

CHUA TEE DEE, DOING BUSINESS UNDER THE NAME AND STYLE OF PIONEER ENTERPRISES, PETITIONER, VS. COURT OF APPEALS AND J.C. AGRICOM DEVELOPMENT CORPORATION, INC., RESPONDENTS.

G.R. No. 135721. May 27, 2004

Ponente: CALLEJO, SR., J.

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CALLEJO, SR., J.:

Before us is a special civil action for certiorari under Rule 65 of the Revised Rules of Court assailing the Decision[1] of the Court of Appeals in CA-G.R. CV No. 50306 which affirmed with modification, the Order[2] of the Regional Trial Court of Davao City, Branch 9, ordering the petitioner Chua Tee Dee to pay the private respondent back rentals plus interest and attorney's fees.

The antecedent facts are as follows:

J.C. Agricom Development Corporation, Inc. (Agricom, for brevity), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, is the owner of a rubber plantation located at Bayabas, Toril, Davao City, with an area of 132.4012 hectares, more or less. Agricom planned to lease the plantation.

Chua Tee Dee, married to Amado Dee, is a businesswoman doing business under the name and style of Pioneer Enterprises (Pioneer, for brevity).

Manuel G. Alba, the president of Agricom, had a business meeting in Davao City with Amado Dee where they discussed the possibility of leasing the rubber plantation to Chua Tee Dee/Pioneer.[3] Thereafter, a draft contract of lease was made and delivered to Alba on May 22, 1985.[4]

The final contract of lease[5] was signed and acknowledged before a notary public on July 22, 1985. The Agricom, represented by Alba, was referred to as the FIRST PARTY under the contract, while Chua Tee Dee doing business under the style of Pioneer was the SECOND PARTY. Lillian Carriedo, a stockholder of Agricom, also signed the contract. The pertinent portions of the lease contract were as follows:

- TERM: The lease shall be for a period of fifteen (15) years counted from the date of execution of this contract and may be renewed for another period of five (5) years upon such terms as may be agreed upon by the parties.
- That the plantation, together with all the inventoried machineries, equipment and improvements found therein shall upon the execution of this contract be turned over to the SECOND PARTY free from any and all liens and/or encumbrances, provided, however, that the SECOND PARTY shall upon expiration and/or termination of the contract return all the inventoried machineries, equipment and improvements to the FIRST PARTY.
- RENTAL: The SECOND PARTY shall pay the FIRST PARTY within the first ten (10) days of the current month the following rentals, to wit:

P45,000.00 per month for the first three (3) years of the lease

P60,000.00 per month for the second three (3) years of the lease

P75,000.00 per month for the third four (4) years of the lease

P90,000.00 per month for the last five (5) years of the lease

- NON-PAYMENT OF RENTALS: Delay in the payment of the monthly rental by the SECOND PARTY shall entitle the FIRST PARTY to charge to the former interest of two (2) percent per month as penalty. Non-payment of rentals for three (3) months shall automatically bring about the termination of the lease. In such an event, the FIRST PARTY shall be entitled to recover from the SECOND PARTY back rentals.

- DEPOSIT: In addition to the monthly rental stipulated in paragraph 3 of this contract, the SECOND PARTY upon signing of this contract shall deposit to the FIRST PARTY an amount equivalent to ONE HUNDRED THIRTY-FIVE THOUSAND PESOS (P135,000.00) Philippine Currency and on the first day of September of the same year another amount equivalent to ONE HUNDRED THIRTY-FIVE THOUSAND PESOS (P135,000.00) Philippine Currency, both interest-free which the latter shall apply against rentals for the last year of the lease.

- FARM PERSONNEL: Upon the effectivity of this Contract, the SECOND PARTY has the option to select and screen those farm personnel that the SECOND PARTY shall retain; those not selected shall then be terminated by the FIRST PARTY, whose separation from the FIRST PARTY's employment shall be the concern of the FIRST PARTY.

...

- RIGHT TO ENTER PREMISES: The FIRST PARTY or its duly-authorized representative shall have the right to enter the leased premises at any reasonable time during business days, with due notice to the SECOND PARTY, to verify compliance with the terms and conditions of this contract. In addition, the FIRST PARTY may use the "REST HOUSE" located in the leased premises with at least two (2) days advanced notice to the SECOND PARTY.

- LESSEE'S OPTION TO BUY: The FIRST PARTY shall maintain the SECOND PARTY in the quiet peaceful possession and enjoyment of the leased premises during the effectivity of the lease.

If at any time during the lease or renewal thereof, the first party shall opt to sell, assign, transfer or convey the leased premises for a valuable consideration, the SECOND PARTY shall be given written notice thereof, and the latter shall have first option to buy the leased premises upon such terms and conditions as may be mutually agreed by the parties. In the event [that] this FIRST PARTY receives an offer to buy from a THIRD PARTY, the SECOND PARTY shall be advised thereof in writing and shall have the option to match said offer within a period of thirty (30) days from receipt of said advice.

