

DORIS U. SUNBANUN, PETITIONER, VS. AURORA B. GO, RESPONDENT.

G.R. No. 163280. February 02, 2010

Ponente: CARPIO, J.

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CARPIO, J.:

The Case

This petition for review on certiorari[1] assails the 30 September 2003 Decision[2] and the 18 March 2004 Resolution[3] of the Court of Appeals in CA-G.R. CV No. 67836.

The Facts

Petitioner Doris U. Sunbanun is the owner of a residential house located at No. 68-F Junquera Street, Cebu City. On 7 July 1995, respondent Aurora B. Go leased the entire ground floor of petitioner's residential house for one year which was to expire on 7 July 1996. As required under the lease contract, respondent paid a deposit of P16,000 to answer for damages and unpaid rent. To earn extra income, respondent accepted lodgers, mostly her relatives, from whom she received a monthly income of P15,000. Respondent paid the monthly rental until March 1996 when petitioner drove away respondent's lodgers by telling them that they could stay on the rented premises only until 15 April 1996 since she was terminating the lease. The lodgers left the rented premises by 15 April 1996, and petitioner then padlocked the rooms vacated by respondent's lodgers.

On 10 May 1996, respondent filed an action for damages against petitioner. Respondent alleged that she lost her income from her lodgers for the months of April, May, and June 1996 totaling P45,000. Respondent, who worked in Hongkong, also incurred expenses for plane fares and other travel expenses in coming to the Philippines and returning to Hongkong.

On the other hand, petitioner argued that respondent violated the lease contract when she subleased the rented premises. Besides, the lease contract was not renewed after its expiration on 7 July 1996; thus, respondent had no more right to stay in the rented premises. Petitioner also moved to dismiss the complaint in the trial court for failure to comply with prior barangay conciliation.

During the pre-trial, petitioner moved for the case to be submitted for judgment on the pleadings considering that the only disagreement between the parties was the correct interpretation of the lease contract. Respondent did not object to petitioner's motion. The trial court then directed the parties to submit their respective memoranda, after which the case would be considered submitted for decision.[4]

In its decision dated 28 March 2000, the trial court held that the case is not covered by the barangay conciliation process since respondent is a resident of Hongkong. The trial court noted that petitioner did not controvert respondent's allegation that petitioner ejected respondent's lodgers sometime in March 1996 even if the contract of lease would expire only on 7 July 1996. The trial court found untenable petitioner's contention that subleasing the rented premises violated the lease contract. The trial court held that respondent's act of accepting lodgers was in

accordance with the lease contract which allows the lessee "to use the premises as a dwelling or as lodging house." Thus, the trial court ordered petitioner to pay respondent actual damages of P45,000 for respondent's lost income from her lodgers for the months of April, May, and June 1996, and attorney's fees of P8,000.

Both parties appealed before the Court of Appeals. On 30 September 2003, the Court of Appeals rendered its decision in favor of respondent and modified the trial court's decision. Aside from actual damages and attorney's fees, the Court of Appeals also ordered petitioner to pay moral and exemplary damages and the cost of the suit. The dispositive portion of the Court of Appeals' decision reads:

WHEREFORE, premises considered, the assailed Decision of the trial court is hereby MODIFIED by ordering defendant-appellant [Doris U. Sunbanun] to pay plaintiff-appellant [Aurora B. Go] the following amounts:

- P45,000.00 as compensation for actual damages;
- P50,000.00 as moral damages;
- P50,000.00 as exemplary damages;
- P8,000.00 as Attorney's Fees;
- Cost of the suit.

SO ORDERED.[5]

The Court of Appeals' Ruling

The Court of Appeals held that petitioner's act of forcibly ejecting respondent's lodgers three months prior to the termination of the lease contract without valid reason constitutes breach of contract. Petitioner also violated Article 1654 of the Civil Code which states that "the lessor is obliged to maintain the lessee in the peaceful and adequate enjoyment of the lease for the duration of the contract." The Court of Appeals awarded P50,000 as moral damages to respondent for breach of contract and for petitioner's act of pre-terminating the lease contract without valid reason, which shows bad faith on the part of petitioner. The Court of Appeals also awarded respondent P50,000 as exemplary damages for petitioner's oppressive act.

