

TALA REALTY SERVICES CORP., PETITIONER, VS. BANCO FILIPINO SAVINGS AND MORTGAGE BANK, RESPONDENT.

G.R. No. 132051. June 25, 2001

Ponente: SANDOVAL-GUTIERREZ, J.

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SANDOVAL-GUTIERREZ, J.:

Stare decisis et non quita movere. This principle of adherence to precedents has not lost its luster and continues to guide the bench in keeping with the need to maintain stability in the law.

The principle finds application to the case now before us.

This is a petition for review on certiorari under Rule 45 of the 1997 Rules of Civil Procedure, as amended, assailing the Resolution dated December 23, 1997 of the Court of Appeals in C.A.-G.R. SP No. 44257.

Under Republic Act No. 337 (General Banking Act), commercial banks are allowed to invest in real property subject to the limitation that:

"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 x x x x x ." (Emphasis Ours)

Investments in real estate made by savings and mortgage banks are likewise subject to the same limitation imposed by the aforequoted provision.[1]

Bound by such limitation, the management of Banco Filipino Savings and Mortgage Bank (Banco Filipino for brevity) devised means to pursue its endeavor to expand its banking operations. To this end, Tala Realty Services Corporation (Tala for brevity) was organized by Banco Filipino's four (4) major stockholders namely, Antonio Tiu, Tomas B. Aguirre, Nancy Lim Ty and Pedro B. Aguirre. Tala and Banco Filipino agreed on this scheme - Tala would acquire the existing branch sites and new branch sites which it would lease out to Banco Filipino.

On August 25, 1981, pursuant to their agreement, Banco Filipino sold its eleven (11) branch sites all over the country to Tala. In turn Tala leased those sites to Banco Filipino under contracts of lease executed by both parties on the same day.

Years after, dissension between Tala and Banco Filipino arose in connection with their lease contracts resulting in a chain of lawsuits for illegal detainer. Some of these cases are still pending in courts. At present, three of the illegal detainer cases have been passed upon by the Supreme Court.

The case at bar, involving Banco Filipino's Iloilo City branch site, is one of those cases for illegal detainer filed by Tala against Banco Filipino based on these grounds: (a) expiration of the period of lease and (b) non-payment of rentals.

The facts of the present controversy may be summed up as follows:

In its complaint in Civil Case No. 51(95) filed with the Municipal Trial Court (MTC) of Iloilo City on March 29, 1995, Tala alleged that on the basis of a contract of lease executed on August 25, 1981 which provides in part:

"1. That the term of this LEASE shall be for a period of eleven (11) years, renewable for another period of nine (9) years at the option of the LESSEE under terms and conditions mutually agreeable to both parties." [2],

its contract with Banco Filipino expired on August 31, 1992. However, Banco Filipino has continued to occupy the premises even after the expiration of the lease.

On June 2, 1993, Tala imposed upon Banco Filipino the following terms and conditions: that the bank should pay P70,050.00 as monthly rental retroactive as of September 1, 1992, with rental escalation of 10% per year; and advance deposit equivalent to rents for four months, plus a goodwill of P500,000.00.

Banco Filipino did not comply and in April 1994, it stopped paying rents.

In its letter dated April 14, 1994, Tala notified Banco Filipino that the lease contract would no longer be renewed; that it should pay its back rentals, including goodwill, deposit and adjusted rentals in the amount of P2,059,540.00 and vacate the premises on or before April 30, 1994. [3] In its second letter dated May 2, 1994, Tala demanded upon Banco Filipino to pay the rents and vacate the premises. [4]

In answer to Tala's complaint, Banco Filipino denied having executed the lease contract providing for a term of eleven (11) years; claiming that its contract with Tala is for twenty (20) years, citing the Contract of Lease executed on August 25, 1981 providing:

"That the term of this LEASE shall be for a period of twenty (20) years, renewable for another period of twenty (20) years at the option of the LESSEE under terms and conditions mutually agreeable to both parties." [5]

