement materialized. The rights and obligations of the petitioner, as lessor, and the respondent, as lessee, continue to be governed by the twenty (20)-year lease contract.

WHEREFORE, the instant petition is hereby DISMISSED. Costs against petitioner.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, and Quisumbing JJ., concur.
Buena, J., on leave.

[1] Penned by Associate Justice Ruben T. Reyes and concurred in by Associate Justices Fermin A. Martin and Omar U. Amin, Rollo, pp. 367-388.

[2] By the Municipal Trial Court of Urdaneta, Pangasinan, in a decision penned by Judge Orlando Ana F. Siapno dated July 17, 1995, in Civil Case No. 4099, Rollo, pp. 257-263. This was appealed to the Regional Trial Court of Urdaneta, Pangasinan, Branch 46, presided by Judge Joven F. Costales, who, in turn, dismissed the appeal in a decision dated January 22, 1996.

[3] Republic Act No. 337; Sections 25 and 34 of which provides, viz.:

"Sec. 25. Any commercial bank may purchase, hold and convey real estate for the following purposes:

(a) such as shall be necessary for its immediate accommodation in the transaction of its business: Provided, however, that the total investment in such real estate and improvements thereof, including bank equipment, shall not exceed fifty percent (50%) of net worth xxx xxx."

"Sec. 34. Savings and mortgage bank may purchase, hold and convey real estate under the same conditions as those governing commercial banks as specified in Section twenty-five of this Act."

[4] Antonio Tiu, Tomas B. Aguirre, Nancy Ty and Pedro B. Aguirre.

[5] Decision of the Municipal Trial Court, p. 1, Rollo, p. 257.

[6] Docketed as Civil Case No. 4097.

[7] Docketed as Civil Case No. U-6024.

[8] Docketed as CA-G.R. SP No. 40524.

[9] Petition dated August 13, 1997, pp. 10-11, Rollo, pp. 16-17.

[10] *Refugia v. Court of Appeals*, 258 SCRA 347,366 (1996).

[11] Sec. 18, Rule 70, 1997 Rules of Civil Procedure.

[12] Rollo, pp. 383-384.

[13] Rollo, p. 384.

[14] *Id.*, p. 385.

[15] Section 28, Rule 130, Revised Rules of Court provides, viz.:

"Sec. 28. Admission by third party – The rights of a party cannot be prejudiced by an act, declaration, or omission of another, except as hereinafter provided.";

Compania General de Tabacos v. Ganson, 13 Phil. 472,477 (1909).

[16] Art. 1673, New Civil Code.

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