If the SECOND PARTY or his nominees fail to exercise the option granted under this aforementioned paragraph, and there is a sale, assignment, transfer or conveyance of the leased premises to a third party, it shall be a condition thereof that this contract of lease shall be respected and shall continue under the terms and conditions herein stipulated.

- (sic) VENUE: UPON the expiration of this lease contract or its earlier termination for violation of its terms and conditions, the SECOND PARTY binds himself to peacefully turn over the possession of and surrender the leased premises to the FIRST PARTY is compelled, to resort to the courts to protect its rights under this contract, the parties agree that venue thereof shall be in the courts at Davao City. In such an event, the SECOND PARTY shall be answerable for all damages that the FIRST PARTY may suffer or be entitled to plus attorney's fees equivalent to twenty-five (25%) percent thereof and costs of suit.

On May 27, 1985, Alba met with the employees of the rubber plantation[6] and updated them on the impending

termination of their employment due to the company's contract of lease with Chua Tee Dee. The employees were told that they would be given separation pay.

On June 3, 1985, Amado Dee delivered the amount of two hundred seventy thousand pesos (P270,000.00) to the Spouses Manuel and Suzanne Alba in compliance with paragraph 5 of the lease contract. The corresponding receipt was issued.[7]

In the meantime, Azarinas P. Liguiz of Agricom sent letters to the said employees, confirming the termination of their employment and informing them that their separation pay shall be computed at one-half (1/2) month's salary for every year of service rendered, and that a fraction of at least six (6) months service shall be considered as one year. Thereafter, the corresponding vouchers were prepared.[8]

Sometime thereafter, the severed employees filed a complaint for illegal dismissal and unfair labor practice against Agricom, Amado Dee and Pioneer, docketed as NLRC Case No. 1815-LR-XI-85. The labor arbiter rendered his decision on August 22, 1986, holding that the termination of the complainants' employment was illegal. The respondents were ordered to pay its employees' separation pay and backwages, but the complaint for unfair labor practice was dismissed for lack of merit.[9] The dispositive portion of the decision reads:

WHEREFORE, PREMISES CONSIDERED, judgment is hereby rendered:

(1) Declaring the termination of complainants as illegal, thereby ordering respondents J.C. Agricom Development Company and/or Pioneer Enterprises and Amado Dee to pay all complainants herein, jointly and severally, the following, to wit:

(a) Separation pay – at one (1) month salary per year of service, from date of hiring to date this Decision becomes final and executory;

(b) Backwages – from date employment stopped up to the date this Decision becomes final and executory.

(2) Dismissing the charge of unfair labor practice for lack of merit.

SO ORDERED.[10]

The respondents appealed the decision. Amado Dee and Pioneer posted a supersedeas bond of P21,415.58, as well as P142,770.54 covered by Check No. 610489625,[11] and P142,770.54 covered by Check No. 610489624[12] to stave off execution pending appeal.

Because Pioneer was dragged into labor disputes not of its own making, it wrote Agricom, through its counsel, on October 20, 1987 suggesting a conference to settle the labor case, otherwise, it would consider the contract of lease as rescinded.[13]

Aside from the labor case, Pioneer, through Amado Dee, complained of being pestered by some individuals who claimed portions of the plantation as their own property. Some of them went to its office and even presented tax declarations to prove their claims.[14] Pioneer claimed that the foregoing circumstances prevented it from operating fully the agreed area stated in the lease contract. It also complained that the death of Pioneer's foreman sometime in 1990 even exacerbated the unresolved labor problem.

On May 24, 1990, the counsel of the Carriedo heirs, the stockholders-owners of Agricom, sent a telegraphic note to Amado Dee demanding payment of long overdue rentals.[15] On June 21, 1990, Pioneer sent a letter to Agricom complaining of facts and events which disrupted its operations in the plantation. In a Letter dated August 2, 1990, Agricom informed Pioneer that, after due investigation, it concluded that the latter's complaints were unfounded. It also demanded the payment of back rentals for June, July and August 1990.[16]

As Pioneer was unable to pay its monthly rentals, Agricom filed, on September 4, 1990, a civil complaint for sum of money, damages and attorney's fees against Chua Tee Dee before the Regional Trial Court of Davao City, Branch 9. The case was docketed as Civil Case No. 20,312-90. The plaintiff Agricom alleged, inter alia, in the said complaint, thus:

2.02

That defendant regularly paid the monthly rentals for the years 1985 to 1989. The payment of the monthly rentals for the first six (6) months of 1990 in the amount of Sixty Thousand (P60,000.00), however, was occasioned by delay and those for July and August 1990, unpaid;

