

SPOUSES WILFREDO AND ANGELA AMONCIO, PETITIONERS, VS. AARON GO BENEDICTO, RESPONDENT.

G.R. No. 171707. July 28, 2008

Ponente: CORONA, J.

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CORONA, J.:

At bar is an appeal by certiorari under Rule 45 of the Rules of Court assailing the decision of the Court of Appeals (CA) in CA-G.R. CV No. 79341[1] which, in turn, affirmed the decision of the Regional Trial Court (RTC), Branch 82 of Quezon City.

The facts follow.

On July 15, 1997, petitioners Wilfredo and Angela Amoncio entered into a contract of lease with a certain Ernesto Garcia over a 120 sq. m. portion of their 600 sq. m. property in Quezon City.

On August 20, 1997, petitioners entered into another contract of lease, this time with respondent Aaron Go Benedicto over a 240 sq. m. portion of the same property. The contract read:

WHEREAS, the Lessor is the absolute owner of a parcel of land with an area of (600) [sq. m.] situated in Neopolitan, Quezon City covered by T.C. T. No. 50473 of the Register of Deeds of Quezon City, 240 [sq. m.] of which is being leased to the lessee;

That for and in consideration of the amount of NINETEEN THOUSAND TWO HUNDRED PESOS (P19,200.00), Philippines Currency, monthly rental[,] the Lessor herein lease a portion of said parcel of land with an area of 240 sq. m. to the lessee, subject to the following terms and conditions:

- That the term of the lease is for [f]ive (5) years renewable annually for a maximum of five (5) years from the execution of this contract;
- The Lessee shall pay in advance the monthly rental for the land in the amount of ONE HUNDRED FIFTEEN THOUSAND TWO HUNDRED PESOS (P115,200.00) Philippines Currency equivalent to three (3) months deposit and three (3) months advance rental; commencing November, 1997;
- The [Lessee] shall issue postdated checks for the succeeding rentals to the Lessor;
- That in the event of failure to complete the term of the lease, the lessee is still liable to answer for the rentals of the remaining period;
- That all the improvement on the land leased shall automatically become the property of the Lessor after the expiration of the term of the lease;
- That the leased parcel of land shall be devoted exclusively for the construction supply business of the [Lessee];[2]

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- Design specification needs final approval by the Lessor[,] while structural improvements would have to conform to local government specification, taxes on structural improvement will be for the account of the Lessee.[3]

In December 1997, Garcia and respondent took possession of their respective leased portions.

In July 1999, Garcia pre-terminated his contract with petitioners. Respondent, on the other hand, stayed on until June 8, 2000. According to petitioners, respondent stopped paying his monthly rentals in December 1999. Shortly thereafter, petitioners claimed they discovered respondent putting up improvements on another 120 sq. m. portion of their property which was never leased to him nor to Garcia. They added he had also occupied Garcia's portion immediately after the latter left.[4]

Petitioners asked respondent to pay his arrears and desist from continuing with his construction but he took no heed. Because of respondent's failure to meet petitioners' demands, they asked him to vacate the property. On January 27, 2000, they rescinded the lease contract.

On June 23, 2000, petitioners filed in the RTC of Quezon City a case[5] for recovery of possession of real property against respondent. In the complaint, petitioners asked respondent to pay the following: (1) rent from January 27, 2000 or from the time his lease contract was rescinded until he vacated the property; (2) rent for Garcia's portion from August 1999 until he vacated it and (3) rent for the remaining 120 sq. m. which was not covered by his or Garcia's contract. Petitioners likewise insisted that respondent was liable to pay his arrears from December 1999 until the expiration of his lease contract in August 2002. According to them, the lease contract provided:

"in the event of [respondent's] failure to complete the term of the lease, [he would] still be liable to answer for the rentals of the remaining period."[6]

In his answer with counterclaim, respondent denied petitioners' accusations and alleged that it was them who owed him money. According to him, he and petitioner Wilfredo Amoncio agreed to construct five commercial buildings on petitioners' property. One of the buildings was to go to Garcia, two to petitioners and the last two to him. They also agreed that he was to finance the construction and petitioners were to pay him for the two buildings assigned to them.

Respondent added he was to pay the rentals for five years and surrender the buildings (on his leased portion) to petitioners after the lapse of said period. However, in June 2000, he vacated the premises after he and petitioners could no longer settle things amicably.

