

**CAR COOL PHILIPPINES, INC., REPRESENTED IN THIS ACT BY ITS
PRESIDENT AND GENERAL MANAGER VIRGILIO DELA ROSA,
PETITIONER, VS. USHIO REALTY AND DEVELOPMENT
CORPORATION, RESPONDENT.**

G.R. NO. 138088. January 23, 2006

Ponente: CARPIO, J.

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CARPIO, J.:

The Case

This is a petition for review[1]of the Decision[2] dated 13 August 1998 and the Resolution dated 10 March 1999 of the Court of Appeals in CA-G.R. SP No. 43134. The Court of Appeals affirmed with modification the decision of the trial court by ordering the payment of P18,000 monthly rental starting 19 December 1995 until Car Cool Philippines, Inc. vacates the premises.

The Facts

On 19 December 1995, Ushio Realty and Development Corporation ("USHIO Realty") filed an ejectment case against Car Cool Philippines, Inc. ("CAR COOL") to recover possession of a parcel of land ("property") located at No. 72 (137) Quezon Avenue, corner Victory Avenue, Quezon City.

USHIO Realty alleges that the former owners of the property, Spouses Hector and Gloria Hizon Lopez ("Spouses Lopez"), leased the property to CAR COOL since 1972. In 1990, the Spouses Lopez and CAR COOL executed a written lease agreement over the property for two years. On 16 August 1992, on the expiration of the written lease agreement, the Spouses Lopez allowed CAR COOL to continue occupying the property upon payment of monthly rentals. Later, a verbal month-to-month lease agreement continued until 31 August 1995. On 15 June 1995, Hector Lopez wrote CAR COOL to inform it of his intention to sell the property. Hector Lopez gave CAR COOL the option to buy the property before offering the same to other prospective buyers. CAR COOL failed to respond to the offer. On 28 June 1995, Hector Lopez terminated the verbal lease agreement and gave CAR COOL until 31 August 1995 to vacate the property. In his subsequent letters dated 22 July, 1 August and 12 August 1995, Hector Lopez reiterated his demand for CAR COOL to vacate the property. CAR COOL allegedly ignored the demands to vacate the property and continued to occupy the same.

In a letter dated 31 August 1995, USHIO Realty informed CAR COOL that it had purchased the property from the Spouses Lopez. USHIO Realty gave CAR COOL another 30 days from 31 August 1995 to vacate the property. CAR COOL failed to respond to the demand letter and continued to occupy the property. On 3 December 1995, USHIO Realty sent a final demand to CAR COOL, giving it a non-extendible 15 days within which to vacate the property. CAR COOL refused to vacate the property, prompting USHIO Realty to file the complaint for ejectment on 19 December 1995.

CAR COOL, on the other hand, alleges that USHIO Realty was aware of the lease agreement between CAR

COOL and the former owner, Hector Lopez. According to CAR COOL, on 20 January 1995, Hector Lopez agreed to renew the lease for another two years to cover the period from 1 January 1995 to December 1996, for a monthly rental of P18,000 and an additional security deposit of P216,000. In compliance with the agreement to renew the lease, CAR COOL claims that it paid in advance to Hector Lopez P205,200 representing the monthly rentals for the period from 1 January 1995 to 31 December 1995. CAR COOL also claims to have paid in advance P205,200 covering monthly rentals for the period from 1 January 1996 to 31 December 1996, plus P216,000 as additional security deposit for 1 January 1996 to 1 January 1997. Upon his receipt of the advance rentals and security deposit, Hector Lopez allegedly promised to execute a written contract of lease for two years covering the period from 1 January 1995 to 31 December 1996.

