GOLDEN HORIZON REALTY CORPORATION, PETITIONER, VS. SY CHUAN, DOING BUSINESS UNDER THE NAME AND STYLE OF SHAMROCK MANUFACTURING ENTERPRISES, RESPONDENTS.

G.R. No. 145416. September 21, 2001

Ponente: YNARES-SANTIAGO, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-145416/

YNARES-SANTIAGO, J.:

The instant petition for review on certiorari seeks to set aside the June 14, 2000 Decision of the Court of Appeals in CA-G.R. SP No. 52486,[1] as well as its October 13, 2000 Resolution,[2] denying petitioner's Motion for Reconsideration.

On May 4, 1978, National Development Corporation leased to petitioner a portion of its parcel of land, known as the NDC Compound, located in Pureza Street, Sta. Mesa, Manila, consisting of 3,222.80 square meters. The lease was to subsist for a period of ten (10) years, or until October 4, 1988, renewable for another ten (10) years upon mutual consent of both parties. Petitioner was also given an option to purchase the property under lease, subject to certain conditions.

After the lease expired on October 4, 1988, National Development Corporation refused to renew the lease for another ten (10) years, prompting petitioner to file a complaint for specific performance before the Regional Trial Court of Makati City, Branch 144.[3] Meanwhile, on January 6, 1989, while the said case was pending, then President Corazon C. Aquino issued Memorandum Order No. 214, transferring the whole NDC Compound in favor of the Polytechnic University of the Philippines. Nevertheless, such transfer was made "subject to such leases or liens and encumbrances that may be existing thereon."[4]

While the cases between petitioner and National Development Corporation were pending, the latter continued to accept the rental payments from petitioner,[5] who continued to occupy the leased premises, pay real estate taxes for the building thereon and take out fire insurance for the same.[6]

Meanwhile, since the lease agreement allowed petitioner to sublease the premises or portions thereof, petitioner entered into sublease contracts, among which was one with private respondent dated March 20, 1995, pertaining to Units 25, 26 and 27 of the NDC Compound, consisting of a total area of 324 square meters. The term of the sublease stipulated as follows -

> 3. That, this agreement shall take effect on January 1995 and shall be for a period of either two (2) years or upon promulgation of a decision/order/resolution by the Makati Regional Trial Court in Civil Case No. 88-2238 entitled "NDC, Polytechnic University vs. Golden Horizon Realty Corporation", whichever comes first. x x x.[7]

After private respondent's sublease expired on December 31, 1996, negotiations took place between the parties but no renewal was agreed upon. Thus, on April 15, 1997, petitioner's counsel served a written demand on private respondent to vacate the subleased premises within five (5) days from receipt of the same. This was reiterated in

another letter dated August 20, 1997.

Still, private respondent failed to vacate the premises, whereupon petitioner filed a case for ejectment on October 1, 1997 before the Metropolitan Trial Court of Manila, Branch 29.[8] In his Answer with Compulsory Counterclaim, private respondent argued that petitioner had no right to file the ejectment case since its lease over the subject property had long expired before the sublease between them was executed, rendering the latter void. Private respondent also alleged that the increase in rentals that petitioner demanded for the renewal of the sublease was highly unconscionable.

On November 12, 1998, the court a quo rendered a decision in favor of petitioner, disposing of the case as follows -

> WHEREFORE, judgment is hereby rendered ordering defendant and any and all persons claiming rights under him to vacate and leave the subject premises and surrender the possession thereof to plaintiff and to pay plaintiff the following:
>
> - the amount of P42,120.00 per month as reasonable compensation for his continued use and enjoyment of the said premises from April 1997 and every month thereafter until he vacates and leaves the premises;
>
> - the amount of P10,000.00 as attorney's fees; and
>
> - the costs of suit.
>
> SO ORDERED.[9]

On appeal, the Regional Trial Court of Manila, Branch 45,[10] reversed the aforesaid decision and dismissed petitioner's complaint on April 8, 1999.[11] This notwithstanding, private respondent vacated the subject premises on April 20, 1999.

Petitioner filed a petition for review with the Court of Appeals, which was dismissed in the assailed decision dated June 14, 2000. Petitioner's Motion for Reconsideration was denied on October 13, 2000. Hence, this petition, raising the following errors:

> I
>
> THE HONORABLE COURT OF APPEALS ERRED IN ALLOWING THE RESPONDENT TO CONTROVERT THE TITLE OF HIS LANDLORD.
>
> II
>
> THE COURT OF APPEALS ERRED IN HOLDING THAT THE LEASE CONTRACT OF PETITIONER WITH NDC HAD ALREADY EXPIRED.
>
> III
>
> THE COURT OF APPEALS ERRED IN AFFIRMING THE JUDGMENT OF THE RTC REVERSING THE DECISION OF THE MTC AND DISMISSING PETITIONER'S COMPLAINT FOR EJECTMENT.[12]

The petition is meritorious.

The contention that petitioner had no legal personality to bring the ejectment suit against private respondent lacks merit.

It is beyond dispute that for the entire duration of the sublease from January 1995 to December 1997, private respondent had undisturbed possession of the subject premises as sublessee of the same. Rule 131, Section 2(b) of

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

the Rules of Court precludes a tenant from denying the title of his landlord at the time of the commencement of the relation of landlord and tenant between them. Thus:

> Section 2. Conclusive presumptions. - The following are instances of conclusive presumptions:
>
> x x x x x x x x x
>
> (b) The tenant is not permitted to deny the title of his landlord at the time of the commencement of the relation of landlord and tenant between them.