Respondent asked to be paid: (1) P600,000 for the construction cost of the two buildings that went to petitioners[7]; (2) P300,000 as adjusted cost of the portion leased to him and (3) P10,000 as attorney's fees.

After trial, the RTC gave credence to respondent's version and dismissed petitioners' case for lack of factual and legal basis. It also granted respondent's counterclaim:

WHEREFORE, premises considered. Judgment is hereby rendered in favor of [respondent] and against [petitioners] DISMISSING the latter's complaint for lack of factual and legal basis.

On the counterclaim, [petitioners] are hereby ordered to pay [respondent] as follows:

- The sum of SIX HUNDRED THOUSAND (P600,000) PESOS representing the cost of the two improvements constructed on the remaining portion of the [petitioners'] lot.
- The sum of THREE HUNDRED THOUSAND PESOS (P300,000) PESOS representing the adjusted cost of the two improvements likewise constructed by [respondent][,] possession of which was terminated two and a

half years before the stipulated term of five (5) years.

- The sum of TEN THOUSAND (P10,000) PESOS as and by way of attorney's fees.

SO ORDERED.[8]

Petitioners elevated the case to the CA. There, petitioners argued that the RTC erred in (1) denying their claim for payment of rentals both for the unexpired period of the lease and for the portions of the property used by respondent which was not covered by his lease contract and (2) granting respondent's counterclaim although they did not allow the construction of the buildings. Petitioners likewise contended the trial court disregarded the parol evidence rule[9] which disallowed the court from looking into any other evidence relating to the agreement of the parties outside the written contract between them.

In its assailed decision, the CA affirmed the RTC's decision and dismissed petitioners' appeal. It held that:

(1) petitioners did not adduce evidence to prove that respondent had actually occupied portions of their property not covered by his contract;

(2) petitioners could not insist that respondent pay the remaining period under the contract since they were the ones who demanded that respondent vacate the premises and

(3) the rule on parol evidence could no longer apply after they failed to object to respondent's testimony (in the lower court) about their agreement regarding the construction of the buildings.[10]

Petitioners filed a motion for reconsideration but it was denied.[11] Hence, this petition.[12]

In support of this petition, petitioners essentially argue that the CA erred in ruling that: (1) they consented to the construction of the buildings by respondent; (2) they waived their right to respondent's assertion of facts that were not embodied in the lease contract and (3) respondent was not a builder in bad faith.[13]

PETITIONERS ALLOWED THE CONSTRUCTION OF THE BUILDINGS

Petitioners' first argument necessitates a review of the facts of the case which, as a general rule, is not the task of this Court. Under Rule 45 of the Rules, this Court shall not pass upon the findings of fact by lower courts unless they ignored salient points that would otherwise affect the outcome of the case.[14] There is no reason for us to overturn the factual conclusions of the lower courts.

Moreover, the lower courts' findings of fact were supported by the records of the case which indubitably showed petitioners' acquiescence to the construction of the buildings on their property. Petitioners' denial cannot negate the overwhelming proof that it was petitioner Wilfredo Amoncio himself who secured the building permit for the project. He also required that all design specifications were to be approved by him.[15]

APPLICATION OF THE PAROL EVIDENCE RULE

Rule 130, Section 9 of the Rules of Court provides:

Section 9. Evidence of written agreements. - When the terms of the agreement have been reduced in writing, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors, no evidence of such terms other than the contents of the written agreement.

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The so-called "parol evidence" forbids any addition to or contradiction of the terms of a written instrument by testimony purporting to show that, at or before the signing of the document, other terms were orally agreed on by the parties.[16] Under the aforesaid rule, the terms of the written contract are conclusive upon the parties and evidence aliunde is inadmissible to vary an enforceable agreement embodied in the document. However, the rule is not absolute and admits of exceptions:

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However, a party may present evidence to modify, explain or add to the terms of the written agreement if he puts in issue in his pleading:

- (a) An intrinsic ambiguity, mistake or imperfection in the written agreement;
- (b) The failure of the written agreement to express the true intent and agreement of the parties thereto;
- (c) The validity of the written agreement; or
- (d) The existence of other terms agreed to by the parties or their successors in interest after the execution of the written agreement.

The term "agreement" shall include wills.

