

CAMPO ASSETS CORPORATION PETITIONER, VS. CLUB X.O. COMPANY, REPRESENTED BY CHAN YORK GUI (ALLAN), RESPONDENT.

G.R. No. 134986. March 17, 2000

Ponente: GONZAGA-REYES, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-134986/>

GONZAGA-REYES, J.:

Challenged in this petition for review on certiorari is the decision of the Court of Appeals in CA-G. R. SP No. 45128[1] which reversed and set aside the decision of the Regional Trial Court, Pasay City, Branch 111 in Civil Case No. 97-0199[2], affirming the decision of the Metropolitan Trial Court of Pasay City which dismissed the action of Forcible Entry filed by private respondent club X. O. Company (Club X.O.) against Campo Assets Corporation (Campo Assets).

The antecedents are as follows:

Alma Arambulo (Arambulo) used to operate a food and entertainment business establishment situated at the corner of Roxas Boulevard and San Luis Street, Pasay City pursuant to a Memorandum of Agreement executed on January 5, 1991 between her husband and Campo Assets which had a contract of lease with the owner of the subject premises. Sometime on August 3, 1993, Arambulo renewed the Memorandum of Agreement with Campo Assets to continue operating the business, then known under the name "Hand-in-Hand Disco"; under the renewed Memorandum of Agreement Arambulo agreed to pay a guaranteed monthly income of P88,000 to Campo Assets on or before the 15th day of the month starting June, 1993 and the agreement was co-terminus with the contract of lease between Campo Assets and the owner of the premises.[3] It appears that sometime in June, 1994, Arambulo and Chan York Gui (Allan) entered into a partnership agreement for the operation of the business, which was renamed Club X.O. Disco theater. The partnership was registered as Club X. O. Company with the Securities and Exchange Commission. Club X. O. operated the business and introduced improvements thereon. On January 13, 1996 or thereabout, Campo Assets took possession of the club's premises, claiming that Arambulo had abandoned the premises and that the re-taking was pursuant to Paragraph VI of the Memorandum of Agreement between Arambulo and Campo Assets, which reads:

"VI. In case the premises shall be deserted or vacated before the expiration of this Agreement, the FIRST PARTY shall have the right to enter the same as the agent of the SECOND PARTY either by force or otherwise, without being liable to any prosecution thereof, and the FIRST PARTY shall furthermore have the option to retake and operate the business itself or relet the same as agent of the SECOND PARTY to receive guaranteed P88,000.00 monthly income therefrom, and to apply the same to the payment of the guaranteed income due hereunder holding the SECOND PARTY liable for any deficiency, without prejudice to any right of action against the SECOND PARTY."

On April 1, 1996, club X. O. Company represented by Allan filed a complaint for forcible entry in the Metropolitan Trial Court, Pasay City docketed as Civil Case No. 256-96 to recover possession of the premises and damages.

The case was dismissed for lack of merit. The trial court ruled that there is no privity of contract between plaintiff Club X. O. and defendant Campo assets insofar as the Memorandum of Agreement between Arambulo and Campo Assets is concerned. It also ruled that Arambulo failed to pay the guaranteed income and thus violated the agreement, and worse, abandoned the premises. The court held that the act of Campo Assets in taking possession is pursuant to Paragraph VI, above quoted, of the Memorandum of Agreement between Campo Assets and Arambulo, which stipulation is valid, being in the nature of a resolutive condition which is not proscribed by law.

The above decisions was affirmed in toto by the Regional Trial Court.

On petition for review filed with the Court of Appeals, the appellate court reversed the decision of the lower courts. The Court of Appeals held that the Metropolitan Trial Court found that Club X. O. was in prior possession of the property at the time it was taken over by Campo assets, and this fact alone gives Club X. O. a cause of action for forcible entry. If prior possession is lost through force, stealth, or violence, possession should be restored regardless of its title or ownership. The Court of Appeals declared that subject Paragraph VI of the Memorandum of Agreement is void for being against public order and ordered the return of the possession of the subject premises to Club X. O.

Campo Assets has come to this Court by petition for review on certiorari posing only one legal issue, whether Paragraph VI of the Memorandum of Agreement is "void for being against public order". Petitioner contends that the Court of Appeals overlooked the fact that the trial court made a factual finding that the premises had been actually abandoned by Arambulo. Campo Assets then argues that since the leased property was already abandoned, no force was necessary and none was employed in taking over said premises.

In its comment, Club X. O. insists that it was in complete possession of the leased premises when the questioned take over took place. Club X. O. entered the premises when the active management of the business was turned over by Arambulo pursuant to their partnership agreement. Accordingly, it had the right to seek redress through the court. Club X. O. claims that by its own conduct Campo Assets had consented to take-over of the operation of the business by the Club X. O.

