

MARTHA R. HARRIGAN, PETITIONER, VS. TROIKA COMMERCIAL, INC., RESPONDENT.

G.R. No. 148411. November 29, 2005

Ponente: SANDOVAL-GUTIERREZ, J.

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SANDOVAL-GUTIERREZ, J.:

Before us is a petition for review on certiorari seeking to reverse the Decision[1] of the Court of Appeals dated May 31, 2001 in CA-G.R. CV No. 50330.

The facts of this case are not in dispute.

Troika Commercial, Inc., (Troika), herein respondent, is the lessee of the entire ground floor of a two-story building located at 53-A Annapolis St., San Juan, Metro Manila. Respondent then sub-let a portion of the ground floor to Martha Harrigan, petitioner, to be used for her restaurant Tia Maria. The contract of sub-lease dated April 20, 1983 between the parties was prepared by Martha's husband. It provides, among others, the following stipulations:

"2. In consideration thereof, Martha R. Harrigan undertakes, promises and guarantees payment to Troika of the following:

2.1. P12,500 monthly starting March 15, 1983 and every month thereafter until December 31, 1989 payable every ____ day of the month.

2.2. In addition to the above (sub-par 2.1), P4,500 monthly starting August 1, 1983 and every month thereafter for seven (7) years until December 31, 1989 plus a guaranteed yearly increase equivalent to 10% thereof."

The instant case stemmed from the parties' different interpretations of the phrase "a guaranteed yearly increase equivalent to 10% thereof" in relation to sub-paragraphs 2.1 and 2.2 of their agreement.

Respondent construed the 10% guaranteed yearly increase to apply to both the original monthly rental of P12,500.00 under sub-paragraph 2.1 and the P4,500.00 additional rental under sub-paragraph 2.2. For her part, petitioner claimed that the 10% "guaranteed yearly increase" is applicable only to the additional P4,500.00 rental contained in sub-paragraph 2.2 of the sub-lease contract.

Respondent sent petitioner letters, together with its billing statements, explaining the application of the 10% yearly increase of rental rates. But petitioner ignored them. On May 3, 1991, respondent sent petitioner a final demand letter asking her to pay P318,489.00 corresponding to the unpaid rental adjustments.

When petitioner refused to pay, respondent filed with the Regional Trial Court, Branch 148, Makati City, a complaint for sum of money, docketed as Civil Case No. 91-2410.

In her answer, petitioner averred that the 10% yearly guaranteed increase applies only to her additional rental of P4,500.00 starting August 1, 1983 and that she has been paying the corresponding amounts since 1984. She admitted that from June 1984, she has been giving respondent "P1,200.00 monthly ex-gratis" in appreciation of its

efforts to improve her business. She denied, however, that these sums are rental adjustments. She also claimed that even assuming that she still owed respondent, under sub-paragraph 2.2, the amount due is only P58,485.50. She stopped paying the yearly increase since August 1986 because of respondent's demand that she should also pay the yearly increase equivalent to 10% of the original P12,500.00 monthly rental.

On May 18, 1995, the trial court rendered its Decision in favor of respondent. It ordered petitioner to pay respondent her unpaid rental adjustments in the sum of P318,489.00 with interest at 12% per annum from September 2, 1991 until the obligation is fully paid.

On appeal, the Court of Appeals, in its assailed Decision, affirmed the trial court's judgment in toto.

Hence, the instant petition for review on certiorari.

The sole issue for our resolution is whether the Court of Appeals erred in ruling that the 10% guaranteed yearly increase of rental rates applies to both the original monthly rental of P12,500.00 and the additional monthly rental of P4,500.00.

Article 1377 of the Civil Code provides:

"ART. 1377. The interpretation of obscure words or stipulations in a contract shall not favor the party who caused the obscurity."

In a long line of cases,[2] we have consistently held that the party who draws up the contract, in which obscure words or phrases appear, bears the responsibility for causing the ambiguity or obscurity, and hence, these must be construed against him. In this case, it was petitioner's spouse who prepared the sub-lease contract in question. Consequently, the ambiguity must be construed against herein petitioner as she is presumed to have confirmed the same.

There is also no question that the 10% guaranteed yearly increase of rents provided for in sub-paragraph 2.2 of the sub-lease agreement is for the benefit of respondent herein, being the sub-lessor of the premises. As such, any doubt in its interpretation must be interpreted in its favor. This is in line with Section 17, Rule 130 of the Revised Rules of Court which states:

"SEC. 17. Of two constructions, which preferred. – When the terms of an agreement have been intended in a different sense by the different parties to it, that sense is to prevail against either party in which he supposed the other understood it, and when different constructions of a provision are otherwise equally proper, that is to be taken which is the most favorable to the party in whose favor the provision was made (stress supplied)."

WHEREFORE, the petition is DENIED. The challenged Decision of the Court of Appeals in CA-G.R. CV No. 50330 is AFFIRMED IN TOTO. Costs against the petitioner.

SO ORDERED.

Panaganiban, (Chairman), Corona, Carpio-Morales, and Garcia, JJ., concur.

[1] Rollo, pp. 29-35. Per Associate Justice Roberto A. Barrios with Associate Justice Ramon Mabutas, Jr. (retired) and Associate Justice Edgardo P. Cruz concurring.

[2] *Heacock Co. v. Macondary & Co.*, 42 Phil. 205 (1921), 212; *Rubio v. Villanueva*, 45 Phil. 842, 848 (1924); *Hijos I. de la Rama v. Betts*, 54 Phil. 149, 155 (1929); *Rivero v. Rabe*, 54 Phil. 982, 985 (1930); *Asturia Sugar Central v. The Pure Cane Molasses Co.*, 57 Phil. 519, 531-32 (1932); *Yatco v. El Hogar Pilipino*, 67 Phil. 610,

626 (1939); *Gonzales v. La Provisera Filipina*, 74 Phil. 166, 173-74 (1943); *Eastern Shipping Lines v. Margarine Verkaufs-Union*, G.R. No. 31087, September 27, 1979, 93 SCRA 257, 262; *Lim Yhi Luya v. Court of Appeals*, G.R. No. 40258, September 11, 1980, 99 SCRA 668, 683-84; *Eastern Assurance & Surety Corp. v. Intermediate Appellate Court*, G.R. No. 69450, November 22, 1989, 179 SCRA 562, 568; *Nacu v. Court of Appeals*, G.R. No. 108638, March 11, 1994, 231 SCRA 237, 248, citing *Orient Air Services and Hotel Representatives v. Court of Appeals*. 197 SCRA 645 (1991).

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