The first exception applies when the ambiguity or uncertainty is readily apparent from reading the contract. The wordings are so defective that what the author of the document intended to say cannot be deciphered.[17] It also covers cases where the parties commit a mutual mistake of fact,[18] or where the document is manifestly incomplete as the parties do not intend to exhibit the whole agreement but only to define some of its terms.[19]

The second exception includes instances where the contract is so obscure that the contractual intention of the parties cannot be understood by mere inspection of the instrument.[20] Thus, extrinsic proof of its subject matter, of the relation of the parties and of the circumstances surrounding them when they entered into the contract may be received as evidence.[21]

Under the third exception, the parol evidence rule does not apply where the purpose of introducing the evidence is to show the invalidity of the contract.[22] This includes cases where a party alleges that no written contract ever existed, or the parties fail to agree on the terms of the contract, or there is no consideration for such agreement.[23]

The fourth exception involves a situation where the due execution of the contract or document is in issue.[24]

The present case does not appear to fall under any of the given exceptions. However, a party to a contract may prove the existence of any separate oral agreement as to any matter which is not inconsistent with its terms.[25] This may be done if, from the circumstances of the case, the court believes that the document does not convey entirely the whole of the parties' transaction.[26]

In this case, there are tell-tale signs that petitioners and respondent had other agreements aside from those established by the lease contract. And we find it difficult to ignore them. We agree with the trial court:

... [T]hat [respondent], indeed, undertook the construction subject hereof, is not disputed by [petitioners]. [Respondent] testified that two units thereof were intended for [petitioners], another two units for him and one for ... Garcia at the cost of P300,000.00 per unit or for a total budget of P1.5 million.

Evidence further disclosed that the [b]uilding [p]ermit issued therefor by the Building Official bore the signature of [petitioner] Wilfredo Amoncio...

...the Court cannot be unmindful of [petitioner Wilfredo Amoncio's denial by any knowledge of the whole construction undertaken by herein [respondent.] But it is evident that [petitioners] have chosen to adopt inconsistent positions which, by applicable jurisprudence, [are] barred. Said the Court in this regard:

The doctrine of estoppel prohibits a party from assuming inconsistent position based on the principle of election, and precludes him from repudiating an obligation voluntarily assumed after having accepted benefits therefrom. To countenance such repudiation would be contrary to equity and would put a premium on fraud and misrepresentation...[27]

Moreover, petitioners also failed to make a timely objection against respondent's assertion of their prior agreement on the construction of the buildings. Where a party entitled to the benefit of the parol evidence rule allows such evidence to be received without objection, he cannot, after the trial has closed and the case has been decided against him, invoke the rule in order to secure a reversal of the judgment.[28] Hence, by failing to object to respondent's testimony in the trial court, petitioners waived the protection of the parol evidence rule.[29]

PAYMENT OF RENTAL

Petitioners demand the payment of the following: (1) rent from December 19, 1999 to June 8, 2000;[30] (2) rent for the unexpired period of the lease or until August 2002[31] and (3) rent corresponding to the portions of the property used by respondent which, according to petitioners, were not covered by his lease contract.[32]

Pursuant to the lease agreement, respondent paid three months advance and three months deposit (at the inception of the lease contract), in effect already settling his rentals for six months from December 1999 to June 8, 2000. The CA correctly ruled:

While [respondent] stopped paying rentals in December 1999 and left before June 8, 2000, a period covering six (6) months, [respondent], nonetheless, had already paid [petitioners] the amount equivalent to six (6) months rentals [advance payment equivalent to three (3) monthly rentals plus deposit equivalent to [another] three (3) monthly rentals]...[33] (emphasis supplied)

Regarding petitioners' second claim (rent for the unexpired period of lease), we agree with the lower courts that they (petitioners) are not entitled to it.

Without doubt, petitioners already benefited immensely from the construction of the five buildings on their property. The amount of their claim is a pittance compared to the increase in value of their property over the years. It would unjustly enrich them if we were to rule in their favor considering that they did not spend a single centavo for the construction of the buildings. It was respondent who financed the entire project which, however, was taken over completely by petitioners.

As a rule, the contract is the law between the parties that must be enforced in sensu strictione. However, it cannot be done under the circumstances of this case. To do so would result in a patently unjust juridical situation. We, as a court not only of justice but of equity as well, may exercise our equitas jurisdictio to refine the rough edges of the rule and avoid injustice.[34]

Lastly, petitioners' claim for rental payment for the portions (not covered by respondent's lease contract) must be dismissed. This claim was never substantiated.

Petitioners' Liability To Respondent

What remains to be resolved is petitioners' liability to respondent, as held by both the RTC and the CA. Were petitioners indeed liable to respondent for the cost of the buildings constructed on their property? Yes.

