WHEELERS CLUB INTERNATIONAL, INC., PETITIONER, VS. JOVITO BONIFACIO, JR., RESPONDENT.

G.R. NO. 139540. June 29, 2005

Ponente: CARPIO, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-139540/

CARPIO, J.:

The Case

This petition for review[1] assails the Decision[2] of the Court of Appeals dated 30 July 1999 in CA-G.R. SP No. 52068. The Court of Appeals dismissed the petition of Wheelers Club International, Inc. ("Wheelers") questioning the Decision[3] dated 11 March 1999 of the Regional Trial Court of Mandaluyong City, Branch 214 ("RTC"). The RTC Decision reversed on appeal the Decision[4] dated 5 June 1998 of the Metropolitan Trial Court of Mandaluyong City, Branch 59 ("MTC"), which dismissed the complaint for unlawful detainer of respondent Jovito Bonifacio, Jr. ("Jovito") against Wheelers.

The Antecedents

Rosario, Romeo, Virgilio, Generoso, Andres, Jovito, Jose (all surnamed Bonifacio), Zenaida B. Lafiguera, Corazon B. Calub, and Ma. Cristina B. De Guzman are the registered co-owners of a parcel of land with improvement[5] situated at No. 83 EDSA, Mandaluyong City and covered by Transfer Certificate of Title No. 5350 ("Property").[6]

The co-owners comprised the Board of Directors of J & R Bonifacio Development Corporation ("JRBDC").[7]

On 5 May 1994, Bonifacio Development Associates, Inc. ("BDAI"), represented by Jaime C. Bonifacio, Sr. ("Jaime") as President and Chairman of its Board of Directors, entered into a Contract of Lease[8] with Wheelers for a term of five years from 1 June 1994 to 31 May 1999. Under the Contract of Lease, Wheelers undertook to pay BDAI a monthly rental of P108,750 for the lease of the Property.

On 31 May 1994, JRBDC, represented by the co-owners as members of the Board of Directors and lessors of the Property, entered into a Lease Development Agreement[9] with BDAI. Under the Lease Development Agreement, BDAI was authorized to renovate, manage, develop, and sublease the Property. The term of the agreement was also for five years from 31 May 1994 to 31 May 1999. The monthly rental was based on the actual income derived from the lease, management and development of the Property to be shared by the co-owners and BDAI.[10]

On the same day, the co-owners executed a General Power of Attorney[11] ("power of attorney") in favor of Jaime granting him the authority to administer the Property, renovate the building, introduce improvements and lease the Property to any person.

On 16 June 1996, the co-owners demanded that BDAI submit accounting records of all income from the Property.

BDAI, in turn, demanded that the co-owners furnish it with receipts and records of cash and check advances made

by BDAI to the co-owners.

On 18 August 1996, the co-owners, as directors of JRBDC, approved a Resolution[12] terminating the authority of "Jaime C. Bonifacio" to manage and administer the Property for BDAI's failure to submit an accounting of the income from the Property.

On 20 August 1996, Rosario Bonifacio ("Rosario"), as President and Chairman of the Board of JRBDC, wrote Jaime, as President and Chairman of BDAI, a letter terminating the "agreement with JRBDC" for non-payment of whatever was due to JRBDC under the agreement.

On 26 January 1997, the co-owners as members of the Board of Directors of JRBDC approved a Resolution[13] appointing Jovito as the new administrator of the Property.

The following day, Rosario wrote a letter informing Wheelers about the appointment of Jovito as the new administrator of the Property and the termination of Jaime's authority to manage the Property.

On 11 February 1997, BDAI, through Jaime, wrote a letter[14] to Rosario insisting that there was no valid reason for the termination of BDAI or Jaime's management of the Property. BDAI claimed that Rosario's failure to furnish receipts hindered its submission of complete accounting records.

On 4 March 1997, Jovito wrote to Wheelers claiming that the co-owners did not authorize the Contract of Lease between BDAI and Wheelers. Jovito gave Wheelers ten days to vacate the Property.[15]

Meanwhile, Wheelers continued to pay BDAI the monthly rentals from February to September 1997.

