REPUBLIC OF THE PHILIPPINES, OFFICE OF THE GOVERNMENT CORPORATE COUNSEL, AND GOVERNMENT SERVICE INSURANCE SYSTEM, PETITIONERS, VS. EMILIO G. LA’O, RESPONDENT.

G.R. NO. 141941. May 04, 2006

Ponente: GARCIA, J.

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GARCIA, J.:

In this petition for review,[1] petitioners Republic of the Philippines, the Office of the Government Corporate Counsel and the Government Service Insurance System seek the reversal of the Decision[2] and Resolution[3] dated September 30, 1998 and February 02, 2000, respectively, of the Court of Appeals (CA) in CA-G.R. SP No.44348, affirming an earlier decision[4] of the Regional Trial Court of Manila, in its Civil Case No. 95-72874, which in turn affirmed the decision[5] dated December 5, 1994 of the Metropolitan Trial Court of Manila in an ejectment suit thereat commenced by herein respondent Emilio G. La'o against the petitioners.

Involved in the controversy are three (3) parcels of land registered in the name of the Government Service Insurance System (GSIS) under Transfer of Certificate of Title (TCT) No. 108252 of the Registry of Deeds of Manila and the five-storey Government Corporate Counsel Centre (Centre, for brevity) standing thereon. The property in question is located at the corner of Mabini/Arquiza Sts., Ermita, Manila. The GSIS originally agreed to sell the land site and the Centre to the Republic of the Philippines (Republic, hereafter), through the Office of the Government Corporate Counsel (OGCC), by way of a lease-purchase agreement[6] (RP-GSIS Agreement, hereafter) dated June 22, 1978.

On May 10, 1982, another lease-purchase agreement[7] (the second Agreement, hereafter) involving the same property was executed, this time between and among the GSIS, as owner, the Republic and the herein respondent Emilio La'o, as buyer, wherein the Republic waived its rights under the RP-GSIS Agreement. The following are among the salient provisions of the second Agreement:

- The cancellation of the RP-GSIS Agreement effective upon approval of the second Agreement by the President of the Philippines;

- GSIS shall sell the Centre to La'o for P2 Million, P200,000.00 down and the balance payable in 15 annual installments with interest and giving La'o the right to take immediate possession of the Centre's ground floor and to sublease the same; and

- In consideration of the waiver thus given by the Republic, GSIS and La'o would allow the OGCC to lease the second to fifth floors of the Centre and the rear parking area "at the rental rate of P100,000.00 a year, until the GSIS shall have completed the construction of a new building at the Manila Bay reclaimed area or made available acquired property of GSIS acceptable to the OGCC" (Lease Agreement, Annex "B", Rollo, p.65). The term of the lease shall be at least five (5) years from the effectivity of the agreement renewable for another two (2) years at the Republic's option.

Pursuant to the second Agreement, respondent La'o paid the GSIS the 1982 to 1987 installments. For its part, the OGCC, for the Republic, paid La'o the agreed monthly rentals of P8,333.33, the last payment of which was, per records, for the month of January 1, 1987.

As later developments show, the Republic did not manifest its intent to exercise its option to extend the agreed five (5) year lease on the Centre, which was to terminate on May 9, 1987. Thus, in a letter of February 12, 1987, respondent La'o requested the OGCC to vacate the leased premises after May 9, 1987.[8] In his reply-letter of March 19, 1987,[9] the Deputy Government Corporate Counsel informed La'o that, starting 1987, OGCC would be paying the monthly rental direct to the GSIS since, as claimed, the second Agreement had no force and effect, not having been approved by the President of the Philippines as required therein. It would appear, however, that on April 11, 1982, then President Marcos wrote on the right upper hand corner of the second Agreement the following: "11 April 1982 - Approved - Ferdinand E. Marcos."

Following the OGCC's refusal, despite demand, to pay its monthly rental obligations and to vacate the premises, respondent La'o filed an ejectment suit against the herein petitioners before the Metropolitan Trial Court (MeTC) of Manila, Branch 10. Respondent La'o, as plaintiff in that action, claims that the lease in question is deemed terminated, the five-year period of lease having lapsed without OGCC expressing its intent to renew the same.

For its part, petitioner OGCC asseverates that the second lease-agreement has no force and effect, not having been formally approved by the President of the Philippines. The OGCC also asserted that fraud and undue influence attended the execution of the second Agreement, adding that a complaint to declare the same null and void had in fact been filed and is docketed as Civil Case No. 89-48662 of the Regional Trial Court (RTC) of Manila.[10]

In a Decision dated December 5, 1994, the MeTC, Branch 10, Manila, ruled for respondent La'o, disposing as follows:

> WHEREFORE, judgment is hereby rendered in favor of the plaintiff [La'o] ordering:
>
> - defendants GSIS, Republic thru GSIS and all other occupants claiming right under them to vacate the aforesaid leased premises, and surrender possession thereof to plaintiff [La'o];
>
> - defendants the Republic thru OGCC to pay the monthly rent of P8,333.33 reckoned from February 1987 until they vacate the leased premises;
>
> - defendants the Republic thru OGCC to pay plaintiff [La'o] attorney's fees in the amount of P20,000.00; and the costs of the suit; and
>
> - the counterclaims of defendants GSIS and the Republic thru OGCC are dismissed for lack of merit.[11] (Words in bracket added.)

On appeal, the RTC of Manila, Branch 29, in its Decision of January 9, 1996, in Civil Case No. 95-72874 affirmed that of the MeTC. Petitioners then elevated the case to the CA via a petition for review, thereat docketed as CA G.R. SP No. 44348.