2.03

That as of August 1990, defendant has an outstanding arrearage of One Hundred Twenty Thousand (P120,000.00) Pesos in favor of plaintiff, exclusive of penalty thereon at the rate of two (2%) percent per month;

2.04

That several demands, both verbally and in writing, had been made by plaintiff upon defendants to make her payment of the monthly rentals current, but said demands, notwithstanding, defendant failed and refused and still continues to fail and refuse to do so;

2.05

That by reason of defendant's unjustified and wanton refusal to pay plaintiff its plainly, valid, and demandable claims, the latter has been compelled to engage the services of counsel to enforce and protect its interest at an agreed fee of twenty-five (25%) percent of the amount due and collectible, as provided for in said Contract of Lease (Annex "A") and has, otherwise, been placed into unnecessary expenses of litigation in an amount which could not be less than Ten Thousand (P10,000.00) Pesos;[17]

It prayed that after due proceedings, judgment be rendered in its favor, as follows:

WHEREFORE, it is most respectfully prayed of this Honorable Court that judgment be rendered in favor of plaintiff and against the defendant ordering the latter

a.)

to pay plaintiff the sum of P120,000.00 as of August 1990, with penalty thereon at the rate of two (2%) percent per month, plus the sum of P60,000.00 a month thereafter;

b.)

to pay plaintiff the sum equivalent to twenty-five (25%) of the amount due and collectible, as and for attorney's fees;

c.) to reimburse the litigation expenses of plaintiff in the amount of not less than P10,000.00 or such amount which will be proven during the trial;

d.) to pay the cost of suit;

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b.) to pay plaintiff the sum equivalent to twenty-five (25%) of the amount due and collectible, as and for attorney's fees;

c.) to reimburse the litigation expenses of plaintiff in the amount of not less than P10,000.00 or such amount which will be proven during the trial;

d.) to pay the cost of suit;

PLAINTIFF further prays for such other reliefs and remedies, just and equitable under the premises.[18]

On October 16, 1990, the defendant filed her Answer with Damages where she asserted that the plaintiff had no cause of action against her. She claimed that it was the plaintiff which failed to comply with the terms and conditions of the contract of lease when it failed to settle the labor dispute with its former employees, thus, dragging the defendant as respondent in NLRC Case No. 1815-LR-XI-85; and that the plaintiff failed to maintain her in the quiet and peaceful possession and enjoyment of the leased premises during the effectivity of the lease contract, in violation of paragraphs 6 and 11 thereof.

The defendant also claimed that she had paid premiums for the appeal bond in the labor case, and that she deposited with the NLRC the total amount of P306,956.66 to avert execution pending appeal, which was supposed to be the sole responsibility of the plaintiff.

By way of counterclaim, the defendant asserted that she was exposed to public contempt and ridicule which besmirched her reputation; and that she suffered mental anguish and sleepless nights because of the violation of the contract of lease. She prayed, thus:

WHEREFORE, defendant respectfully prays this Honorable Court, that after considering all the foregoing facts and circumstances, judgment be rendered in favor of defendant and against plaintiff:

- Ordering the termination or rescission of the Contract of Lease;

- Dismiss the complaint;

- Ordering the plaintiff to pay defendant:

- a) P316,956.66 – as actual damages

- b) P500,000.00 – as moral damages

- c) P200,000.00 – as exemplary damages

- d) P100,000.00 – as attorney's fees

DEFENDANT FURTHER prays for such other relief and remedies available and legally tenable under the premises.[19]

On November 8, 1990, the plaintiff filed its Motion to Strike Out Portion of the Pleading,[20] particularly paragraph 8 thereof and to dismiss the counterclaim of the defendant with regard to the labor case on the ground that the NLRC had already rendered a decision ordering the dismissal of the complaint of its former employees. The plaintiff appended a copy of the decision of the NLRC to its motion.[21]

On November 9, 1990, defendant Chua Tee Dee filed her Motion to Declare Plaintiff in Default[22] for failure to answer her counterclaim.

During the pre-trial, the parties admitted the following:

- Legal Capacities of the respective party (sic);

- The Contract of Lease entered into on July 22, 1985 between parties herein over the 132.4102 hectares of rubber plantation located in Bayabas, Toril, Davao City;

- The Labor Case entitled NLRC Case No. 1815-LR-XI-85, BONIFACIO LANSANG, et al. vs. JC AGRICOM

DEV. CORP. and/or PIONEER ENT. and AMADO DEE;[23]

In the meantime, on June 4, 1991, the defendant extended a personal loan of P30,000 to Lillian Carriedo as evidenced by a voucher[24] and a personal receipt[25] signed by Ma. Cecilia and Elaine, both surnamed Carriedo.[26]

On October 21, 1992, the court rendered judgment dismissing the complaint and declaring the lease contract terminated for failure of the plaintiff to implement the terms thereof. The court ruled as follows:

The evidence on record proves that plaintiff failed to effectively complement, implement and enforce the foregoing provision. The inevitable consequence was the impleading and involvement of defendant in a vexatious labor problem instituted by plaintiff's original farm workers. This violation of paragraph 6 caused the problems that in great measure prejudiced the efficient operations intended by defendant, because of the peace and order situation caused by the malcontents, among others, resulted in the death of defendant's foreman Elicano Apolonio.