The Issues

Petitioner raises the following issues:

- THE COURT OF APPEALS ERRED IN AFFIRMING THE AWARD OF ACTUAL DAMAGES BY THE TRIAL COURT.
- THE COURT OF APPEALS ERRED IN MODIFYING THE JUDGMENT OF THE TRIAL COURT AND AWARDING MORAL AND EXEMPLARY DAMAGES AND COSTS OF SUIT IN FAVOR OF RESPONDENT.
- THE COURT OF APPEALS ERRED IN AFFIRMING THE AWARD OF ATTORNEY'S FEES IN FAVOR OF RESPONDENT.[6]

The Ruling of the Court

We find the petition without merit.

In this case, the trial court rendered a judgment on the pleadings. Section 1, Rule 34 of the Rules of Court reads:

SECTION 1. Judgment on the pleadings. - Where an answer fails to tender an issue, or otherwise admits the

material allegations of the adverse party's pleading, the court may, on motion of that party, direct judgment on such pleading. However, in actions for declaration of nullity or annulment of marriage or for legal separation, the material facts alleged in the complaint shall always be proved.

The trial court has the discretion to grant a motion for judgment on the pleadings filed by a party if there is no controverted matter in the case after the answer is filed.[7] A judgment on the pleadings is a judgment on the facts as pleaded,[8] and is based exclusively upon the allegations appearing in the pleadings of the parties and the accompanying annexes.

This case is unusual because it was petitioner, and not the claimant respondent, who moved for a judgment on the pleadings during the pre-trial. This is clear from the trial court's Order[9] dated 7 October 1997 which reads:

ORDER

When this case was called for pre-trial, parties appeared together with counsel. Defendant [Doris U. Sunbanun] moved that considering that there is no dispute as far as the contract is concerned and the only disagreement between the parties is on the interpretation of the contract so that the issue boils down on to which of the parties are correct on their interpretation. With the conformity of the plaintiff [Aurora B. Go], this case is therefore considered closed and submitted for judgment on the pleadings. x x x (Emphasis supplied)

Petitioner, in moving for a judgment on the pleadings without offering proof as to the truth of her own allegations and without giving respondent the opportunity to introduce evidence, is deemed to have admitted the material and relevant averments of the complaint, and to rest her motion for judgment based on the pleadings of the parties.[10] As held in *Tropical Homes, Inc. v. CA*: [11]

As to the amount of damages awarded as a consequence of this violation of plaintiff's rights, the lower court based its award from the allegations and prayer contained in the complaint. The defendant, however, questions this award for the reason that, according to the defendant, the plaintiff, in moving for judgment on the pleadings, did not offer proof as to the truth of his own allegations with respect to the damages claimed by him, and gave no opportunity for the appellant to introduce evidence to refute his claims. We find this objection without merit. It appears that when the plaintiff moved to have the case decided on the pleadings, the defendant interposed no objection and has practically assented thereto. The defendant, therefore, is deemed to have admitted the allegations of fact of the complaint, so that there was no necessity for plaintiff to submit evidence of his claim.

In this case, it is undisputed that petitioner ejected respondent's lodgers three months before the expiration of the lease contract on 7 July 1996. Petitioner maintains that she had the right to terminate the contract prior to its expiration because respondent allegedly violated the terms of the lease contract by subleasing the rented premises. Petitioner's assertion is belied by the provision in the lease contract[12] which states that the lessee can "use the premises as a dwelling or as lodging house." Furthermore the lease contract clearly provides that petitioner leased to respondent the ground floor of her residential house for a term of one year commencing from 7 July 1995. Thus, the lease contract would expire only on 7 July 1996. However, petitioner started ejecting respondent's lodgers in March 1996 by informing them that the lease contract was only until 15 April 1996. Clearly, petitioner's act of ejecting respondent's lodgers resulted in respondent losing income from her lodgers. Hence, it was proper for the trial court and the appellate court to order petitioner to pay respondent actual damages in the amount of P45,000.