Petitioner would confine the core issue as being limited to the validity of the above-quoted stipulation in the Revised Memorandum of Agreement. The bare proposition does not permit an unqualified answer.

It is a fundamental principle that parties to a lease contract are not prohibited from agreeing on certain mandatory provisions delineating their respective rights and obligations considering the legal precept that contracts are respected as the law between the contracting parties. The only requirement is that these contractual stipulations, clauses, terms and conditions must not be contrary to law, morals, good customs, public policy or public order.[4]

In *Viray vs. Intermediate Appellate Courts (IAC)*[5], this Court upheld the validity of a stipulation that allowed the lessor to enter and take possession of the leased premises without need of judicial action upon a breach of the lease contract by the lessee. The stipulation subject of the case reads in full as follows:

"Upon the failure of the Lessee to comply with any of the terms and conditions which may be imposed by the Lessor prior to and/or upon renewal of this lease agreement as provided in par. 2 above, then the Lessor shall have the right, upon written notice posted at the entrance of the premises leased, to enter and take possession of the said premises holding in his trust and custody and such possessions and belongings of the Lessee found therein after an inventory of the same in the presence of a witness, all these acts being hereby agreed to by the Lessee as tantamount to his voluntary vacation of the leased premises without the necessity of suit in court."[6]

In upholding the validity of the quoted provision, the Court declared that the stipulation is in the nature of a resolutive condition and that such a contractual provision is "not illegal, there being nothing in the law

proscribing such an agreement".[7] The validity of a substantially identical condition in a written lease agreement was earlier sustained in *Consing vs. Jamandre*.^[8]

Notably, the stipulation in question in the case of *Viray vs. IAC* does not give authority to the lessor to use force in retaking possession of the leased premises. However, in the same case of *Viray vs. IAC* the Court pointed out that there is considerable authority in American law upholding the validity of stipulations authorizing the use of "all necessary force" or "reasonable force" in making re-entry upon the expiration/termination of the lease, viz:

"Although the authorities are not in entire accord, the better view seems to be, even in jurisdictions adopting the view that the landlord cannot forcibly eject a tenant who wrongfully holds without incurring civil liability, that nevertheless, where a lease provides that if the tenants holds over after the expiration of his term, the landlord may enter and take possession of the premises, using all necessary force to obtain the actual possession thereof, and that such entry should not be regarded as a trespass, be sued for as such, or in any wise be considered unlawful, the landlord may forcibly expel the tenant upon the termination of the tenancy, using no more force than is necessary, and will not be liable to the tenant therefor, such a condition in a lease being valid.

x x x although there is contrary authority, the rule supported by a substantial number of cases is that despite the effect of forcible entry and detainer statutes, where a lease expressly gives a landlord a right to use such reasonable force as is necessary in making re-entry and dispossessing a tenant, when the landlord becomes entitled to possession because of the termination of the term, the landlord can use force in making re-entry and dispossessing the tenant."^[9]

Again, it must be noted that the application of the provision is limited to situations where the term of the lease has expired and the logic in allowing the lessor to dispossess the tenant who has padlocked the premises to prevent re-entry by the owner despite the expiration of the term of the lease cannot be assailed.

In the case at bar, we find that although Paragraph VI of the Memorandum of Agreement employs the prefatory words "in case the premises shall be deserted or vacated before the expiration of the Agreement", which would restrict the operation of the clause to situations wherein the premises are in fact vacated already, and would therefore imply that the re-entry with the use of force if at all, is against property only, the stipulation would not proscribe re-taking by use of force against persons despite the fact that the premises are still in the actual possession of another, albeit under a questioned right. Moreover, there is no requirement of notice before re-entry. Jurisprudence supports the view that when parties to a contract expressly reserve an option to terminate or rescind a contract upon the violation of a resolutory condition, notice of resolution must be given to the other party when such right is exercised.^[10] In *Zulueta vs. Mariano*^[11], we ruled that resort to courts may be necessary when the right involves the retaking of property which is not voluntarily surrendered by the other party. The rationale for the ruling in *Zulueta vs. Mariano* is based on the thesis that no one should take the law in to his own hands.^[12] In this sense, the stipulation is legally vulnerable. Permitting the use of unqualified force to repossess the property and without condition of notice upon the lessee is fraught with dangerous possibilities. We are inclined to agree with the Court of Appeals that such a broad stipulation cannot be sanctioned for the reason that it would allow the lessor/owner to take the law into his own hands, and undermine the philosophy behind the remedy of forcible entry which is to prevent breach of the peace and criminal disorder^[13] and to compel the party out of possession to respect and resort to the law alone to obtain what he claims to be his.^[14]