"11. Leases option to buy, the First Party shall maintain the Second Party in the quiet possession and employment (sic) of the leased premises during the effectivity of the lease. ..."

The evidence establishes that defendant's possession was anything but peaceful and enjoyable. Within a comparatively short span of time from entry and occupation, defendant suffered from vexatious labor problems caused by plaintiff's original farm workers who instituted a labor case impleading the defendant. Many of them remained in the area and made trouble to the workers hired by defendant, so terrorizing the latter that they were afraid to go to work for fear of bodily harm. Defendant's foreman Elicano Apolonio, who reported early for work was shot to death in the premises (Exhibits "11," "12").[27]

The decretal portion of the decision reads:

WHEREFORE, premises considered, judgment is rendered dismissing the complaint and declares the lease contract between the parties terminated and of no force and effect.

Cost against the plaintiff.

SO ORDERED.[28]

The plaintiff received its copy of the above decision on March 11, 1993 and filed its motion for reconsideration praying that the defendant be ordered to pay for the unpaid rentals in accordance with the contract of lease until it had actually vacated and surrendered the leased premises.[29]

The defendant filed her manifestation and compliance, declaring that when she learned about the RTC decision that the lease contract between the parties no longer had force and effect, she pulled out her enterprise and stopped operations in the leased premises.[30] She also filed her opposition to the motion for reconsideration.[31]

On March 8, 1995, the court issued an Order granting the plaintiff's motion and modifying its decision. It ordered the defendant to pay rentals to the plaintiff since the defendant had occupied, used and continually operated the rubber plantation during the time the case was pending; equity demanded that compensation for the use thereof was just and proper.[32] The decretal portion reads:

WHEREFORE, premises considered, the Motion for Reconsideration is GRANTED and the Decision dated October 21, 1992 is hereby recalled and modified as follows:

- Judgment is rendered in favor of the plaintiff, J.C. Agricom Development Corporation, Inc. and against the defendant, CHUA TEE DEE.

- Defendant is ordered to pay the plaintiff:

- P45,000.00 per month for the first three (3) years, less the deposit made in the amount of P270,000.00 or the amount of P1,350,000.00;
- P60,000.00 per month for the second three (3) years of the lease or the equivalent amount of P2,160,000.00;
- P75,000.00 per month for the succeeding years up to the time this case was decided on October 21, 1992, or the amount of P1,125,000.00;
- To pay the interest of 2% of the arrears as penalty for the delay in the payment of the rentals, or in the amount of P92,700.00; and,
- Attorney's fees equivalent to 10% of the total amount due to plaintiff or in the amount of P463,500.00.

Accordingly, the contract of lease entered into by the parties on July 22, 1985 is declared terminated and of no force and effect.

SO ORDERED.[33]

The defendant appealed the March 8, 1995 Order to the Court of Appeals.[34] The appeal was docketed as CA-G.R. CV No. 50306. It ascribed the following errors to the trial court:

I

THE LOWER COURT ERRED WHEN IT REVERSED ITS DECISION DATED OCTOBER 21, 1992 IN AN ORDER DATED MARCH 8, 1995, THE SAID REVERSAL NOT BEING IN ACCORDANCE WITH LAW.

II

THE LOWER COURT ERRED IN ITS ORDER DATED MARCH 8, 1995, THE SAME NOT BEING SUPPORTED BY THE EVIDENCE PRESENTED DURING TRIAL.[35]

The appellant therein alleged that the motion for reconsideration of the appellee of the decision of the trial court was actually a motion for new trial;[36] that while she admitted being in possession of the leased premises, there was no evidence that she had profited from operating the rubber plantation.[37] She also posited that, under Article 1658 of the New Civil Code, she had the right to suspend payment of the rentals since the lessor failed to maintain her in the peaceful and adequate enjoyment of the leased property. She noted that the lower court even found in its October 21, 1992 decision that her possession of the property was anything but peaceful and enjoyable.[38] The appellant asserted that the order of the trial court ordering her to pay the plaintiff-appellee was not supported by evidence presented during trial.[39]

The appellate court in its Decision dated May 6, 1998 affirmed the assailed order of the lower court, but modified it by reducing the award of attorney's fees:

