REMINGTON INDUSTRIAL SALES CORPORATION, PETITIONER, VS. CHINESE YOUNG MEN’S CHRISTIAN ASSOCIATION OF THE PHIL. ISLANDS, DOING BUSINESS UNDER THE NAME MANILA DOWNTOWN YMCA, RESPO...

G.R. NO. 171858. August 31, 2007

Ponente: YNARES-SANTIAGO, J.

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YNARES-SANTIAGO, J.:

For resolution is the motion for reconsideration filed by respondent Chinese Young Men's Christian Association of the Philippine Islands (YMCA) of the Decision dated January 22, 2007, the dispositive portion of which states:

> WHEREFORE, the instant petition is GRANTED. The Decision and Resolution of the Court of Appeals in CA-G.R. SP No. 88599 are SET ASIDE. The Decision of the Regional Trial Court of Manila, Branch 25, in Civil Case No. 03-107655, dismissing the unlawful detainer case for lack of merit, is hereby REINSTATED and AFFIRMED.
>
> SO ORDERED.[1]

Respondent YMCA owns a two storey-building in Binondo, Manila. It leased Unit No. 963 located at the second floor to petitioner RISC from December 1, 1993 to November 30, 1995.It also leased to petitioner RISC Unit No. 966 located at the ground floor from December 1, 1995 to November 30, 1997, while the adjoining unit or Unit 964 was leased to petitioner's sister company RSC.Petitioner removed the partition between Units 964 and 966 and used the combined areas as its office, hardware store and display shop for steel products.It was also used as a passageway to Unit 963, which was utilized by petitioner as its staff room.

On February 27, 1997, respondent formally terminated the lease over the second floor unit and gave RISC until March 31, 1997 to vacate the premises.Before the said period ended, RISC filed an action for the Fixing of Lease Period over the said unit.[2]Subsequently, YMCA filed an action for Ejectment[3] against petitioner. The two cases were consolidated before Branch 26 of the Metropolitan Trial Court of Manila (MeTC-Manila).

Meanwhile, petitioner filed a Petition for Consignation of Rentals[4] alleging that respondent refused to receive payments of the rentals for the ground floor units without just cause.During the hearing, petitioner filed a Formal Surrender of the Leased Premises[5] to which respondent manifested that it does not object to the turn over or the surrender of the leased premises.[6]On July 9, 1998, after petitioner delivered two checks covering the rents for the ground floor units, the trial court issued an Order declaring the consignation case closed.However, petitioner continued to use the premises as passageway since it is the only means of ingress and egress to the second floor unit it occupies.RISC kept the premises padlocked allegedly as a security measure and failed to give YMCA the keys to the premises.

On August 11, 1998, the trial court hearing the consolidated cases rendered a Decision extending the lease period for three years from finality of the Decision and dismissed YMCA's complaint for ejectment.Petitioner filed a

Motion to Constitute Passageway alleging that it has no means of ingress or egress to its second floor Unit. An ocular inspection was conducted on February 5, 1999.The Commissioner's Report revealed that petitioner is still in possession of the keys to the two ground floor units because YMCA failed to provide an adequate passageway to the second floor.[7]Thereafter, YMCA manifested its willingness to constitute a passageway provided Remington will surrender possession of the ground floor unit.[8]

Since respondent was never in actual possession of the premises at the ground floor, it demanded payment from the respective lessees rentals in arrears.Respondent sent Statements of Account dated September 7, 1999 and December 31, 1999 which petitioner repudiated. Finally, on January 18, 2000, respondent sent petitioner a Notice of Termination of Lease with demand to vacate and pay rents from July 1998 to December 1999.This was followed by Statements of Account dated July 28, 2000 and August 7, 2000 according to which the rental arrears amounted to P571,153.85.

On October 26, 2000, respondent filed two ejectment cases against petitioner before the MeTC of Manila.The ejectment case against RSC over ground floor Unit No. 964 was raffled to Branch 20 of the MeTC-Manila which rendered its Decision on November 5, 2001 ordering RSC to vacate the premises and to pay back rents.However, upon appeal, the RTC reversed the Decision of the MeTC and dismissed the complaint. YMCA appealed to the Court of Appeals which dismissed the case on technical grounds and is now pending appeal before this Court.