CAR COOL further alleges that USHIO Realty, despite its knowledge of the lease agreement, still demanded that CAR COOL vacate the property on the ground that USHIO Realty had already bought the property from the Spouses Lopez. On 1 October 1995, USHIO Realty allegedly broke into the leased premises, demolished the improvements on the premises, and threatened and inflicted bodily injuries upon two employees of CAR COOL. Virgilio de la Rosa, CAR COOL's President and General Manager, was able to enter the leased premises the following day and found some personal items missing. On 9 October 1995, CAR COOL filed a complaint-affidavit against the agents and representative of USHIO Realty for robbery with force upon things and malicious mischief.[3] CAR COOL later amended the complaint-affidavit to include the charge of grave coercion.[4]

On 21 November 1995, CAR COOL filed a complaint for specific performance and damages with the Regional Trial Court of Quezon City. The complaint sought to compel Hector Lopez to execute a written lease contract for the period from 1 January 1995 until 31 December 1996 and for USHIO Realty to be bound by the contract.

On 19 June 1996, the Metropolitan Trial Court rendered a decision in the ejectment case in favor of USHIO Realty. The dispositive portion of the decision reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff USHIO Realty Development Corporation and against the defendant CAR COOL Philippines, Inc. represented by President and General Manager Virgilio dela Rosa as follows:

- Ordering the defendant and all persons claiming right under her to surrender the possession of the premises to the plaintiff and vacate therefrom;
- Ordering the defendant to pay plaintiff the amount of P18,000.00 per month as reasonable compensation for the use of the premises beginning October 1995 and every month thereafter until the premises is finally vacated;
- Defendant to pay plaintiff the sum of P20,000.00 as and by way of attorney's fees; and
- Defendant to pay [the] cost.

SO ORDERED.[5]

CAR COOL appealed to the Regional Trial Court. On 28 October 1996, the Regional Trial Court rendered its decision affirming the decision of the Metropolitan Trial Court.

On appeal, the Court of Appeals affirmed the trial court's decision with the modification that the payment of P18,000 monthly rental should start from 19 December 1995 until CAR COOL finally vacates the property. The Court of Appeals held that CAR COOL's possession of the property became unlawful only on 19 December 1995, upon receipt of the demand to vacate the property and CAR COOL's refusal to surrender possession.[6]

On 15 September 1998, CAR COOL filed a motion for reconsideration, which the Court of Appeals denied. Hence, the instant petition.

The Issue

CAR COOL raises the sole issue of whether the Court of Appeals erred in awarding damages by way of rentals and attorney's fees in favor of USHIO.[7]

The Ruling of the Court

We find the petition partly meritorious.

Award of damages in the form of rentals

CAR COOL asserts that to award damages to USHIO Realty would constitute unjust enrichment at the expense of CAR COOL. CAR COOL claims that it never benefited from its occupation of the property after USHIO Realty's agents entered the property on 1 October 1995 and unlawfully destroyed CAR COOL's office, equipment and spare parts. Because of the destruction of the equipment and spare parts needed to operate its business, CAR COOL asserts that it was no longer possible to continue its business operations.[8]

We are not convinced.

Rule 70 of the Rules of Civil Procedure, which governs the rule on ejectment (forcible entry and unlawful detainer), provides under Sections 17 and 19 that:

Sec. 17. Judgment. - If after trial the court finds that the allegations of the complaint are true, it shall render judgment in favor of the plaintiff for the restitution of the premises, the sum justly due as arrears of rent or as reasonable compensation for the use and occupation of the premises, attorney's fees and costs. If it finds that said allegations are not true, it shall render judgment for the defendant to recover his costs. If a counterclaim is established, the court shall render judgment for the sum found in arrears from either party and award costs as justice requires. (Emphasis supplied)