WHEREFORE, subject to the modification concerning the award of attorney's fees, which is hereby reduced to P50,000.00, the Order appealed from is AFFIRMED in all other respects. Without pronouncement as to costs.[40]

The appellant filed her motion for reconsideration on June 2, 1998 but the same was denied by the CA in its October 2, 1998 Resolution.[41]

Chua Tee Dee, now the petitioner, filed her supplemental petition and/or amended petition for certiorari with this Court under Rule 65 of the Rules of Court and assigned the following as errors committed by the CA:

- THE PUBLIC RESPONDENT COURT OF APPEALS COMMITTED A REVERSIBLE ERROR WITH GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OF JURISDICTION IN SWIFTLY

CONCLUDING THAT THE “CONTRACT OF LEASE IS VALID, BINDING AND EFFECTIVE BETWEEN THE CONTRACTING PARTIES.” FOR IN DOING SO, THE COURT OF APPEALS DISREGARDED THE INVALIDITY OF THE CONTRACT OF LEASE WHICH PRIVATE RESPONDENT LEASED, (A PLANTATION THAT IT DID NOT OWN), AND AGAIN, CLEARLY DID NOT INSTALL PETITIONER “IN PEACEFUL ENJOYMENT” OF THE LEASED PREMISES, AND WHICH PETITIONER WAS NOT ABLE TO POSSESS AND ENJOY, IN CLEAR, DELIBERATE AND VERY IRRESPONSIBLE VIOLATION OF THE CONTRACT OF LEASE. THIS JUSTIFIES LESSEE’S SUSPENSION OF RENTALS.

- IN DENYING PETITIONER’S MOTION FOR RECONSIDERATION (ANNEX “O”), PUBLIC RESPONDENT COURT OF APPEALS, WITH DUE RESPECT, COMMITTED REVERSIBLE ERROR IN ORDERING PETITIONER TO PAY RENTALS WHICH HAD ALREADY BEEN PAID.[42]

The petitioner asserts that the suspension of the payment of rentals is justified by the fact that the private respondent Agricom breached its lease contract with her, relying on the provision of Art. 1658 of the Civil Code which provides:

Art. 1658. The lessee may suspend the payment of the rent in case the lessor fails to make the necessary repairs or to maintain the lessee in peaceful and adequate enjoyment of the property leased.

The petitioner claims that the private respondent failed to maintain her in a quiet and peaceful enjoyment of the leased premises.[43] She asserts that while she occupied the property, she was pestered and harassed by squatters and several claimants of the leased premises.[44] As such, the private respondent violated paragraphs 6 and 11 of the lease contract. The petitioner also alleges that her business was dragged to a labor case which caused her to shell out the amounts of P306,956.99 and P10,000 as bond premiums and attorney’s fees, respectively. While machine copies of the checks were presented during trial, the court ordered the presentation of the original checks, which, however, have been lost and cannot be found.[45] According to the petitioner, the various claimants of the premises fenced their claimed areas, thus, reducing the area of the leased premises and the production of rubber latex, the produce of the rubber plantation.[46] The petitioner also alleges that she made verbal demands to the private respondent to observe and enforce the contract, but such demands fell on deaf ears.[47]

The petitioner further asserts that the private respondent included in their contract of lease areas in the rubber plantation that belonged to other persons.[48] She further alleges that the private respondent misrepresented itself as the owner of a rubber plantation covering an area of 132.4102 hectares when, in fact, only an area of 36 hectares was free from any claimants.[49] Thus, the petitioner argues, the diminution of the area resulted in loss of profits in the operation of the plantation.

The petitioner also claims that since the private respondent failed to maintain her, as lessee, in the quiet and peaceful possession of the leased premises, she is entitled to moral damages.[50] The petitioner further claims that she agreed to remain in the leased premises upon the request of Mrs. Carriedo, a stockholder of Agricom. The petitioner avers that she did the private respondent a favor because due to her presence in the premises, the same was protected from outside forces.[51] Thus, she should not be ordered to pay any back rentals.

