

**SPOUSES LORENZO H. LABAYEN AND ANA G. LABAYEN,
PETITIONERS, VS. LEONARDO R. SERAFICA, RESPONDENT.***G.R. No. 178443. October 10, 2008*

Ponente: NACHURA, J.

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This petition for review filed by spouses Lorenzo H. Labayen and Ana G. Labayen seeks to nullify and set aside the April 19, 2007 Decision[1] of the Court of Appeals (CA) in CA-G.R. CV No. 73866, which affirmed the Decision[2] dated October 4, 2001 of the Regional Trial Court (RTC) of Quezon City and the June 18, 2007 Resolution[3] denying petitioners' motion for reconsideration.

The antecedents:

Milagros S. Serafica (Milagros) was the owner of a 221-square-meter lot in Epifanio Delos Santos Avenue (EDSA), Cubao, Quezon City then covered by Transfer Certificate of Title (TCT) No. 45147.

On October 12, 1991 Milagros leased out the property to petitioner Ana G. Labayen. The lease was for fifteen (15) years beginning August 16, 1992 up to August 15, 2007, renewable upon mutual agreement of the parties. The stipulated monthly rental was P15,000.00 for the first 5 years, P20,000.00 for the next 5 years and P25,000.00 for the last 5 years, payable every 10th day of each month.[4] It was also agreed that the lessee would deposit the amount equivalent to two months' rental upon the execution of the contract.[5] The contract further contained an automatic cancellation clause in case of failure to pay the rental or to comply with any of the terms and conditions of the contract.[6] The lease was annotated on TCT No. 45147 on August 17, 1992 under Entry No. 1036/T-45147.

On April 28, 1994, Milagros donated the subject lot to respondent Leonardo Serafica (respondent), resulting in the issuance of TCT No. 107254.[7] Entry No. 1036/T-45147, or the annotation of the lease contract, was carried over to respondent's transfer certificate of title.

On June 3, 1996, Ana Labayen and respondent allegedly executed a Cancellation of Contract of Lease.[8] The deed was duly annotated on respondent's title under Entry No. 5797/T-107254,[9] resulting in the cancellation of Entry No. 1036/T-45147.

Claiming forgery in the execution of the Cancellation of Contract of Lease, petitioners filed suit for cancellation of encumbrance[10] against respondent with the RTC of Quezon City, docketed as LRC Case No. Q-8673(96). Essentially, they sought the cancellation of Entry No. 5797/T-107254 and the revival of Entry No. 1036/T-45147 or the inscription of the contract of lease on respondent's title.

Traversing the petition, respondent argued that petitioners have no cause of action against him. Respondent averred that petitioners did not comply with the stipulations in the contract, specifically the payment of monthly rentals and payment of two months' deposit; thus, the lease had already been terminated pursuant to the automatic cancellation clause. He further denied petitioners' allegation of forgery in the execution of the Cancellation of

Lease Contract, and insisted on the validity of Entry No. 5797/T-107254.[11]

After trial, the RTC rendered a Decision on October 4, 2001, dismissing the petition, viz.:

Petitioners claimed that their signatures in the Cancellation of Contract of Lease were forged. To bolster their allegation, they presented Jennifer Dominguez, Document Examiner of the National Bureau of Investigation, who testified that she conducted the handwriting examination in the questioned document and ended up with the conclusion that the [signatures] of petitioners Ana Labayen and Lorenzo Labayen are not theirs after comparing the said signatures with the standard signatures.

There being a finding by an expert that the signatures of the petitioners in the questioned document are not theirs, the Court has to rule that the signatures of the petitioners were indeed forged.

As to whether respondent is the author of the forgery, the Court finds in the negative.