Since the trial court allowed respondent's testimony as evidence of the parties' prior agreement (regarding the construction of the buildings and the cost thereof), petitioners should pay respondent. Petitioners never disputed the construction of the two buildings given to them. If one of the contracting parties derived some benefit but did not give anything for it to the other, it is only fair that he should return the amount by which he was unjustly enriched.[35] Equity dictates that petitioners be held liable for the expenses incurred by respondent in constructing the buildings that went to them. No man ought to be enriched by another's injury.[36] *Nemo ex alterius incommode debet lecupletari*.

Finally, following our ruling that petitioners knew of the construction of the buildings, any discussion on the issue of whether respondent was a builder in bad faith is no longer necessary.

WHEREFORE, the assailed decision of the Court of Appeals in CA-G.R. CV No. 79341 is hereby AFFIRMED.

Treble costs against petitioners.

SO ORDERED.

Puno, C.J., (Chairperson), Carpio, Azcuna, and Leonardo-De Castro, JJ., concur.

[1] Penned by Justice Portia Alino-Hormachuelos, with the concurrence of Justices Rebecca de Guia-Salvador and Aurora Santiago-Lagman of the Eighth Division of the Court of Appeals. Rollo, pp. 27-37.

[2] "Annex B," RTC Records, pp. 19-21.

[3] *Id.*

[4] Petitioners claimed respondent occupied Garcia's portion in August 1999.

[5] With prayer for the issuance of the writ of preliminary injunction. RTC Records, pp. 1-4.

[6] *Id.*, p. 8.

[7] The records show that the construction cost for each building was P300,000. CA Records, p. 40.

[8] Decided by Judge Severino B. De Castro, *id.*, pp. 45-46.

[9] Rule 130, Section 9 of the Rules of Court:

Section 9. Evidence of written agreements. - When the terms of the agreement have been reduced in writing, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors, no evidence of such terms other than the contents of the written agreement.

However, a party may present evidence to modify, explain or add to the terms of the written agreement if he puts in issue in his pleading:

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- (d) The existence of other terms agreed to by the parties or their successors in interest after the execution of the written agreement.

The term "agreement" shall include wills.

[10] CA Decision, *supra*.

[11] Resolution dated February 22, 2006. Rollo, pp. 38-39.

[12] *Id.*, pp. 9-26.

[13] *Id.*, p. 14.

[14] *Bulay-og v. Bacalso*, G.R. No. 148795, 17 July 2006, 495 SCRA 308. Other grounds allowing review of facts: 1) the conclusion is a finding grounded entirely on speculation, surmise and conjectures; 2) the interference made is manifestly mistaken; 3) there is a grave abuse of discretion; 4) the judgment is based on misapprehension; 5) the findings of facts are conflicting; 6) the appellate court went beyond the issues of the case and its findings are contrary to the admission of both the appellant and the appellee; 7) the findings of facts of the CA are conclusions without citation of specific evidence on which they are based; 8) the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; and, 9) the findings of fact of the CA are premised on the supposed absence of evidence on record.

[15] *Supra* at note 3.

[16] *EVIDENCE* by Ricardo J. Francisco, 1996 Third Edition, Rex Printing Company, Inc., Philippines, p. 84.

[17] *Id.*, pp. 92-93.

[18] *Id.*, p. 94.

[19] *Id.*, p. 95.

[20] *Id.* p. 96.

[21] *Id.*

[22] *Id.*, p. 102.

[23] *Id.*

[24] *Id.*, p. 99.

[25] *Id.*, p. 100.

[26] *Id.*

[27] RTC Decision, *supra*.

[28] *Id.*, p. 88.

[29] See also *Willex Plastic Industries, Corp. v. CA*, 326 Phil. 489 (1996).

[30] Date when respondent vacated his leased portion.

[31] See note at 6.

[32] Those pertaining to Garcia's 120 sq. m. portion and the 120 sq. m. portion not covered by either respondent's or Garcia's lease contracts.

[33] Rollo, p. 36.

[34] *Advanced Foundation Construction Systems Corporation v. New World Properties and Ventures Inc.*, G.R. No. 143154, 21 June 2006, 491 SCRA 557.

[35] Id.; Hulst v. PR Builders, G.R. No. 156364, 3 September 2007.

[36] Advanced Foundation Construction Systems Corporation v. New World properties and Ventures Inc. Id.

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