We likewise sustain the award of moral damages in favor of respondent. In this case, moral damages may be recovered under Article 2219 and Article 2220 of the Civil Code in relation to Article 21. The pertinent provisions read:

Art. 2219. Moral damages may be recovered in the following and analogous cases:

x x x

(10) Acts and actions referred to in articles 21, 26, 27, 28, 29, 30, 32, 34, and 35.

Art. 2220. Wilfull injury to property may be a legal ground for awarding moral damages if the court should find that, under the circumstances, such damages are justly due. The same rule applies to breaches of contract where the defendant acted fraudulently or in bad faith. (Emphasis supplied)

Art. 21. Any person who wilfully causes loss or injury to another in a manner that is contrary to morals, good customs or public policy shall compensate the latter for the damage.

We agree with the appellate court that petitioner's act of ejecting respondent's lodgers three months before the lease contract expired without valid reason constitutes bad faith. What aggravates the situation was that petitioner did not inform respondent, who was then working in Hongkong, about petitioner's plan to pre-terminate the lease contract and evict respondent's lodgers. Moral damages may be awarded when the breach of contract was attended with bad faith.[13]

Furthermore, we affirm the award of exemplary damages and attorney's fees. Exemplary damages may be awarded when a wrongful act is accompanied by bad faith or when the defendant acted in a wanton, fraudulent, reckless, oppressive, or malevolent manner which would justify an award of exemplary damages under Article 2232[14] of the Civil Code.[15] Since the award of exemplary damages is proper in this case, attorney's fees and cost of the suit may also be recovered as provided under Article 2208[16] of the Civil Code.[17]

WHEREFORE, the Court DENIES the petition. The Court AFFIRMS the 30 September 2003 Decision and the 18 March 2004 Resolution of the Court of Appeals in CA-G.R. CV No. 67836.

SO ORDERED.

Corona[*], Brion, Del Castillo, and Perez, JJ., concur.

[*] Designated additional member per Special Order No. 812.

[1] Under Rule 45 of the 1997 Rules of Civil Procedure.

[2] Penned by Associate Justice Andres B. Reyes, Jr. with Associate Justices Buenaventura J. Guerrero and Regalado E. Maambong, concurring.

[3] Rollo , p. 108.

[4] Id. at 81.

[5] Id. at 94.

[6] Id. at 12-13.

[7] Sps. Hontiveros v. RTC, Br. 25, Iloilo City, 368 Phil. 653 (1999).

[8] Narra Integrated Corporation v. Court of Appeals, 398 Phil. 733 (2000).

[9] Rollo, p. 81.

[10] Rodriguez v. Llorente, 49 Phil. 823 (1926).

[11]338 Phil. 930, 943 (1997), citing *Santiago v. Basilan Lumber Co.*, No. L-15532, 31 October 1963, 9 SCRA 349, 353.

[12] Rollo, pp. 67-69.

[13] *Frias v. San Diego-Sison*, G.R. No. 155223, 3 April 2007, 520 SCRA 244; *Bankard, Inc. v. Feliciano*, G.R. No. 141761, 28 July 2006, 497 SCRA 52.

[14] Article 2232 of the Civil Code provides that "in contracts and quasi-contracts, the court may award exemplary damages if the defendant acted in a wanton, fraudulent, reckless, oppressive, or malevolent manner."

[15] *Amado v. Salvador*, G.R. No. 171401, 13 December 2007, 540 SCRA 161; *Tanay Recreation Center and Development Corp. v. Fausto*, 495 Phil. 400 (2005).

[16] Article 2208 of the Civil Code reads:

Art. 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

- (1) When exemplary damages are awarded;
- (2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;
- (3) In criminal cases of malicious prosecution against the plaintiff;
- (4) In case of a clearly unfounded civil action or proceeding against the plaintiff;
- (5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;
- (6) In action for legal support;
- (7) In actions for the recovery of wages of household helpers, laborers and skilled workers;
- (8) In actions for indemnity under workmen's compensation and employer's liability laws;
- (9) In a separate civil action to recover civil liability arising from a crime;
- (10) When at least double judicial costs are awarded;
- (11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.

In all cases, the attorney's fees and expenses of litigation must be reasonable. (Emphasis supplied)

[17]*Unlad Resources Development Corporation v. Dragon*, G.R. No. 149338, 28 July 2008, 560 SCRA 63.

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