In the herein assailed decision dated September 30, 1998, the CA, adopting the findings of fact of the RTC, affirmed the latter's decision, viz:

> WHEREFORE, the instant petition for review is hereby DENIED for lack of merit. The decision of the Regional Trial Court, Branch 29, Manila dated January 9, 1996 in Civil Case No. 95-72874 is AFFIRMED in all respects.
>
> SO ORDERED.[12]

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In time, petitioners moved for reconsideration but their motion was denied by the CA in its equally assailed Resolution of February 02, 2000. Hence, petitioners' present recourse on their contention that the CA erred:

> I
>
> xxx WHEN IT RULED/AFFIRMED THAT THE MeTC HAS JURISDICTION OVER THE INSTANT CASE DESPITE THE FACT THAT THERE WAS NO VALID DEMAND LETTER TO VACATE AS REQUIRED BY ... THE REVISED RULES OF COURT.
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> II
>
> xxx WHEN IT RULED/AFFIRMED THAT RESPONDENT HAS A CAUSE OF ACTION AGAINST PETITIONERS DESPITE THE FACT THAT: A) RESPONDENT AGREED TO ALLOW PETITIONER OGCC TO CONTINUE OCCUPYING THE SUBJECT PREMISES UNTIL A NEW BUILDING SHALL HAVE BEEN CONSTRUCTED IN THE MANILA BAY RECLAIMED AREA BY PETITIONER GSIS FOR PETITIONER OGCC; xxx.
>
> III
>
> xxx WHEN IT RULED/AFFIRMED THE VALIDITY OF THE SECOND LEASE-PURCHASE AGREEMENT DATED MAY 10, 1982, DESPITE THE FACT THAT SAID LEASE-PURCHASE AGREEMENT IS GROSSLY DISADVANTAGEOUS TO THE GOVERNMENT.[13]

Petitioners, with respect to their third assignment of error, stated the observation that the RTC of Manila, Branch 41, per its Decision dated September 14, 1998 in Civil Case No. 89-48662 had already struck down the second lease-purchase agreement as a nullity ab initio, the same being prohibited by law, giving as it did respondent La'o unwarranted benefits or is grossly disadvantageous to the government. Attached as "Annex "H"[14] of the Petition is a copy of the September 14, 1998 decision adverted to.

It cannot be overemphasized that respondent's right to physical possession as an incident to his claim of ownership over the property in question and the corresponding duty of petitioners to respect such right hinges on the validity of the second Agreement, subject of Civil Case No. 89-48662. Valid, and assuming that the full lease-purchase price has been paid, the second Agreement invests respondent with dominion over the Centre and all rights flowing from ownership. If invalid, then respondent has absolutely nothing to support his claim of ownership and his right to physical and de jure possession thereof.

As it were, the September 14, 1998 Decision of the Manila RTC in Civil Case No. 89-48662 was affirmed in toto by the CA per its Decision of June 27, 2003, as reiterated in a resolution of November 10, 2003, in CA-G.R. CV No. 62580. Therefrom, respondent went to this Court on a petition for review in G.R. No. 160719 entitled "Emilio Gonzales La'o v. Republic of the Philippines and the Government Service Insurance System." In a Decision promulgated in said case on January 23, 2006, this Court, thru the ponencia of Associate Justice Renato C. Corona, in turn affirmed the ruling of the appellate court, on the basis of the ensuing rationalization:

> The foregoing clearly shows that the second [lease-purchase] contract caused undue injury to the government, gave [respondent La'o] unwarranted benefits and was grossly disadvantageous to the government. The disquisition of the CA is sufficiently exhaustive and convincing considering that in civil cases like this one, the party with the burden of proof (in this case, the respondents [Republic, et al.] needs only to establish its case by a preponderance of evidence.
>
> The act of entering into the second contract was a corrupt practice and was therefore unlawful. It was a contract expressly prohibited by RA 3019. As a result, it was null and void from the beginning under Art 1409(7) of the Civil Code. (Words in bracket added; citations omitted.)

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In net effect, the underlying ejectment suit filed by the respondent can no longer prosper, his right of action being anchored on a contract which, for all intents and purposes, has no legal existence and effect from the start. A void or inexistent contract is equivalent to nothing; it is absolutely wanting in civil effects; it cannot be the basis of actions to enforce compliance.[15] So it must be for the second Agreement.

Given the foregoing perspective, there is hardly any need to delve further on the issues tendered in this recourse.

WHEREFORE, the instant petition is hereby GRANTED. Accordingly, the assailed decision and resolution dated September 30, 1998 and February 02, 2002 of the Court of Appeals in CA-G.R. No. SP No. 44348 are NULLIFIED and SET ASIDE. The basic complaint of respondent Emilio G. La'o for ejectment is accordingly DISMISSED.

SO ORDERED.

Corona, and Azcuna, JJ., concur.
Puno, (Chairperson), J., on leave.
Sandoval-Gutierrez, J., no part. I decided this same case when I was a MTC Judge in Manila.

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

[2] Penned by Associate Justice Omar U. Amin (ret.), with Associate Justices Jorge S. Imperial (ret.) and Hector L. Hofileña (ret.), concurring; Rollo, pp. 34-42.

[3] Penned by Associate Justice Rodrigo V. Cosico, with Associate Justices Eugenio S. Labitoria and Elvi John Asuncion, concurring; Id. at 50-51.

[4]Id. at 111-123.

[5] Id. at 199-210.

[6] Annex "D" of Petition, Id. at 52-61.

[7] Annex "E" of Petition, Id. at 62-72.

[8] Id. at 96.

[9] Id. at 97-98.

[10] Id. at 35-37.

[11] Id. at 210.

[12]Id. at 42.

[13] Id. at 18-19.

[14]Id. at 111 et seq.

[15]Tolentino, Commentaries and Jurisprudence on the Civil Code of the Philippines, Vol. IV, 200l ed., pp. 629-630.

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