Sec. 19. Immediate execution of judgment; how to stay same. - If judgment is rendered against the defendant, execution shall issue immediately upon motion, unless an appeal has been perfected and the defendant to stay execution files a sufficient supersedeas bond, approved by the Municipal Trial Court and executed in favor of the plaintiff to pay the rents, damages, and costs accruing down to the time of the judgment appealed from, and unless, during the pendency of the appeal, he deposits with the appellate court the amount of rent due from time to time under the contract, if any, as determined by the judgment of the Municipal Trial Court. In the absence of a contract, he shall deposit with the Regional Trial Court the reasonable value of the use and occupation of the premises for the preceding month or period at the rate determined by the judgment of the lower court on or before the tenth day of each succeeding month or period. The supersedeas bond shall be transmitted by the Municipal Trial Court, with the other papers, to the clerk of the Regional Trial Court to which the action is appealed. (Emphasis supplied)

x x x

In this case, there is no dispute on the ownership of the property. An Absolute Deed of Sale dated 14 September 1995 shows that the Spouses Lopez sold the property to USHIO Realty.[9] On 19 September 1995, the Registry of Deeds of Quezon City issued a Transfer Certificate of Title for the property in the name of USHIO Realty.[10] On 3 December 1995, USHIO Realty sent a final demand to CAR COOL, giving it a non-extendible 15 days within which to vacate the property. When CAR COOL still refused to vacate the property, USHIO Realty filed the complaint for ejectment on 19 December 1995.

USHIO Realty, as the new owner of the property, has a right to physical possession of the property.[11] Since CAR COOL deprived USHIO Realty of its property, CAR COOL should pay USHIO Realty rentals as reasonable compensation for the use and occupation of the property.

Contrary to CAR COOL's allegations, the payment of damages in the form of rentals for the property does not constitute unjust enrichment. The Court of Appeals held:

x x x [T]he alleged payment by the petitioner as rentals were given to the former owner (Lopez) and not to the private respondent who was not privy to the transaction. As a matter of fact, it never benefited financially from the alleged transaction. Aside from that, the postdated checks the "private respondent" admitted to have received, as rental payments for September to December 1995, were never encashed. On the contrary, the private respondent even offered to return the same to the petitioner, but was refused. [T]herefore, it did not amount to payment.[12]

We have held that "[t]here is unjust enrichment when a person unjustly retains a benefit to the loss of another, or when a person retains money or property of another against the fundamental principles of justice, equity and good conscience." [13] Article 22 of the Civil Code provides that "[e]very person who through an act of performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just or legal ground, shall return the same to him." The principle of unjust enrichment under Article 22 requires two conditions: (1) that a person is benefited without a valid basis or justification, and (2) that such benefit is derived at another's expense or damage.[14]

There is no unjust enrichment when the person who will benefit has a valid claim to such benefit. Under Section 17 of Rule 70 of the Rules of Civil Procedure, USHIO Realty has the legal right to receive some amount as reasonable compensation for CAR COOL's occupation of the property.[15] Thus, in *Benitez v. Court of Appeals*, [16] we held that:

xxx Damages are recoverable in ejectment cases under Section 8, Rule 70 of the Revised Rules of Court. These damages arise from the loss of the use and occupation of the property, and not the damages which private respondents may have suffered but which have no direct relation to their loss of material possession. Damages in the context of Section 8, Rule 70 is limited to "rent" or "fair market value" for the use and occupation of the property.

The Metropolitan Trial Court and the Regional Trial Court assessed against CAR COOL the amount of P18,000 per month as reasonable compensation for CAR COOL's use of the property. Both trial courts held that the P18,000 monthly payment should run from October 1995 until CAR COOL vacates the property. The Court of Appeals sustained the P18,000 monthly rental but held that the start of payment should be from 19 December 1995 until CAR COOL vacates the property.

