

JOSIE GO TAMIO, PETITIONER, VS. ENCARNACION TICSON, RESPONDENT.

G.R. No. 154895. November 18, 2004

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.:

In general, a lessee is not allowed to challenge the title of the lessor. Indeed, it is immaterial whether the lessor had any title at all to the property at the time the lease was commenced. However, due to the peculiar circumstances in the present case, the Court makes an exception to this rule. Otherwise, it would sanction unjust enrichment in favor of the respondent and cause unjust poverty to the petitioner.

The Case

The instant Petition for Review on Certiorari[1] seeks to set aside the February 28, 2002 Decision[2] and the April 30, 2002 Resolution[3] of the Court of Appeals (CA) in CA-GR SP No. 62908. The dispositive portion of the challenged Decision reads:

“WHEREFORE, the instant petition is hereby DENIED DUE COURSE and DISMISSED. The Decision, dated March 24, 1999, is hereby AFFIRMED.”[4]

The assailed Resolution denied reconsideration of the foregoing disposition.

The March 24, 1999 Decision[5] of the Regional Trial Court (RTC)[6] of Manila, upheld by the CA, disposed as follows:

“WHEREFORE, the appealed judgment is hereby affirmed with modification, to wit:

1)

Ordering [petitioner] to pay [respondent] the amount of P86,000 as payment for rental arrearages covering the period September, 1996 to June, 1997 and from July, 1997 to December, 1997 at a monthly rate of P5,000 and P6,000 respectively.

2)

[Petitioner’s] counterclaim is hereby dismissed for lack of merit.”[7]

On the other hand, the Decision[8] of the Metropolitan Trial Court (MTC)[9] of Manila (Branch 5), which was “affirmed with modification” by the RTC, dismissed respondent’s complaint for unlawful detainer against the petitioner.

The Facts

The CA summarized the facts in this manner:

“The Roman Catholic Archbishop of Manila (RCAM) is the owner of an apartment unit originally leased to

Mr. Fernando Lopez Lim. After the demise of Mr. Fernando Lim, [his] children became the occupants thereof. One of [them, Valentine Lim] requested respondent Encarnacion Ticson, for financial assistance [in order] to purchase the apartment unit from RCAM. In exchange, Valentine Lim executed a waiver in favor of respondent.

“On June 15, 1996, respondent executed a contract of lease [in favor of petitioner], on the basis of the waiver from Valentine Lim respecting the apartment unit, for a period of three (3) months. After signing the contract and paying the rentals, [petitioner] discovered that the apartment was actually owned by RCAM.

“Meanwhile, after the expiration of the three (3) month lease, respondent demanded petitioner to vacate the premises for the use of the former’s family members. Petitioner failed to comply, giving rise to the instant case for unlawful detainer.

“After trial, the Metropolitan Trial Court (MTC) found respondent guilty of concealment [amounting to] fraud when she misrepresented that she was the owner or authorized lessor of the apartment. Consequently, the contract did not produce any legal effect, much less, rights or obligations. Thus, the MTC ordered the dismissal of the complaint for unlawful detainer.

“Unsatisfied therewith, respondent appealed the dismissal with the Regional Trial Court (RTC). After review thereof, the RTC found that the concealment did not amount to fraud, but [was merely due] to respondent’s honest belief that she became or will eventually become the owner of the property by reason of the said waiver.

“Moreover, the RTC found that ‘if [petitioner] has indeed questioned the [respondent’s] title, she should have communicated with RCAM immediately since she came to know of RCAM’s ownership over the subject property early on.’

“On the basis thereof, the RTC ordered petitioner to pay respondent P86,000.00 as rental arrearages from September 1996 to June 1997 and from July 1997 to December 1997 at a monthly rate of P5,000.00 and P6,000.00 respectively, and dismissed petitioner’s counterclaim for lack of merit.”[10]

Meanwhile, on March 3, 1998, petitioner entered into a Contract of Lease[11] over the same property with RCAM for a term of one year, commencing from January 1, 1998 to December 31, 1998. In that Contract, petitioner assumed to pay the rent corresponding to her use and occupation of the property prior to its execution; that is, from June 1, 1996 to December 31, 1997.

Ruling of the Court of Appeals

The CA agreed with the RTC that the misrepresentation of respondent as the owner or lessor of the property did not amount to fraud, but was merely an error under Article 1343 of the Civil Code. The appellate court added that she must have acquired legal possession over the apartment unit as an assignee thereof, considering the waiver/assignment executed in her favor by the previous lessees.

The appellate court added that petitioner herself had been negligent in not immediately communicating with the owner of the property --the Roman Catholic Archbishop of Manila (RCAM) -- regarding her discovery, thereby implying her acknowledgment of respondent’s right to sublease the property.