On 9 October 1997, Jovito and the other co-owners, through counsel, sent a letter to Wheelers demanding payment of rentals in arrears from February to October 1997. The letter also demanded that Wheelers vacate the Property within five days from receipt of the letter.[16]

On 21 October 1997, Jovito, as a co-owner of the Property, filed with the MTC a complaint for unlawful detainer against Wheelers, docketed as Civil Case No. 15760.[17]

Jovito claimed that Wheelers refused to pay him, as the new administrator of the Property, the rentals due from February to October 1997.

In its Answer dated 19 November 1997,[18] Wheelers countered that it paid to BDAI the rentals from February to September 1997. Wheelers, however, held in abeyance payment of the rental for October 1997 because of Jovito's demand letter and Wheelers plan to consign the rental in Court.

The MTC ruled that while JRBDC does not own the Property, the co-owners who comprised JRBDC's Board of Directors signed the Lease Development Agreement signifying the co-owners' consent to the act of JRBDC. The MTC found that since the signing of the Lease Development Agreement, none of the co-owners questioned the execution of the agreement. The co-owners did not adduce any evidence to show the nullity of the Lease Development Agreement.

The MTC further ruled that one who is not a party to a contract has no personality to assail the validity of such contract, following Jovito's claim that he did not consent to the Lease Development Agreement.

In its Joint Decision dated 5 June 1998, the MTC disposed of the cases as follows:

> WHEREFORE, these two ejectment cases for forcible entry and unlawful detainer against herein defendants are hereby dismissed for lack of cause of action.
>
> SO ORDERED.[19]

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

Respondent appealed to the RTC which reversed the MTC decision.

The RTC held that upon the termination of Jaime's management of the Property, Wheelers could not simply rely on its lease contract with BDAI and deny Jovito and the other co-owners their right to collect rentals. The RTC ruled that Wheelers paid the rentals at its own risk since it knew Jaime no longer had authority to receive the rentals. Citing Arañas v. Tutaan,[20] the RTC held that payment to one without authority to receive the payment is void.

The dispositive portion of the RTC Joint Decision dated 11 March 1999 reads:

> FOR ALL THE FOREGOING, judgment is rendered:
>
> xxx
>
> II. The assailed decision of Metropolitan Trial Court of Mandaluyong City, Branch 59 in SCA MC 98-069 is hereby REVERSED and SET ASIDE, and a new one entered:
>
> a. Ordering defendants-appellees Wheelers Club International, Inc. and all persons claiming rights under them to:
>
> - vacate the ground and second floors of the premises located at Bonifacio Sr. Building, No. 83 EDSA, Mandaluyong City and to surrender possession of the same to plaintiff-appellant;
>
> - pay plaintiff-appellant the amount of P103,312.50 a month computed from February 1997 up to the present plus the agreed yearly increment until the premises shall have been finally vacated;
>
> - pay plaintiff-appellant the amount of P10,000.00 as and by way of attorney's fees;
>
> - pay the cost of suit;
>
> - [d]ismissing the counterclaims.
>
> SO ORDERED.[21]

Wheelers filed a petition for review with the Court of Appeals on 30 March 1999. The Court of Appeals dismissed the petition, thus:

> IN THE LIGHT OF ALL THE FOREGOING, the Petition is DENIED due course and is hereby DISMISSED. With costs against the Petitioner.
>
> SO ORDERED.[22]

Meanwhile, Jovito filed a motion for execution[23] of the RTC decision, which the RTC granted in its Order dated 23 April 1999.[24]

Hence, this petition.

The Court of Appeals' Ruling

The Court of Appeals found that Wheelers signed the Contract of Lease knowing that BDAI signed such contract as administrator and developer and not for BDAI's own account. The Court of Appeals stated that Wheelers knew who the owners of the Property were and BDAI was merely acting as administrator and developer. The principals under the Contract of Lease were the co-owners of the Property and not BDAI. Therefore, Wheelers is liable to Jovito and the other co-owners for its obligations under its Contract of Lease with BDAI.