At any rate, we do not find it necessary to make a definitive pronouncement on this point because recourse to Paragraph VI was not necessary in this case. The finding of the trial court, which was affirmed by the regional trial court is that Arambulo, the lessee, had deserted and abandoned the leased premises, Campo Assets as lessor had therefore acquired a right of action to judicially eject the lessee. It has been ruled in several cases^[15] that

when the lessor has licitly terminated the lease and had therefore acquired an affirmative right of action to oust the tenant, such an affirmative right of action constitutes a valid defense against, and is fatal to any action by the lessee against the lessor to regain possession.[16] In the case at bench, it is with more reason that the case of forcible entry against Campo assets must fail because respondent Club X. O. is not even privy to the contract of lease between Arambulo and Campo Assets. Certainly, in filing the case of forcible entry against Campo Assets, Club X. O. cannot claim a better right than that of the lessee, Arambulo, who had already lost her right to retake possession when she abandoned the leased property.

Club X. O. insists that it had not abandoned the premises when Campo Assets took over possession thereof. The records show that Club X. O. alleged in its complaint for forcible entry below that Campo Assets sent several security guards who took possession of the premises by means of force and intimidation, padlocked the club's entrance and in the process even detained some employees of the club for about a day.[17] This allegation was "absolutely denied" in the Answer[18] wherein it was alleged that the lessee Arambulo and Allan had been clandestinely operating the business without involving Campo Assets, and when the latter discovered the fraud, Arambulo and Allan abandoned the business and in the process left their personnel on the abandoned premises, which explains why there were still some employees in the abandoned premises on January 13, 1996 when Campo assets took over possession.[19] The municipal trial court held that Arambulo had abandoned the place. This was affirmed by the regional trial court:

"When Alma Arambulo failed to pay the guaranteed income to appellee, she did violate the agreement and worse, she deserted the premises as in fact she abandoned it."

This factual finding is binding upon the appellate court, and we find no basis for the statement of the Court of Appeals that "Campo Assets Corporation cannot just barge into the questioned premises and forcibly retake possession of the questioned premises without resorting to the proper judicial processes." [20]

WHEREFORE, this instant petition is granted. The decision of the Court of Appeals dated August 12, 1998 is hereby SET ASIDE and REVERSED and the Decision of the Regional Trial Court, Branch 111, Pasay City dated June 10, 1997 affirming in toto the Decision of the Metropolitan Trial Court, Branch 46, Pasay City dated January 10, 1997 is hereby REINSTATED.

SO ORDERED.

Melo, (Chairman), Vitug, Panganiban, and Purisima, JJ., concur.

[1] Per Justice Ramon A. Barcelona, Justices Jorge S. Imperial and Demetrio G. Demetria, concurring.

[2] Per Judge Ernesto A. Reyes.

[3] In view of certain unpaid monetary obligations arising under said revised Memorandum of Agreement, Campo Assets instituted Civil Case No. Q-94-22009, RTC, Q. C., Branch 220 for the payment of said indebtedness and for the ejectment of the Arambulo spouses from the property.

[4] Manila Bay Club Corporation vs. Court of Appeals, 245 SCRA 715 (1995), p. 730.

[5] 198 SCRA 786 (1991).

[6] Ibid., p. 787.

[7] Ibid., p. 792.

[8] 64 SCRA 1 (1975).

[9] Ibid., p. 792.

[10] Palay, Inc. vs. Clave, 128 SCRA 638 (1983), p. 644; University of the Philippines vs. De Los Angeles, 35 SCRA 102 (1970); Banez vs. Court of Appeals, 59 SCRA 15 (1974).

[11] 111 SCRA 206 (1982).

[12] Jose C. Vitug, Compendium of Civil Law and Jurisprudence, p.484.

[13] Araza vs. Reyes, 64 SCRA 347 (1975), pp. 348-349.

[14] Oscar M. Herrera, Remedial Law, Vol. III, p. 224; Supia and Batioco vs. Quintero and Ayala, 59 Phil. 312; Pitargue vs. Sorilla, 92 Phil. 5; Article 576, Civil Code.

[15] Apundar vs. Andrin, 42 Phil. 356 (1921); Medel vs. Militante, 41 Phil 526 (1921).

[16] Viray, supra, p. 793.

[17] Records, pp. 59-60, par. 6.

[18] Ibid., pp. 71-72, par. 6.

[19] Ibid., p. 73, par. 12.

[20] Records, p. 34. In its Memorandum below, Campo Assets alleged that it was in the process of serving the summons on the Arambulos in Civil Case No. Q 94-22009 that the servicing sheriff discovered that subject business establishment was already abandoned by the said spouses and that it was in view of this that it took over the premises pursuant to Par. VI of the Memorandum of Agreement.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.