Consequently, while holding that, “as found by the lower court, RCAM and petitioner entered into a new Contract of Lease that rendered the instant case moot and academic,” the CA ordered petitioner to pay rental arrearages to respondent for the period September 1996 to December 1997.

Hence, this Petition.[12]Issue

The lone issue presented for our consideration is as follows:

“Whether or not petitioner should be held liable to pay respondent the amount of P86,000.00 representing the alleged rental arrearages from September 1996 to December 1997.”[13]

The Court’s Ruling

The Petition has merit.

Lone Issue:

Entitlement to Rental Arrearages

Petitioner contends that she is not bound by her lease agreement with respondent, because the latter never acquired legal possession of the property. The assignment/waiver of rights executed by Valentine Lim was null and void, as the lease of her father (Fernando) with RCAM had long been terminated for nonpayment of rentals. With the invalidity of the assignment, respondent acquired no rights that she could transmit. Assuming arguendo that Valentine’s lease was still subsisting, petitioner argues that the consent of RCAM should have been obtained.

Petitioner further avers that under her Contract with RCAM, she undertook to pay rentals corresponding to the holdover period. Hence, she would in effect be paying the rental twice, if she were still to pay respondent. The latter would be unjustly enriched at petitioner’s expense, which should not be allowed by the Court.

The assignment of a lease by the lessee involves a transfer of rights and obligations pertaining to the contract; hence, the consent of the lessor is necessary.[14] Article 1649 of the Civil Code is explicit:

“Art. 1649. The lessee cannot assign the lease without the consent of the lessor, unless there is a stipulation to the contrary.”

The objective of the law in prohibiting the assignment of the lease without the lessor’s consent is to protect the owner or lessor of the leased property.[15] In the case of cession or assignment of lease rights on real property, there is a novation by the substitution of the person of one of the parties -- the lessee.[16] The personality of the lessee, who dissociates from the lease, disappears; only two persons remain in the juridical relation -- the lessor and the assignee who is converted into the new lessee.[17]

In the instant case, RCAM never assented to the assignment of the lease. This is apparent from the December 11, 1997 letter[18] of its counsel, Atty. Socrates R. Rivera, stating that Fernando Lim was no longer its tenant for his failure to pay the rentals as of August 1988. As a rule, this letter may not necessarily result in the cessation of Mr. Fernando’s right to possess the leased premises. Under the law, mere nonpayment of rentals without the lessor’s demand to pay and vacate is not sufficient to oust the lessee from the leased premises.[19] The letter, however, demonstrates the lessor’s lack of consent to the assignment.

There is no evidence to show that RCAM subsequently agreed to the substitution of the original lessee by respondent. In fact, the only lessee it ever recognized was Fernando Lim. In the same letter, it was stated that “neither [petitioner] nor [respondent] have the right to [possess] said apartment considering that it [was] Mr. Fernando Lopez Lim whom our client RCAM ha[d] contractual relationship; unfortunately said tenant [has ceased] to be such.”

Neither does respondent appear to have paid monthly rents to RCAM to apprise it sufficiently of her occupation of the subject premises. Hence, it cannot be charged with knowledge of, much less implied consent to, this fact.

As against RCAM, which has not consented to the assignment, respondent-assignee obtains no rights to the leased premises. Consequently, the sublease between her and petitioner is not binding on it. With the abandonment of the lease by the original lessee through his unauthorized assignment, the right to the possession of the apartment reverted to the owner. Being the owner, RCAM enjoys the prerogative to enter into a new lease contract over the

property with anyone it chooses.[20] Unfortunately for respondent, it chose to grant to petitioner leasehold rights to the subject premises by virtue of the Contract entered into on March 3, 1998. It was agreed thereunder that petitioner would pay RCAM reasonable compensation for the entire period of her occupancy of the property.

To allow respondent to receive from petitioner rental arrearages for the period September 1996 to December 1997, notwithstanding the latter's agreement with the owner to pay rent for her occupancy of the property, would constitute unjust enrichment at the expense of petitioner. Under Article 22 of the Civil Code, there is unjust enrichment when (1) a person is unjustly benefited, and (2) such benefit is derived at the expense of or with damages to another.[21]

Prior to the March 3, 1998 Contract, petitioner and respondent were technically "strangers" to the property; both were unlawfully withholding its possession from the owner. Petitioner cannot therefore be faulted in assuming to pay a reasonable value for her occupancy of the property as a sign of good faith. On the other hand, nonpayment of rentals of respondent to RCAM -- notwithstanding her receipt from petitioner of the rental covering the term of the sublease contract -- is indicative of bad faith.

Having assumed to pay the rentals to RCAM, petitioner should no longer be required to pay rental arrearages to respondent. To do so would be to sanction unjust enrichment in favor of respondent and to cause unjust poverty to the petitioner. A double burden would be imposed upon the latter, because she would be paying twice for her use of the same premises for the same period of time.