In Geminiano v. Court of Appeals,[13] we stated:

> The private respondents, as lessees who had undisturbed possession for the entire term under the lease, are then estopped to deny their landlord's title, or to assert a better title not only in themselves, but also in some third person while they remain in possession of the leased premises and until they surrender possession to the landlord. This estoppel applies even though the lessor had no title at the time the relation of lessor and lessee was created, and may be asserted not only by the original lessor, but also by those who succeed to his title. (Emphasis ours)

Private respondent cannot feign ignorance of the fact that petitioner's lease with National Development Company had expired long before its own sublease with him had been constituted. The very contract of sublease entered into by private respondent with petitioner expressly mentions "Civil Case No. 88-2238 entitled `NDC, Polytechnic University vs. Golden Horizon Realty Corporation'." This constituted actual notice to private respondent of the pending litigation between petitioner and the original lessor concerning the subject property.

Moreover, even after the expiration of petitioner's lease contract with National Development Company, petitioner continued to pay rent to National Development Company and the latter continued to accept such rent payments while the case between them was pending. This situation obtained even during the period in which private respondent occupied the subleased premises and after demand had been made upon him to vacate the same.[14] Under such circumstances, it is but fair that private respondent also continue to pay rentals to petitioner. Otherwise, private respondent would unjustly enrich himself if he would not comply with his obligations as sublessee, while petitioner faithfully performs its obligations as lessee to National Development Company.

Private respondent insists that the monthly rental rate of P42,120.00 fixed by the court a quo in its decision is unconscionable, exorbitant and unlawful. We do not agree.

In Sia v. Court of Appeals,[15] the lessee was made to pay the monthly rent of P5,000.00 as fixed by the Regional Trial Court on appeal. The petitioner there similarly questioned the increase in the rental rate as excessive, exorbitant and unreasonable, the original rental on the premises being only P2,000.00 a month. We overruled petitioner's arguments and held:

> On the contrary, the records bear out that the P5,000.00 monthly rentals is a reasonable amount, considering that the subject lot is prime commercial real property whose value has significantly increased and that P5,000.00 is within the range of prevailing rental rates in that vicinity. Moreover, petitioner has not proffered controverting evidence to support what he believes to be the fair rental value of the leased building since the burden of proof to show that the rental demanded is unconscionable or exorbitant rests upon the lessee. Thus, here and now we rule, as we did in the case of Manila Bay Club v. Court of Appeals (245 SCRA 715 [1995]), that petitioner having failed to prove its claim of excessive rentals, the valuation made by the Regional Trial Court, as affirmed by the respondent Court of Appeals, stands.
> "It is worth stressing at this juncture that the trial court had the authority to fix the reasonable value for the continued use and occupancy of the leased premises after the termination of the lease contract, and that it was not bound by the stipulated rental in the contract of lease since it is equally settled that upon termination or

> expiration of the contract of lease, the rental stipulated therein may no longer be the reasonable value for the use and occupation of the premises as a result or by reason of the change or rise in values. Moreover, the trial court can take judicial notice of the general increase in rentals of real estate specially of business establishments x x x."[16] (Id., pp. 731-732)

In addition to the monthly rental which should be paid by private respondent on the subject premises from April 1997 up to April 1999, private respondent is also liable to pay interest at the rate of 6% per annum from the accrual of such rent, pursuant to Article 2209 of the Civil Code. From the finality of this judgment until the full satisfaction of the monetary award, the applicable rate of legal interest shall be 12%, since the same shall by then become a forbearance of credit.[17]

WHEREFORE, the instant Petition is GRANTED. The Decision of the respondent Court of Appeals in CA-G.R. SP No. 52486 is SET ASIDE. The November 12, 1998 Decision of the Metropolitan Trial Court of Manila, Branch 29 in Civil Case No. 157082-CV is REINSTATED, subject to the payment by private respondent of legal interest of 6% per annum on the rentals due, from April 1997 until April 1999. The rate of legal interest shall be 12% from the time this decision becomes final.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Kapunan, and Pardo, JJ., concur.
Puno, J., on official leave.

---

[1] Penned by Associate Justice Delilah Vidallon-Magtolis and concurred in by Associate Justices Eloy R. Bello, Jr. and Jose L. Sabio, Jr.; Petition, Annex "A"; Rollo, pp. 22-25.

[2] Petition, Annex "B"; Rollo, p. 27.

[3] Docketed as Civil Case No. 88-2238.

[4] See Memorandum Order No. 214, p. 2; Rollo, p. 75.

[5] See Plaintiff's Position Paper, Annex "H"; Records, p. 93.

[6] Id., Annexes "F", "G" and "G-1", pp. 90-92.

[7] Complaint, Annex "A", Contract of Lease, p. 1; Records, p. 5.

[8] Docketed as Civil Case No. 157082.

[9] Decision, Civil Case No. 157082-CV, p. 4; Records, p. 139.

[10] Civil Case No. 99-92174.

[11] See Decision, dated 8 April 1999, penned by Judge Marcelino L. Sayo, Jr.; Records, pp. 222-226.

[12] Petition for Review, p. 8; Rollo, p. 10.

[13] G.R. No. 120303, 259 SCRA 344, 350-51 [1996]; citations omitted.

[14] See Note 6.

[15] G.R. No. 108222, 272 SCRA 141 [1997].

[16] Ibid., at 159-160.

[17] See Gojocco v. Court of Appeals, G.R. No 102604, 320 SCRA 625 [1999].

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

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.