The Court of Appeals also held that "the co-owners had the power to revoke the authority of BDAI to manage and

administer the property."[25] The Court of Appeals declared:

> x x x Even if the co-owners may have revoked the authority of BDAI in bad faith or in contravention of the "Lease Development Agreement" or prematurely for that matter, however, the only right of BDAI was to recover damages from the co-owners and not insist on the authority to continue managing and administering the property.[26]

The Court of Appeals found that Wheelers' payments were made to BDAI whose authority the co-owners and JRBDC had already revoked. Hence, Wheelers' payments did not bind the co-owners. In effect, Wheelers failed to pay the rentals from February to October 1997 to Jovito as the rightful representative of the co-owners. Therefore, Wheelers should be evicted from the Property for non-payment of rentals.

Moreover, Wheelers could no longer stay in the Property because its Contract of Lease with BDAI had already expired on 31 May 1999 while the Lease Development Agreement between BDAI and JRBDC had expired on 30 May 1999.

The Issue

The core issue in this case is:

> WHETHER THE CO-OWNERS HAVE A CAUSE OF ACTION FOR UNLAWFUL DETAINER AGAINST WHEELERS FOR NON-PAYMENT OF RENTALS AND EXPIRATION OF THE TERM OF THE LEASE AGREEMENT.

The Court's Ruling

The petition has merit.

In unlawful detainer, the possession of the defendant is inceptively lawful but it becomes illegal because of the termination of his right to possess the property under his contract with the plaintiff.[27] Hence, by instituting the unlawful detainer action, Jovito and the other co-owners admit that Wheelers' possession of the Property was lawful at the beginning. In other words, Jovito and the other co-owners recognize the legality of Wheelers' occupation of the Property beginning 1 June 1994 by virtue of the Contract of Lease it had with BDAI. In the absence of any proof to the contrary, such recognition necessarily debunks Jovito's claim that the co-owners did not authorize BDAI to lease the Property to Wheelers. This fact likewise negates Jovito's contention that the Contract of Lease between BDAI and Wheelers is void and inexistent.

The question now is, when did Wheelers' possession of the Property become without legal basis to justify the complaint for unlawful detainer?

In his complaint for unlawful detainer, Jovito claimed that Wheelers disregarded its obligation to pay rentals to the co-owners from February to October 1997. However, Wheelers' obligation to pay the rentals arose from its Contract of Lease with BDAI. Wheelers did not have a separate lease agreement with Jovito or the other co-owners. Wheelers' continued possession of the Property was by virtue of the Contract of Lease it executed with BDAI. There is no privity of contract between Wheelers and Jovito or the other co-owners. Since there was neither a written nor verbal lease agreement between the co-owners and Wheelers, Jovito is mistaken in claiming that the lease contract between the co-owners and Wheelers is on a month-to-month basis.[28]

What is clear from the records is that the present case involves a sublease arrangement. In a sublease arrangement, there are two distinct leases: the principal lease and the sublease. These two juridical relationships co-exist and are intimately related to each other but nonetheless distinct from one another. The lessee's rights and obligations vis-à-vis the lessor are not passed on to the sublessee.

A careful review of the Lease Development Agreement between JRBDC and BDAI reveals that the co-owners are the actual lessors of the Property, not JRBDC.[29] In addition, the co-owners are the registered owners of Property. BDAI, in turn, subleased the Property to Wheelers. Therefore, the co-owners, except only in the instances specified in the Civil Code, are strangers to the Contract of Lease between BDAI and Wheelers.[30]

Since the co-owners are strangers to the Contract of Lease between BDAI and Wheelers, Wheelers has no right or authority to pay the sublease rentals to the co-owners as lessors since the rentals are payable to BDAI as lessee-sublessor. Wheelers was, therefore, under no obligation to pay Jovito or the co-owners the rentals.