Respondent Serafica had sufficiently explained in his testimony that the cancellation of the lease contract was caused by Alice Suratos. That the latter made the impression that she can work it out with petitioner Labayen for the cancellation of the contract of lease over certain consideration. Thus, he signed a document prepared by Suratos which is a cancellation of the contract of lease. That the consideration, according to Suratos, is that petitioner Labayen will be exempted from back rentals awarded by the Court in a suit filed by her against Judge Villanueva. That he never met petitioner Labayen face to face regarding the document "cancellation of lease contract" as it was Suratos who dealt (sic) with petitioner. That he did not even appear before Notary Public Jose Reyes.

Anent the third and last issue, which the Court believes to be material in the resolution of the instant case, the Court also rules in the negative.

The Court believes that petitioners failed to show a right that was violated by respondent. Petitioners simply have no cause of action against respondent. They suffered no damage. Petitioners failed to show that they have a right to maintain the annotation of a non-enforceable lease contract on the title of respondent. Petitioners failed to establish validity and efficacy of the lease contract they sought retention of its annotation in respondent's title. And for the Court to so render a contrary ruling would only caused (sic) undue prejudice to the respondent.

ACCORDINGLY, THEREFORE, the instant petition is hereby dismissed for lack of merit.

IT IS SO ORDERED.[12]

Petitioners appealed to the CA. On April 19, 2007, the CA rendered the assailed Decision affirming the RTC. In gist, the CA agreed with the RTC that petitioners have no cause of action against respondent. The appellate court found no reason to disturb the findings that petitioners failed to make a deposit and to pay the monthly rentals resulting in the automatic cancellation and termination of the lease contract. Thus, petitioners lost their status as lessees, and there is no basis for them to maintain the inscription of the contract of lease on respondent's title.

The CA disposed, thus:

WHEREFORE, premises considered, the instant appeal is hereby DISMISSED. The challenged Decision STANDS.

SO ORDERED.[13]

Petitioners sought a reconsideration of the CA Decision, but the same was denied on June 18, 2007.[14]

Hence, this appeal by petitioners, arguing that:

THE COURT OF APPEALS ERRED IN HOLDING THAT PETITIONERS' FAILURE TO PAY THE

DEPOSIT AND SUBSEQUENT RENTALS OCCASIONED BY THE FAILURE OF RESPONDENT TO DELIVER POSSESSION OF THE PROPERTY RESULTED IN AUTOMATIC RESCISSION OF THE LEASE CONTRACT AND, IN TURN, RESULTING IN THE LACK OF CAUSE OF ACTION OF PETITIONERS TO CAUSE THE CANCELLATION OF THE HEREIN ENCUMBRANCE.[15]

We sustain the RTC and the CA. Thus, we deny the petition.

Petitioners admitted that they did not pay the stipulated deposit equivalent to two (2) months' rental. Neither did they pay the agreed monthly rentals provided in the lease contract. They, however, justified their non-compliance, claiming that Milagros and respondent refused to deliver possession of the property. Petitioners' justification fails to persuade.

Records show that the possession of the subject property was delivered to petitioners on July 20, 1995.[16] The delivery was confirmed by Ana Labayen when she testified in open court.[17] Despite delivery, petitioners did not pay the stipulated rental deposit and monthly rentals.

Section 14 of the lease contract explicitly provides:

14. Should the LESSEE fail to pay the rentals as herein stipulated, or should she violate any of the terms and conditions of this contract, this contract is automatically cancelled and terminated, and the LESSOR shall have the right to eject the LESSEE from the premises in question and to collect and recover from her all accrued rents, and the ownership of the improvements shall pass the LESSOR or to her assigns without reimbursements of the costs.[18]

Clearly thus, the automatic cancellation took effect, resulting in the termination of the contract of lease.

Ana Labayen's excuse that Milagros Serafica was not around to receive her payments was obviously an afterthought, concocted in a futile attempt to justify her non-compliance.