Anent the second assigned error, the petitioner asserts that she had religiously paid rentals up to June 30, 1990, and that she suspended the payment thereof due to the private respondent’s breach of the lease contract. She avers that the lower court erred when it ordered her to pay rentals starting from 1985, when the contract commenced. She posits that her liability for back rentals, if any, should cover only the period of July 1990 to October 21, 1992, when the decision of the RTC was promulgated, computed as follows:

Second 3 years at P60,000.00 monthly rental Payment stopped on July 1990:

July 31, 1990

P60,000.00

August 31

60,000.00

September 30

60,000.00

October 31

60,000.00

November 30

60,000.00

December 31

60,000.00

January 31, 1991

60,000.00

February 28

60,000.00

March 31

60,000.00

April 30

60,000.00

May 31

60,000.00

June 30, 1991

60,000.00

Total

P720,000.00

Succeeding 3 years at P75,000.00 per month Rental up to the time this case was decided On October 21, 1992:

July 31, 1991

P75,000.00

August 31

75,000.00

September 30

75,000.00

October 31

75,000.00

November 30

75,000.00

December 31

75,000.00

January 31, 1992

75,000.00

February 28

75,000.00

March 31

75,000.00

April 30

75,000.00

May 31

75,000.00

June 30, 1992

75,000.00

Total

P900,000.00

July 31, 1992

75,000.00

August 31

75,000.00

September 30

75,000.00

October 21, 1992

52,500.00

Total

P280,500.00

Grand Total

P1,900,500.00[52]

For its part, the private respondent contends that the petition should be dismissed for having been filed under Rule 65, an inappropriate remedy or wrong mode of appeal in the present case. And even if the Court considers the same as filed under Rule 45, the same is still unavailing as only questions of law can be raised therein, while the present petition raises questions of fact.[53]

The private respondent maintains that the appellate court did not commit any grave abuse of its discretion when it decided the case and affirmed with modification the assailed RTC Order. It contends that the sweeping statements of the petitioner, that the Court of Appeals committed grave abuse of its discretion, are baseless and unfounded. It asserts that the petition is without merit.

The petition is partly meritorious.

Preliminarily, we note that the remedy resorted to by the petitioner is a petition for certiorari under Rule 65 of the Rules of Court, a remedy resorted to where the issues raised involve lack of jurisdiction or grave abuse of discretion. For the writ of certiorari under Rule 65 to issue, the petitioner must show not only that the lower court acted with grave abuse of discretion, but also that “there is no appeal, or any other plain, speedy, and adequate remedy in the ordinary course of law.”[54] The assailed CA decision was a disposition on the merits; hence, the proper remedy of the petitioner was a petition for review on certiorari under Rule 45 of the Rules of Court. For this procedural lapse, the instant petition should be dismissed outright.[55]

Nonetheless, as the petition was filed within the reglementary period under Rule 45, and in the interest of justice, this Court shall treat the action as a petition for review on certiorari under Rule 45.

We now delve into the merits of the case.

The cause or essential purpose in a contract of lease is the use or enjoyment of a thing.[56] It is consensual, bilateral, onerous and commutative, the owner temporarily grants the use of his or her property to another who undertakes to pay rent therefor.[57] In the case at bar, petitioner Chua Tee Dee is the lessee of the private respondent Agricom. As lessor, the Agricom had the duty to maintain the petitioner in the peaceful and adequate enjoyment of the leased premises. Such duty was made as part of the contract of lease entered into by the parties. Even if it had not been so, the lessor is still duty-bound under Art. 1654 of the Civil Code, thus:

Art. 1654. The lessor is obliged:

- (1) To deliver the thing which is the object of the contract in such a condition as to render it fit for the use intended;
- (2) To make on the same during the lease all the necessary repairs in order to keep it suitable for the use to which it has been devoted, unless there is a stipulation to the contrary:

(3) To maintain the lessee in the peaceful and adequate enjoyment of the lease for the entire duration of the contract.

The duty “to maintain the lessee in the peaceful and adequate enjoyment of the lease for the duration of the contract” mentioned in no. 3 of the article is merely a warranty that the lessee shall not be disturbed in his legal, and not physical, possession. Thus, in the case of *Goldstein v. Roces*,^[58] the Court ruled in favor of the lessor and denied the lessee's claim for damages which resulted from the opening of holes in the roof, as the lessor had allowed another lessee to construct another floor to the leased building. The Court had the occasion to state:

Article 1554 provides that the lessor is obliged to maintain the lessee in the peaceful enjoyment of the lease during all the time covered by the contract.

Nobody has in any manner disputed, objected to, or placed any difficulties in the way of plaintiff's peaceful enjoyment, or his quiet and peaceable possession of the floor he occupies. The lessors, therefore, have not failed to maintain him in the peaceful enjoyment of the floor leased to him and he continues to enjoy this status without the slightest opposition on the part of any one. That there was a disturbance of the peace or order in which he maintained his things in the leased story does not mean he lost the peaceful enjoyment of the thing rented. The peace would likewise have been disturbed or lost had some tenant of the Hotel de Francia, living above the floor leased by plaintiff, continually poured water on the latter's bar and sprinkled his bar-tender and his customers and tarnished his furniture; or had some gay patrons of the hotel gone down into his saloon and broken his crockery or glassware, or stunned him with deafening noises. Numerous examples could be given to show how the lessee might fail peacefully to enjoy the floor leased to him, in all of which cases he would, of course, have a right of action for the recovery of damages from those who disturbed his peace, but he would have no action against the lessor to compel the latter to maintain him in his peaceful enjoyment of the thing rented. The lessor can do nothing, nor is it incumbent upon him to do anything, in the examples or cases mentioned, to restore his lessee's peace. ^[59]