Moreover, although Article 1652 of the Civil Code[31] permits the lessor to proceed against the sublessee for rent due from the lessee, this is only on a subsidiary liability basis.[32] There must be a judgment cancelling the lessee's principal lease contract or ousting the lessee from the premises before the sub-lessee becomes subsidiarily liable. As this Court explained in Duellome v. Gotico[33]:

> In the case of Sipin, et al. vs. Court of First Instance of Manila, et al., 74 Phil. 649, We have explained that by virtue of the above provision, [Article 1652 of the Civil Code], "the sublessee, therefore, can invoke no right superior to that of his sublessor and the moment the latter is duly ousted from the premises the former has no leg to stand on. The sublessee's right if any, is to demand reparation for damages from his sublessor, should the latter be at fault." And, in another case, We interpreted the same article to mean that "the sublessees can only assert such right of possession as could have been granted them by their sublessors, their right of possession depending entirely upon that of the latter." (Madrigal vs. Ang Sam To, et al., 46 O.G. 2173). (Emphasis supplied)

The sub-lessee is not liable to the lessor under Article 1652 upon mere demand by the lessor on the sub-lessee. The sub-lessee is primarily liable to his sub-lessor and only a court order can extinguish or modify this primary liability if the sub-lessor contests the pre-termination of the principal lease by the lessor. In the present case, there is no judgment cancelling BDAI's Lease Development Contract or ousting BDAI from the Property.

A sub-lessor is not an agent of the lessor.[34] Hence, BDAI is not an agent of the co-owners. Even assuming that BDAI is an agent of the co-owners, BDAI would have an interest in such agency sufficient to deprive the co-owners the power to revoke the agency at will. Under the Lease Development Agreement, BDAI had the authority to construct, and BDAI did construct, improvements on the Property at its expense. The Court of Appeals found that BDAI "was also the developer of the vacant space of the parcel of land for the construction of permanent improvements thereon at the cost of BDAI."[35]

As developer of the permanent improvement on the Property, BDAI has an interest in the Property that is the subject matter of the agency, assuming such agency exists. An agency coupled with interest is not revocable at the will of the principal. In Sevilla v. Court of Appeals,[36] this Court held:

> But unlike simple grants of a power of attorney, the agency that we hereby declare to be compatible with the intent of the parties, cannot be revoked at will. The reason is that it is one coupled with an interest, the agency having been created for the mutual interest of the agent and the principal. It appears that Lina Sevilla is a bona fide travel agent herself, and as such, she had acquired an interest in the business entrusted to her. Moreover, she had assumed a personal obligation for the operation thereof, holding herself solidarily liable for the payment of rentals. She continued the business, using her own name, after Tourist World had stopped further operations. Her interest, obviously, is not limited to the commissions she earned as a result of her business transactions, but one that extends to the very subject matter of the power of management delegated to her. It is an agency that, as we said, cannot be revoked at the pleasure of the principal. x x x.[37] (Emphasis supplied)

Thus, the Court of Appeals erred in holding that the co-owners had the right to revoke at will their Lease Development Agreement with BDAI.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

On the other hand, whether Jaime in his personal capacity was an agent of the co-owners is immaterial because Wheelers entered into the Contract of Lease with BDAI and not with Jaime. There is no showing that BDAI and Jaime comprise a single entity. The parties in this case confused Jaime with BDAI and erroneously considered Jaime's acts as those of BDAI's. Following well-settled principles in Corporation Law,[38] Jaime and BDAI are distinct persons. Since Jaime acted as the President of BDAI when the latter entered into the Contract of Lease with Wheelers, such contract is binding between BDAI and Wheelers. Consequently, the revocation by the co-owners of Jaime's authority to administer the Property did not automatically cancel or terminate the Contract of Lease between BDAI and Wheelers.