The ejectment case against petitioner RSIC over ground floor Unit No. 966, the subject matter of the case at bar, was raffled to Branch 17 of the MeTC-Manila.[9]In its Decision dated June 20, 2003, it ordered petitioner RSIC to vacate the premises and to pay back rents.[10] Consequently, petitioner appealed to the RTC which ruled in its favor dismissing the complaint for ejectment for lack of cause of action.[11] Thereafter, YMCA appealed to the Court of Appeals which reversed the RTC and reinstated the Decision of the MeTC.

The Court of Appeals decided in favor of respondent YMCA ruling that it was effectively deprived of possession of the subject units since RISC failed to surrender possession despite manifesting its willingness to do so, by padlocking the subject premises.It did not lend credence to petitioner's claim that the padlocking of the premises was for self-preservation and that it is the only means of ingress and egress to its second floor unit since RISC continued to exercise control over the subject premises.The appellate court also rejected the RTC's observation that YMCA was not prevented from taking control of the disputed units for it could have easily forced open the padlocks.It maintained that ejectment is the legal alternative as against the use of force and breaches of the peace.

RISC thus filed the instant petition for review on certiorari assailing the Decision of the Court of Appeals.In the assailed Decision, we ruled that petitioner has effectively surrendered possession of Units 964 and 966; that the filing of petitioner's Formal Surrender of the Leased Premises constitute constructive delivery of the said premises effective July 1, 1998 as it thereafter emptied and vacated the premises; and that respondent could have easily removed the padlock and take legal and actual possession of the premises.

In the instant motion for reconsideration, respondent argues that petitioner has not constructively delivered the possession of the ground floor units despite the filing in the consignation case of the Formal Surrender of the Leased Premises and after it has emptied and vacated the leased premises on July 1, 1998.Respondent contends that petitioner's use of the premises as passageway, the continued padlocking of the gates and non-turnover of keys constitute unlawful withholding of the possession of the subject premises for which petitioner should be liable.

We grant the motion.

A case for Unlawful Detainer is an action against one who unlawfully withholds possession after the expiration or

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termination of his right to hold possession by virtue of any contract, express or implied, brought within one year from the date of the last demand.[12]From the allegations of the respondent, the case for unlawful detainer is grounded on three acts of petitioner, i.e., using the premises as passageway, the continued padlocking of the premises and non-turnover of keys.

In a contract of lease, the lessor binds himself to give the enjoyment or use of a thing to the lessee for a price certain, and for a period which may be definite or indefinite.[13]The lessor is obliged to deliver the thing which is the object of the contract in such condition as to render it fit for the use intended[14] and upon its termination, the lessee shall return the thing just as he received it, save what has been lost or impaired by the lapse of time, or by ordinary wear and tear, or from an inevitable cause.[15]

The filing of the Formal Surrender of Leased Premises and the actual emptying of the premises constitute constructive delivery of possession.Hence, the contract of lease was terminated on July 1, 1998 and it is incumbent upon petitioner, as lessee, to comply with its obligation to return the thing leased to the lessor and vacate the premises.

However, petitioner failed to comply with its obligation to return the premises to respondent. In order to return the thing leased to the lessor, it is not enough that the lessee vacates it.It is necessary that he places the thing at the disposal of the lessor, so that the latter can receive it without any obstacle.He must return the keys and leave no sub-lessees or other persons in the property; otherwise he shall continue to be liable for rents.[16]

Petitioner's constructive delivery of the premises did not produce the effect of actual delivery to the respondent.To be effective, it is necessary that the person to whom the delivery is made must be able to take control of it without impediment especially from the person who supposedly made such delivery.[17]In the case at bar, records show that despite the termination of the lease, respondent was never in possession of the premises because it was padlocked. Respondent was not given the key to the premises hence it was deprived to use the same as it pleases.

Although the use of the premises as passageway was justified, petitioner cannot deprive respondent the use of the said premises by having it padlocked.Other than simply repudiating the demand for back rentals, petitioner should have given respondent a set of keys so it can enter the premises without exposing the property to security risks. Prudence dictates the delivery of the keys to respondent to dispel any doubt that petitioner is using the premises other than as a mere passageway and that it has never withheld possession of the same to the respondent. Petitioner had several opportunities to give respondent access to the premises starting from the time it sent its first demand to pay back rentals until the complaint for ejectment was filed but it never availed of these opportunities.