On July 1, 1996, the MTC rendered judgment holding that the eleven (11)-year lease contract superseded the twenty (20)-year lease contract. Thus, the court ordered the ejectment of Banco Filipino from the premises on these grounds: expiration of the eleven (11)-year lease contract and non-payment of the adjusted rental. Banco Filipino was likewise ordered to pay back rentals in the amount of P79,050.00 corresponding to the period from May 1994 up to the time that it shall have surrendered to Tala possession of the premises. [6]

On appeal, the Regional Trial Court, Branch 26, Iloilo City affirmed the MTC decision. [7]

Banco Filipino elevated the RTC decision to the Court of Appeals which affirmed the challenged decision. [8]

Banco Filipino sought for a reconsideration of the Court of Appeals Decision, invoking in its Supplemental Motion for Reconsideration the Decisions of the same court in two of the other illegal detainer cases initiated by Tala against Banco Filipino, docketed as CA-G.R. SP Nos. 39104 and 40524. In these cases, the Court of Appeals upheld the validity of the lease contract providing for a period of twenty (20) years. Finding Banco Filipino's motions for reconsideration meritorious, the Court of Appeals issued the herein assailed Resolution, thus:

"This Court agrees with petitioner that its Decision of August 30, 1996 in CA-G.R. SP No. 39104, having been declared final and executory by no less than the Supreme Court in G.R. No. 127586, now constitutes the law of the case between the parties in the present case. Accordingly, this Court is not at liberty to disregard or abandon the same at will without wreaking havoc on said legal principle.

"WHEREFORE, petitioner's motion for reconsideration and supplemental motion for reconsideration are hereby GRANTED. Accordingly, the Court's Decision of August 25, 1997 is hereby SET ASIDE and, in lieu

thereof, a new one is rendered REVERSING and SETTING ASIDE the appealed decision and DISMISSING the complaint for ejectment filed against herein petitioner in the Municipal Trial Court of Iloilo City."[9]

Tala now comes to this Court on the lone ground that:

"The Honorable Court of Appeals erred in considering that principle of 'the law of the case' finds application in the instant case."[10]

Petitioner Tala contends that its complaint for illegal detainer should not have been dismissed by the Court of Appeals on the basis of its decision in CA-G.R. SP No. 39104. Petitioner claims that this decision is not a precedent.

The first in the series of illegal detainer cases filed by Tala against the bank which reached the Supreme Court is CA-G.R. SP No. 39104. This involves the site in Malabon. The Court of Appeals held that Banco Filipino cannot be ejected from the subject premises considering that the twenty (20)-year lease contract has not expired. Tala elevated this Court of Appeals decision to the Supreme Court in G.R. No. 127586. In a Resolution dated March 12, 1997, the Supreme Court dismissed Tala's petition as the "appeal" was not timely perfected, thus:

"Considering the manifestation dated January 31, 1997 filed by petitioner that it is no longer pursuing or holding in abeyance recourse to the Supreme Court for reasons stated therein, the Court Resolved to DECLARE THIS CASE TERMINATED and DIRECT the Clerk of Court to INFORM the parties that the judgment sought to be reviewed has become final and executory, no appeal therefrom having been timely perfected."[11]

We agree with petitioner Tala that the decision of the Court of Appeals in CA-G.R. SP No. 39104 holding that the twenty (20)-year contract of lease governs the contractual relationship between the parties is not a precedent considering that the Supreme Court in G.R. No. 127586 did not decide the case on the merits. The petition was dismissed on mere technicality. It is significant to note, however, that the Supreme Court in G.R. No. 129887,[12] through Mr. Justice Sabino R. de Leon, resolved the identical issue raised in the present petition, i.e., whether the period of the lease between the parties is twenty (20) or eleven (11) years, thus:

"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 (Rollo, pp. 383-384.).

"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 (Rollo, p. 384). The 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 (id., p. 385).

"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* (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]) 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 (Art. 1673, New Civil Code)." (Emphasis supplied)

The validity of the twenty (20) year lease contract was further reinforced on June 20, 2000 when the First Division of this Court, this time, speaking through Madame Justice Consuelo Ynares-Santiago, rendered a Decision in G.R. No. 137980, likewise upholding the twenty (20)-year lease contract, thus:

"In light of the foregoing recent Decision of this Court (G.R. No. 129887), we have no option but to uphold the twenty-year lease contract over the eleven-year contract presented by petitioner. It is the better practice that when a court has laid down a principle of law as applicable to a certain state of facts, it will adhere to that principle and apply it to all future cases where the facts are substantially the same. '*Stare decisis et non quieta movere*.'