The records show that CAR COOL already vacated the property on 18 November 1996. The Sheriff of the Regional Trial Court of Quezon City certified that on 18 November 1996, he turned over the possession of the property to USHIO Realty.[17] Thus, the P18,000 monthly rental for the use of the property should run from 19 December 1995 until 18 November 1996 or a period of 11 months. Therefore, the total amount due as reasonable compensation for the use of the property is P198,000.[18] The trial court established this amount with reasonable accuracy or certainty because the trial court based this amount on the latest monthly rental CAR COOL paid the previous owner of the property.[19] Accordingly, this amount should earn interest at 6 percent per annum from 19 November 1996 until finality of this decision, after which the accrued interest, together with the P198,000, shall earn interest at 12 percent per annum until full payment.[20]

Attorney's Fees

We cannot sustain the award of attorney's fees. The Court of Appeals failed to state explicitly in its decision the basis for the award of attorney's fees. The award of attorney's fees is the exception rather than the rule and the court must state explicitly the legal reason for the award of attorney's fees.[21[]] In *ABS-CBN Broadcasting Corp. v. CA*,[22] we held that:

The general rule is that attorney's fees cannot be recovered as part of damages because of the policy that no premium should be placed on the right to litigate. They are not to be awarded every time a party wins a suit. The power of the court to award attorney's fees under Article 2208 demands factual, legal, and equitable justification. Even when a claimant is compelled to litigate with third persons or to incur expenses to protect his rights, still attorney's fees may not be awarded where no sufficient showing of bad faith could be reflected in a party's persistence in a case other than an erroneous conviction of the righteousness of his cause.

WHEREFORE, we AFFIRM the Decision dated 13 August 1998 and the Resolution dated 10 March 1999 of the Court of Appeals in CA-G.R. SP No. 43134 with the MODIFICATION that the P18,000 monthly rental for the use of the property should run from 19 December 1995 until 18 November 1996, aggregating P198,000. This amount shall earn 6 percent interest per annum from 19 November 1996 until finality of this decision, after which the accrued interest, together with the P198,000, shall earn interest at 12 percent per annum until full payment. We delete the award of attorney's fees. Costs against petitioner.

SO ORDERED.

Quisumbing, (Chairman) , Carpio-Morales, and Tinga, JJ., concur.

[1] Under Rule 45 of the 1997 Rules of Civil Procedure.

[2] Penned by Associate Justice Bernardo LL. Salas, with Associate Justices Minerva G. Reyes and Angelina Sandoval-Gutierrez concurring.

[3] Rollo, pp. 139-140.

[4] *Ibid.*, pp. 141-149.

[5] *Ibid.*, p. 287.

[6] *Ibid.*, pp. 45-57.

[7] *Ibid.*, p. 28.

[8] *Ibid.*, pp. 31-32.

[9] *Ibid.*, pp. 182-184.

[10] *Ibid.*, pp. 185-186.

[11] See *Macasaet v. Macasaet*, G.R. Nos. 154391-92, 30 September 2004, 439 SCRA 625.

[12] *Ibid.*, p. 56.

[13] *Reyes v. Lim*, G.R. No. 134241, 11 August 2003, 408 SCRA 560.

[14] 1 J. Vitug, *Civil Law* 30 (2003).

[15] See *Asian Transmission Corporation v. Canlubang Sugar Estates*, G.R. No. 142383, 29 August 2003, 410 SCRA 202; *Shoemart, Inc. v. Court of Appeals*, G.R. No. 86956, 1 October 1990, 190 SCRA 189.

[16] G.R. No. 104828, 16 January 1997, 266 SCRA 242.

[17] Records, pp. 580-581.

[18] $P18,000 \times 11 = P198,000$.

[19] Article 2213 of the Civil Code reads: "Interest cannot be recovered upon unliquidated claims or damages, except when the demand can be established with reasonable certainty."

[20] *Consing v. Court Appeals*, G.R. No. 143584, 10 March 2004, 425 SCRA 192.

[21] *Filipinas Broadcasting Network, Inc. v. Ago Medical and Educational Center-Bicol Christian College of Medicine (AMEC-BCCM)*, G.R. 141994, 17 January 2005, 448 SCRA 413 citing *Inter-Asia Investment Ind., Inc. v. Court of Appeals*, 451 Phil. 554 (2003); *Pajuyo v. Court of Appeals*, G.R. No. 146364, 3 June 2004, 430 SCRA 492.

[22] 361 Phil. 499 (1999).

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