From the foregoing, it is apparent that petitioner's constructive delivery did not effectively transfer possession of the leased premises to respondent.From the time the lease was terminated, petitioner unlawfully withheld possession of the leased premises from respondent.[18]However, it appears that petitioner had moved out from respondent's building on March 12, 2004, as stated in its Manifestation[19] before Branch 25 of the RTC-Manila.Respondent is entitled to a reasonable compensation for petitioner's continued occupancy of the premises despite termination of the lease from July 1, 1998 to March 12, 2004.

Under Section 17, Rule 70 of the Rules of Court, the trial court may award reasonable compensation for the use and occupation of the leased premises after the same is duly proved.In Asian Transmission Corporation v. Canlubang Sugar Estates,[20] the Court ruled that the reasonable compensation contemplated under said Rule partakes of the nature of actual damages based on the evidence adduced by the parties.The Court also ruled that "fair rental value is defined as the amount at which a willing lessee would pay and a willing lessor would receive for the use of a certain property, neither being under compulsion and both parties having a reasonable knowledge of all facts, such as the extent, character and utility of the property, sales and holding prices of similar land and the

highest and best use of the property."[21]

The reasonable compensation for the leased premises fixed by the trial court based on the stipulated rent under the lease contract which is P22,531.00, must be equitably reduced in view of the circumstances attendant in the case at bar. First, it should be noted that the premises was used only as a means of passageway caused by respondent's failure to provide sufficient passageway towards the second floor unit it also occupies.Second, respondent was negligent because it waited for more than a year before it actually demanded payment for back rentals as reflected in its Statement of Accounts dated September 7, 1999.When both parties to a transaction are mutually negligent in the performance of their obligations, the fault of one cancels the negligence of the other and, as in this case, their rights and obligations may be determined equitably under the law proscribing unjust enrichment.[22]From the foregoing, we find the amount of P11,000.00 a month equitable and reasonable compensation for petitioner's continued use of the premises.

WHEREFORE, the motion for reconsideration is GRANTED. The Decision dated January 22, 2007 is VACATED and a new judgment is entered REINSTATING and AFFIRMING the Decision of the Metropolitan Trial Court of Manila in Civil Case No. 168628-CV with the MODIFICATION that petitioner is ordered to PAY respondentP11,000.00 a month from July 1, 1998 until March 12, 2004 as reasonable compensation for the use of the premises.

SO ORDERED.

Austria-Martinez, Chico-Nazario, Nachura, and Reyes, JJ., concur.

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[1] Rollo, p. 286.

[2] Civil Case No. 154969-CV, March 24, 1997.

[3] Civil Case No. 155083-CV, April 8, 1997.

[4] Civil Case No. 155897-CV.

[5] Rollo, pp. 45-46.

[6] Id. at 47-48.

[7] Id. at 61-62.

[8] Without resolving the motion to constitute passageway, the consolidated cases was elevated to the RTC which affirmed the MTC Branch 26 ruling extending the lease but for a period of five years and granted the motion to constitute passageway. However, the Court of Appeals, in its Decision dated September 19, 2003, ruled in favor of YMCA and ordered RISC to vacate the premises. On May 21, 2004, the Court of Appeals denied RISC's motion for reconsideration in accordance with its manifestation that it had completely vacated the premises which rendered the case moot and academic.

[9] Civil Case No. 168628-CV.

[10] Rollo, pp. 78-82.

[11] Id. at 102-110.

[12] RULES OF COURT, Rule 70, Section 1.

[13] CIVIL CODE, Article 1643.

[14] CIVIL CODE, Article 1654 (1).

[15] CIVIL CODE, Article 1665.

[16] Arturo M. Tolentino, vol. 2, © 1992, Central Professional Books, Inc., Quezon City, pp. 603-604.

[17] See A. A. Addison v. Felix and Tioco, 38 Phil. 404, 408 (1918).

[18] See Josefa v. San Buenaventura, G.R. No. 163429, March 3, 2006.

[19] Rollo, pp. 95-97, In its Manifestation before Branch 25 of the RTC-Manila, petitioner stated that it had already surrendered all of the keys to respondent's lawyer on said date and has fully vacated both the ground floor and second floor units of respondent's building.

[20] G.R. No. 142383, August 29, 2003, 410 SCRA 202.

[21] Josefa v. San Buenaventura, supra.

[22] Rodzssen Supply Co., Inc. v. Far East Bank & Trust Co., 409 Phil. 706, 715 (2001).

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