The Court rejects Jovito's argument that the Lease Development Agreement between the co-owners and BDAI is void. Jovito maintains that a lease of the Property involves an act of alteration requiring the unanimous consent of the co-owners pursuant to Article 491 of the Civil Code, which consent is allegedly absent in this case.[39]

A lease over the common property without the consent of all the co-owners is not void. Just as a sale of the whole common property without the consent of the other co-owners affects only the share or interest of the selling co-owner,[40] a lease of the entire property does not affect the interests of the non-consenting co-owners. Therefore, a lease over the entire Property is valid insofar as the interests of the consenting co-owners are concerned.[41]

However, the Court is not denying the co-owners rentals due from the lease of the Property. As owners of the Property, they are entitled to the fruits or income of the Property.[42] Considering that BDAI undeniably received the monthly rentals paid by Wheelers,[43] the Court deems it proper and equitable that BDAI should pay the co-owners the rentals and fees due them. In case BDAI refuses to pay the rentals and other fees due them, the co-owners' remedy is against BDAI and not against Wheelers, in the absence of a judgment cancelling the Lease Development Agreement or ousting BDAI from the premises.

In sum, the Lease Development Agreement between the co-owners and BDAI, and the Contract of Lease between BDAI and Wheelers, remain valid, in the absence of any judicial declaration of their nullity. Jovito and the other co-owners cannot merely assume and allege that these agreements are void.

The Contract of Lease between BDAI and Wheelers had a term running from 1 June 1994 to 31 May 1999. This term is within the five-year period of BDAI's Lease Development Agreement with the co-owners. Jovito filed the unlawful detainer case against Wheelers on 21 October 1997. Clearly, the Contract of Lease between BDAI and Wheelers was still valid and subsisting when Jovito filed the unlawful detainer case. Thus, at the time of filing of the unlawful detainer complaint, Jovito and the other co-owners did not have a cause of action to eject Wheelers from the Property.

As things stand, BDAI is the sub-lessor of the Property. BDAI's sub-lease agreement with Wheelers is within the five-year term of BDAI's principal lease with the co-owners. Until the expiration of the five-year term of BDAI's principal lease, the sub-lease agreement between BDAI and Wheeler remains valid, unless the sub-lease agreement is judicially annulled in the proper case,[44] or unless there is a judgment cancelling BDAI's principal lease with the co-owners or ousting BDAI from the Property.[45] Moreover, no lease agreement exists between the co-owners and Wheelers. Therefore, Jovito's claim that the term of the alleged lease agreement between the co-owners and Wheelers has expired has no legal basis.

WHEREFORE, we GRANT the instant petition. We REVERSE the Decision of the Court of Appeals dated 30 July 1999 in CA-G.R. SP No. 52068 and REINSTATE the Decision dated 5 June 1998 of the Metropolitan Trial Court of Mandaluyong City, Branch 59, dismissing the complaint for unlawful detainer of respondent Jovito Bonifacio, Jr. against petitioner Wheelers Club International, Inc.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Quisumbing, Ynares-Santiago, and Azcuna, JJ., concur.

---

[1] Under Rule 45 of the Rules of Court.

[2] Penned by Associate Justice Romeo S. Callejo, Sr., (now Associate Justice of this Court) with Associate Justices Quirino D. Abad Santos, Jr. and Mariano M. Umali, concurring.

[3] Penned by Judge Edwin D. Sorongon.

[4] Penned by Judge Myrna V. Lim-Verano.

[5] The building is known as J. Bonifacio, Sr. Bldg.

[6] Rollo, pp. 206-207.

[7] Ibid., pp. 212-215.

[8] Ibid., pp. 48-54.

[9] Ibid., pp. 55-61.

[10] Rental income from J. Bonifacio Sr. Building

To the Lessor - 30%
To the Lessee-Developer - 70%
Rental Income from the Apartments, Townhouses and Condominiums to be constructed by the Lessee-Developer.
To the Lessor - 20%
To the Lessee-Developer - 80%

[11] Ibid., pp. 62-63.

[12] Ibid., p. 219.