"That the principle of *stare decisis* applies in the instant case, even though the subject property is different, may be gleaned from the pronouncement in *Negros Navigation Co., Inc. vs. Court of Appeals* [G.R. No. 110398, 281 SCRA 534, 542-543 (1997)], to wit--

'Petitioner criticizes the lower court's reliance on the *Mecenas* case, arguing that although this case arose out of the same incident as that involved in *Mecenas*, the parties are different and trial was conducted separately. Petitioner contends that the decision in this case should be based on the allegations and defenses pleaded and evidence adduced in it, or, in short, on the record of this case.

'The contention is without merit. What petitioner contends may be true with respect to the merits of the individual claims against petitioner but not as to the cause of the sinking of its ship on April 22, 1980 and its liability for such accident, of which there is only one truth. Otherwise, one would be subscribing to the sophistry: truth on one side of the Pyrenees, falsehood on the other!

'Adherence to the *Mecenas* case is dictated by this Court's policy of maintaining stability in jurisprudence in accordance with the legal maxim '*stare decisis et non quieta movere*' (Follow past precedents and do not disturb what has been settled.) Where, as in this case, the same questions relating to the same event have been put forward by parties similarly situated as in a previous case litigated and decided by a competent court, the rule of *stare decisis* is a bar to any attempt to relitigate the same issue (*J.M. Tuason & Corp. v. Mariano*, 85 SCRA 644 [1978]). In *Woulfe v. Associated Realities Corporation* (130 N.J. Eq. 519, 23 A. 2d 399, 401 [1942]), the Supreme Court of New Jersey held that where substantially similar cases to the pending case were presented and applicable principles declared in prior decisions, the court was bound by the principle of *stare decisis*. Similarly, in *State ex rel. Tollinger v. Gill* (75 Ohio App., 62 N.E. 2d 760 [1944]), it was held that

under the doctrine of stare decisis a ruling is final even as to parties who are strangers to the original proceeding and not bound by the judgment under the res judicata doctrine. The Philadelphia court expressed itself in this wise: 'Stare decisis simply declares that, for the sake of certainty, a conclusion reached in one case should be applied to those which follow, if the facts are substantially the same, even though the parties may be different' (Heisler v. Thomas Colliery Co., 274 Pa. 448, 452, 118A, 394, 395 [1922]. Manogahela Street Ry, Co. v. Philadelphia Co., 350 Pa 603, 39 A. 2d 909, 916 [1944]; In re Burt's Estate, 353 Pa. 217, 4 A. 2d 670, 677 [1945]). Thus, in J.M. Tuason v. Mariano, supra, this Court relied on its rulings in other cases involving different parties in sustaining the validity of a land title on the principle of 'stare decisis et non quieta movere.'(underscoring, Ours)

"Here, therefore, even if the property subject of the Decision of G.R. No. 129887 is located in Urdaneta, Pangasinan while that in the instant case is located in Davao, we can very well apply the conclusion in G.R. No. 129887 that it is the twenty-year lease contract which is controlling inasmuch as not only are the parties the same, but more importantly, the issue regarding its validity is one and the same and, hence, should no longer be relitigated."

Considering the above rulings, we hold that the term of the lease in the present case is also twenty (20) years.

Resolving now the issue of whether or not respondent Banco Filipino should be ejected for non-payment of rentals, the First Division of this Court in the same G.R. No. 137980 held:

"Coming now to the issue of whether or not respondent should be ejected for non-payment of rentals, we do not agree with the ruling in G.R. No 129887 that since the unpaid rentals demanded by petitioner were based on a new rate which it unilaterally imposed and to which respondent did not agree, there lies no ground for ejectment. In such a case, there could still be ground for ejectment based on non-payment of rentals. The recent case of T & C Development Corporation vs. Court of Appeals[13] is instructional on this point. It was there cautioned that--