In the case at bar, the petitioner claims that several people presented tax declarations to her and claimed some portions of the leased premises. However, no case was filed by any of the said claimants against her or her lessor during the time she occupied the premises. Even her branch manager testified that no such action to quiet title had been filed by the alleged claimants:

Q

Now, one other question which is not related to the xerox document – now, will you kindly inform this Honorable Court whether you received a formal letter from the person you said was claiming ownership?

A No, they went to the office.

Q They did not make a formal claim against you?

A They made (sic) formal claim because they went to the office taking with them the documents, the title and the tax declaration and they came to me. That is a formal address.

Q And that is what they did, they just came to your office and presented certain documents, is that correct?

A They presented documents and they have done also something in the field, they fenced the area.

Q Now, did they file a case against you?

A Against me?

Q Against Pioneer?

A A case, no.

Q

And then as a matter of fact there is no judgment for ejectment or anything against Pioneer between that claimant and Pioneer?

ATTY. SABILLO:

It is already answered, Your Honor, there is no case.

ATTY. MOJICA:

So, there is no judgment.

ATTY. SABILLO:

There is no case.

ATTY. MOJICA:

If counsel and I stipulate that there is no judgment ... ?

ATTY. SABILLO:

Of course, there is no case.

COURT:

All right, no case, no judgment.[60]

Patently, then, the petitioner had not been disturbed in her legal possession of the property in derogation of Article 1654 of the New Civil Code. When the petitioner's representative saw that a portion of the leased premises was being fenced by the claimants, she had all the right to sue the intruders who had disturbed her physical possession[61] as provided for in Article 1664 of the New Civil Code.[62] However, the petitioner did not file any suit against any of the claimants. Thus, it cannot be said that the private respondent violated paragraph 11 of the contract of lease.

We agree with the trial court and the CA that the petitioner failed to prove that she suffered any loss from the labor case that was filed against her enterprise and her husband. The trial court declared that the petitioner "did not actually established (sic) the alleged losses especially in the labor case with the NLRC where the complaints of the laborers appear to have been dismissed..."[63] The CA, likewise, noted thus:

... [T]rue, the labor case was instituted during the effectivity of the lease contract until the case was finally resolved on August 22, 1986. Surprisingly, however, during the interregnum, appellant regularly paid the monthly rentals for the years 1985 to 1989. It was after the labor case has been resolved that appellant started to fail to pay her rentals, strongly indicating that the labor case has not dampened her peaceful and adequate possession of the leased premises.[64]

...

... [T]hat the NLRC case did not deter the continuance of the possession and occupation of the leased premises. It also proved the continuous production of latex in the plantation. Now, if in the production of latex, the corporation rather than made profit, instead incurred losses, such losses has to be borne by the corporation.[65]

In sum, then, the petitioner failed to prove that the private respondent breached any of the provisions of the

contract of lease. Thus, the petitioner had no valid reason to suspend the payment of rentals under Art. 1658.

In the complaint filed by the private respondent against the petitioner, it alleged that the petitioner failed and/or refused to pay the rent starting in July 1990. Also, the private respondent's president, Manuel G. Alba, testified that Agricom had suffered from the petitioner's non-payment of rentals since July 1990.[66] At that time, the parties were already on their second three-year period of the lease contract.

We agree with the contention of the petitioner that her obligation to pay back rentals should cover only the period of July 1990 until the time that she vacated the leased premises. The CA, thus, erred when it affirmed the order of the trial court ordering the petitioner to pay back rentals, including the first three (3) years of the lease, as that period had already been paid by the petitioner. The petitioner should also be credited for the amount of P270,000.00 she paid to the private respondent under paragraph 5 of the contract of lease.

The personal loan[67] extended by the petitioner to Lillian Carriedo should not be charged against the private respondent. While it is true that the petitioner and Carriedo had agreed that the personal loan of the latter shall be "chargeable against Agricom's account," the private respondent is not privy to the agreement; nor did it agree to pay the said loan. It must be stressed that the private respondent has a personality separate and distinct from its stockholders.

IN LIGHT OF ALL THE FOREGOING, the assailed Decision of the Court of Appeals in CA-G.R. CV No. 50306 and the RTC Order dated March 8, 1995 are AFFIRMED WITH MODIFICATION. The petitioner is hereby ordered to pay to the private respondent monthly rentals in the amount of P60,000 starting July 1990 up to June 30, 1991; and in the amount of P75,000.00 per month from July 1991 until the petitioner actually left the leased premises. The petitioner is also ordered to pay interest of two percent (2%) of the arrears, as penalty for the delay in the payment of rentals.