We are not unmindful of the standing rule that a lessee is estopped or prevented from disputing the title of the landlord in an action for recovery of possession of the leased premises.[22]

In *Geminiano v. Court of Appeals*,[23] we stated:

"x x x. 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." [24]

Indeed, the relation of lessor and lessee does not depend on the former's title but on the agreement between the parties, followed by the possession of the premises by the lessee under such agreement.[25] As long as the latter remains in undisturbed possession, it is immaterial whether the lessor has a valid title -- or any title at all -- at the time the relationship was entered into.[26] Between the present parties, the lease -- which was actually a sublease -- was effective. And respondent had a colorable right to lease the premises by virtue of the assignment even if, as against the owner, both the assignment and the sublease were ineffectual.

However, considering the peculiar circumstances availing in the present case, equity demands that such rule be relaxed. As discussed earlier, it would be grossly unjust if, after having paid the owner prior rentals for June 1996 to December 1997, petitioner would still be required to pay again the same rental arrearages to respondent for the latter's retention of the property after the termination of sublease contract. Note that the sublease had already expired, and that the arrearages refer to a subsequent period not covered by the said sublease.

It is worth reminding everyone of our pronouncement in *Air Manila v. CIR*: [27] "Equity as the complement of legal jurisdiction seeks to reach and to complete justice where courts of law, through the inflexibility of their rules and want of power to adapt their judgments to the special circumstances of cases, are incompetent to do so. Equity regards the spirit and not the letter, the intent and not the form, the substance rather than the circumstance, as it is

variously expressed by different courts.”

WHEREFORE, the Petition is GRANTED and the assailed Decision and Resolution SET ASIDE. The dispositive portion of the August 14, 1998 Decision of the Metropolitan Trial Court of Manila is hereby REINSTATED. No costs.

SO ORDERED.

Sandoval-Gutierrez, Carpio-Morales, and Garcia, JJ., concur.
Corona, J., on leave.

[1] Under Rule 45 of the Rules of Court; rollo, pp. 3-18.

[2] Annex “A” of Petition; id., pp. 19-23. Penned by Justice Bernardo P. Abesamis (Acting Chairman of the Special Fourth Division) and concurred in by Justices Bienvenido L. Reyes and Perlita J. Tria Tirona (members).

[3] Annex “J” of Petition; id., p. 53.

[4] CA Decision, p. 4; id., p. 22.

[5] Civil Case No. 98-90953.

[6] Branch 33. Presided by Pairing Judge Romulo A. Lopez.

[7] RTC Decision dated March 24, 1999, Annex “N” of Petition; id., p. 70.

[8] Decision dated August 14, 1998 in Civil Case No. 157450 CV; Annex “M” of Petition; id., pp. 61-63.

[9] Presided by Judge Alejandro G. Bijasa.

[10] CA Decision, pp. 2-3; id., pp. 20-21.

[11] Annex “L” of the Petition; id., pp. 57-60.

[12] This case was deemed submitted for decision on November 3, 2003, upon this Court’s receipt of respondent’s 7-page Memorandum -- signed by Atty. Romualdo M. Jubay. Petitioner’s Memorandum, signed by Attys. Amelia C. Garchitorena, Teresita S. de Guzman, and Teresa E. Pilares of the Public Attorney’s Office --was received by this Court on July 21, 2003.

[13] Petitioner’s Memorandum, pp. 5-6; rollo, pp. 135-136. Original in upper case.

[14] *Paterno v. Court of Appeals*, 272 SCRA 770, May 29, 1997.

[15] *Dakudao v. Consolacion*, 122 SCRA 877, June 24, 1983.

[16] *Sadhwani v. Court of Appeals*, 281 SCRA 75, October 17, 1997.

[17] *Manlapat v. Salazar*, 98 Phil. 356, 357-358, January 31, 1956.

[18] Annex “R” of the Petition; rollo, p. 93.

[19] *LL and Company Development and Agro-Industrial Corporation v. Huang Chao Chun*, 378 SCRA 612, 625, March 7, 2002.

[20] Article 428, New Civil Code.

[21] HL Carlos Construction, Inc. v. Marina Properties Corporation, GR No. 147614; January 29, 2004.

[22] Rule 131, Section 2(b) of the Rules of Court, provides:

“Section 2. Conclusive presumptions. – The following are instances of conclusive presumptions:

x x x x x x x x

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.

Art. 1436 of the Civil Code. A lessee or a bailee is estopped from asserting title to the thing leased or received, as against the lessor or bailor.”

[23] 328 Phil. 682, July 24, 1996.

[24] Id., pp. 688-689, per Davide Jr., CJ.

[25] §253 51 C.J.S.

[26] §270 51 C.J.S.

[27] 83 SCRA 579, 589, June 9, 1978, per curiam.

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