`The trial court found that private respondent had failed to pay the monthly rental of P1,800.00 from November 1992 to February 16, 1993, despite demands to pay and to vacate the premises made by petitioner. Even if private respondent deposited the rents in arrears in the bank, this fact cannot alter the legal situation of private respondent since the account was opened in private respondent's name. Clearly, there was cause for the ejectment of private respondent. Although the increase in monthly rentals from P700.00 to P1,800.00 was in excess of 20% allowed by B.P. Blg. 877, as amended by R.A. No. 6828, what private respondent could have done was to deposit the original rent of P700.00 either with the judicial authorities or in a bank in the name of, and with notice to, petitioner. As this Court held in Uy v. Court of Appeals (178 SCRA 671, 676 [1989]):

`The records reveal that the new rentals demanded since 1979 (P150.00 per month) exceed that allowed by law so refusal on the part of the lessor to accept was justified. However, what the lessee should have done was to deposit in 1979 the previous rent. This deposit in the Bank was made only in 1984 indicating a delay of more than four years.

`From the foregoing facts, it is clear that the lessor was correct in asking for the ejectment of the delinquent lessee. Moreover, he should be granted not only the current rentals but also all the rentals in arrears. This is so even if the lessor himself did not appeal because as ruled by this Court, there have been instances when substantial justice demands the giving of the proper reliefs.' x x x

"While advance rentals appear to have been made to be applied for the payment of rentals due from the eleventh year to the twentieth year of the lease, to wit-

`3. That upon the signing and execution of this Contract, the LESSEE shall pay the LESSOR ONE MILLION TWENTY THOUSAND PESOS ONLY (P1,020,000.00) Philippine Currency representing advance rental to be applied on the monthly rental for period from the eleventh to the twentieth year',

"the records show that such advance rental had already been applied for rent on the property for the period of August, 1985 to November, 1989.

"Thus, when respondent stopped paying any rent at all beginning April, 1994, it gave petitioner good ground for instituting ejectment proceedings. We reiterate the ruling in T & C Development Corporation, supra, that if ever petitioner took exception to the unilateral or illegal increase in rental rate, it should not have completely stopped paying rent but should have deposited the original rent amount with the judicial authorities or in a bank in the name of, and with notice to, petitioner. This circumstance, i.e., respondent's failure to pay rent at the old rate, does not appear in G.R. No. 129887. Thus, while we are bound by the findings of this Court's Second Division in that case under the principle of stare decisis, the fact that respondent's failure to pay any rentals beginning April 1994, which provided ground for its ejectment from the premises, justifies our departure from the outcome of G.R. No. 129887. In this case, we uphold petitioner's right to eject respondent from the leased premises."

It bears stressing that the facts of the instant case and those of G.R. Nos. 129887 and 137980 are substantially the same. The only difference is the site of respondent bank. The opposing parties are likewise the same.

Clearly, in light of the Decisions of this Court in G.R. Nos. 129887 and 137980, which we follow as precedents, respondent Banco Filipino may not be ejected on the ground of expiration of the lease. However, since it stopped paying the rents beginning April 1994, its eviction from the premises is justified.

WHEREFORE, the petition is GRANTED. The assailed Resolution of the Court of Appeals in CA- G.R. SP No. 44257 is MODIFIED insofar as it denies petitioner Tala's prayer for ejectment of respondent Banco Filipino.

Judgment is rendered ordering respondent Banco Filipino to vacate the subject premises and to restore possession thereof to petitioner Tala. Respondent is also ordered to pay Tala the monthly rental of P21,100.00 computed from April 1994 up to the time it vacates the premises.

Costs against respondent.

SO ORDERED.

Melo, (Chairman), Vitug, and Gonzaga-Reyes, JJ., concur.

Panganiban, J., no part. Former counsel of a party.

[1] Sec. 34. Savings and mortgage banks 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.

[2] Records, p. 106

[3] Ibid., p. 118

[4] Ibid., p. 120

[5] Ibid., p. 136

[6] Ibid., p. 152-172

[7] Ibid., pp. 82-98

[8] Ibid., pp. 490-496

[9] Rollo, pp. 168-169

[10] Petition for Review, p. 5, Rollo, p. 12

[11] Ibid., p. 91

[12] 325 SCRA 768 (17 February 2000)

[13] G.R. No. 118381, 26 October 1999.

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