[13] As stated in the Certificate of Board Resolution, Annex E. Rollo, p. 223.

[14] Rollo, p. 222.

[15] Ibid., p. 225.

[16] Ibid., p. 226.

[17] Ibid., pp. 79-82.

[18] Ibid., pp. 83-90.

[19] Rollo, p. 95.

[20] 212 Phil. 776 (1984).

[21] Rollo, p. 106.

[22] Ibid., p. 47.

[23] Pursuant to Section 21, Rule 70 of the Rules of Court.

[24] Rollo, p. 191.

[25] Rollo, p. 42.

[26] Ibid.

[27] Regalado, Remedial Law Compendium vol. 1, Seventh Revised Edition, p. 768 citing Dikit v. Ycasiano, 89 Phil. 44.

[28] Lease agreements are on a month-to-month basis if they have no specified period, but in which rentals are paid monthly. They are for a definite period and expire after the last day of any given thirty-day period, upon proper demand and notice by the lessor to vacate. (Acab v. CA, 311 Phil. 622 [1995]. See also Legar Management & Realty Corp. v. CA, 322 Phil. 366 [1996]).

[29] In the Lease Development Agreement, the co-owners referred to themselves as lessors of the Property.

[30] See Ouano v. Court of Appeals, G.R. No. 95900, 23 July 1992, 211 SCRA 740. See also Rodriguez v. Project 6 Market Service Cooperative, Inc., 317 Phil. 626 (1995); Blas v. Court of Appeals, G.R. No. 82813, 14 December 1989, 180 SCRA 60.

[31] Article 1652 of the Civil Code provides:

Art. 1652. The sublessee is subsidiarily liable to the lessor for any rent due from the lessee. However, the sublessee shall not be responsible beyond the amount of rent due from him, in accordance with the terms of the sublease, at the time of the extra-judicial demand by the lessor.

xxx

[32] See Blas v. Court of Appeals, supra note 30.

[33] G.R. No. L-17846, 29 April 1963, 7 SCRA 841.

[34] Ibid.

[35] Rollo, p. 41.

[36] G.R. Nos. L-41182-3, 15 April 1988, 160 SCRA 171.

[37] Cited in Bacaling v. Muya, 430 Phil. 531 (2002).

[38] Section 2, Act No. 1459 (The Corporation Law) and Section 2, Batas Pambansa Blg. 25. See Santos v. NLRC, 325 Phil. 145 (1996); Remo, Jr. v. Intermediate Appellate Court, G.R. No. 67626, 18 April 1989, 172 SCRA 405.

[39] Article 491 of the Civil Code provides:

ART. 491. None of the co-owners shall, without the consent of the others, make alterations in the thing owned in common, even though benefits for all would result therefrom. However, if the withholding of the consent by one or more of the co-owners is clearly prejudicial to the common interest, the courts may afford adequate relief. (Emphasis supplied)

[40] Bailon-Casilao v. Court of Appeals, No. L-78178, 15 April 1988, 160 SCRA 738.

[41] In Tomas Claudio Memorial College, Inc. v. Court of Appeals, 374 Phil. 859 (1999), the Court has reiterated that since a co-owner is entitled to sell his undivided share, a sale of the entire property by one co-owner without the consent of the other co-owners is not null and void. Only the rights of the co-owner/seller are transferred, thereby making the buyer a co-owner of the property. A remedy of the co-owner is partition of the entire property

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

and not an action for the nullification of the sale or for the recovery of possession of the property owned in common.

[42] Article 441 of the Civil Code provides:

Art. 441. To the owner belongs:
(1) The natural fruits;
(2) The industrial fruits;
(3) The civil fruits (These include the rents of buildings, the price of leases of lands and other property and the amount of perpetual or life annuities or other similar income).

[43] As shown by the certification issued by BDAI that Wheelers was up-to-date in its payment of the rentals.

[44] Rodriguez v. Project 6 Market Service Cooperative, Inc., supra note 30.

[45] See note 33.

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.