No costs.

SO ORDERED.

Quisumbing, (Acting Chairman), Austria-Martinez, and Tinga, JJ., concur.
Puno, (Chairman), J., on official leave.

[1] Penned by Associate Justice Artemon D. Luna, Chairman, with Associate Justices Demetrio G. Demetria and Roberto A. Barrios concurring.

[2] Presided by Judge Leonor T. Sumcad.

[3] TSN, 4 September 1991, pp. 7-8.

[4] Id. at 29.

[5] Exhibit "A," Records, p. 201.

[6] TSN, 4 September 1991, p. 12.

[7] Exhibit "2," Records, p. 230.

[8] Exhibits "B" to "J-1," Id. at 205-222.

[9] Exhibit "4," Id. at 232-237.

[10] Records, p. 237.

[11] Exhibit “6,” Records, p. 238.

[12] Exhibit “7,” Id.

[13] Exhibit “8,” Id. at 239.

[14] TSN, 29 October 1991, p. 81.

[15] Exhibit “K,” Records, p. 223.

[16] Exhibit “L,” Id. at 224.

[17] Records, p. 3.

[18] Id. at 4.

[19] Id. at 13-14.

[20] Id. at 24.

[21] Id. at 31-43.

[22] Id. at 44.

[23] Id. at 91-A.

[24] Exhibit “13,” Records, p. 245.

[25] Exhibit “14,” Id. at 246.

[26] See TSN, 29 October 1991, pp. 91-93.

[27] Records, pp. 135-136.

[28] Id. at 137.

[29] Id. at 138.

[30] Id. at 161.

[31] Id. at 163.

[32] Id. at 195.

[33] Id. at 196-197.

[34] Penned by Associate Justice Artemon D. Luna, Chairman, with Associate Justices Demetrio G. Demetria and Roberto A. Barrios concurring.

[35] CA Rollo, p. 20.

[36] Id. at 24.

[37] Id. at 25.

[38] Id. at 26.

[39] Id. at 27-29.

[40] Id. at 141.

[41] Id. at 153.

[42] Rollo, pp. 205-206.

[43] Id. at 206.

[44] Id. at 207.

[45] Id. at 207-208.

[46] Id. at 208.

[47] Id.

[48] Id. at 209.

Name:

Proof:

Areas
in Hectares:

Annexes:

1. Francisco Sitoy

Tax Declaration

9.8922

“P”

2. Penelope Coboza

Tax Declaration

5.8465

“Q”

3. Francisco Sitoy

Tax Declaration

9.8922

“R”

4. Geronimo Alegria

Tax Declaration

9.7132

“S”

5. Narciso Tahlil
Tax Declaration
3.0253

“T”

6. Narciso Tahlil
Tax Declaration
4.3918

“U”

7. Agustin Panday
Tax Declaration
2.4857

“V”

8. Agaton Henlo
Tax Declaration
2.2750

“W”

9. Antonio Panugaling
Tax Declaration
3.2447

“X”

10. Dioscoro Antojado
Tax Declaration
6.2483

“Y”

11. Alejandro Suario
Tax Declaration
7.3993

“Z”

12. Alejandro Suario

Tax Declaration

5.4298

“AA”

13. Cesario Inalao

Tax Declaration

8.8553

“BB”

14. Domingo Maglaway

Tax Declaration

8.6890

“CC”

15. Cion Realty Dev. Corp.

Tax Declaration

9.2348

“DD”**TOTAL AREAS**

96.3308

[49] Id.

[50] Id. at 212.

[51] Id. at 213.

[52] Id. at 215.

[53] Id. at 233-234.

[54] Section 1, Rule 65.

[55] See Siasoco v. Court of Appeals, 303 SCRA 186 (1999).

[56] PNCC v. Court of Appeals, 272 SCRA 183 (1997).

[57] Lim Si v. Lim, 98 Phil. 868 (1956).

[58] 34 Phil. 562 (1916).

[59] Cited in *Bohol, Sr. v. Torres*, 84 SCRA 302, 305-306 (1978).

[60] TSN, 29 October 1991, pp. 98-99.

[61] See *Madamba v. Araneta*, 106 Phil. 103 (1959).

[62] Art. 1664. The lessor is not obliged to answer for a mere act of trespass which a third person may cause on the use of the thing leased; but the lessee shall have a direct action against the intruder.

There is a mere act of trespass when the third person claims no right whatever.

[63] Records, p. 195.

[64] Rollo, p. 155.

[65] *Id.* at 156.

[66] TSN, 4 September 1991, pp. 20-21.

[67] Evidenced by Exhibits “13” and “14.”

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