It is clear that at the time of the filing of the petition for cancellation of encumbrance before the court a quo, the lease contract already lost its efficacy. Accordingly, there is no basis to save its annotation on respondent's title. The RTC, therefore, correctly dismissed petitioners' action for cancellation of encumbrance, and the CA committed no reversible error in sustaining the RTC.

As the CA had taken pains to demonstrate:

with the automatic cancellation of the lease contract, pursuant to the provision of par. 14 supra., [petitioner] ANA LABAYEN lost her status as a lessee of the subject property. Perforce no damage or prejudice would be suffered by [petitioners] in the cancellation of the encumbrance of lease contract in [respondent's] title.

The fact that the document purportedly canceling the lease contract was forged is of no moment. There could not have been a violation of a right as a result of such forgery, because there was never a right to talk about in so far as the [petitioners] are concerned. Otherwise put, for [petitioners'] failure to preserve the effectivity of the lease contract, [petitioners] are considered mere strangers to the subject property, who do not have any legal interest therein. Thus, the cancellation of the encumbrance of lease contract on [respondent's] title would not cause [petitioners] any damage or injury, just as no benefit could be obtained by them from its retention.[19]

In any event, we note that the period of lease ended last August 15, 2007. With the expiration of the contract, petitioners' purported right to maintain the inscription of the lease contract on respondent's title no longer exists; hence, the said inscription may now be cancelled.

Petitioners also insist on entitlement to moral and exemplary damages as well as attorney's fees, claiming that

they suffered mental anguish, sleepless nights and disturbance as a result of the cancellation of lease contract and its annotation on respondent's title. They aver that respondent, along with Alice Suratos, acted fraudulently in the execution and registration of the deed of cancellation of contract of lease.

It is settled that, in order that a plaintiff may maintain an action for the injuries of which he complains, he must establish that such injuries resulted from a breach of duty which the defendant owed to the plaintiff - a concurrence of injury to the plaintiff and legal responsibility by the person causing it. The underlying basis for the award of tort damages is the premise that an individual was injured in contemplation of law; thus, there must first be a breach before damages may be awarded, and the breach of such duty should be the proximate cause of the injury.[20]

It is not enough that one suffered sleepless nights, mental anguish or serious anxiety as a result of the actuations of the other party. It is also required that a culpable act or omission was factually established, that there is proof that the wrongful act or omission of the defendant is the proximate cause of the damage sustained by the claimant, and that the case is predicated on any of the instances expressed or envisioned by Articles 2219 and 2220 of the Civil Code.[21]

In this case, petitioners failed to establish any wrongful act on the part of respondent which would warrant the award of damages in their favor.

The RTC and the CA were unanimous in their findings that respondent had nothing to do with the forgery, and we see no reason to disturb such findings.

The termination of the contract of lease and the consequent cancellation of its annotation on respondent's title were due to petitioners' non-compliance with the stipulations in the contract. Petitioners cannot now pass the blame to respondent. As quoted earlier, the contract contained the stipulation that the contract could be automatically cancelled if the lessee failed to pay the rentals or to comply with the stipulations in the contract. It was within the right of respondent, as lessor, to avail himself of the automatic termination clause provided for in the contract. Thus, whatever damages petitioners may have suffered as a consequence of the termination of the lease contract and the consequent cancellation of its annotation in respondent's title would have to be borne by them alone.

As the Court pronounced in *BPI Express Card Corporation v. Court of Appeals*: [22]

We do not dispute the findings of the lower court that private respondent suffered damages as a result of the cancellation of his credit card. However, there is a material distinction between damages and injury. Injury is the illegal invasion of a legal right; damage is the loss, hurt, or harm which results from the injury; and damages are the recompense or compensation awarded for the damage suffered. Thus, there can be damage without injury in those instances in which the loss or harm was not the result of a violation of a legal duty. In such cases, the consequences must be borne by the injured person alone, the law affords no remedy for damages resulting from an act which does not amount to a legal injury or wrong. These situations are often called *damnum absque injuria*. [23]

To repeat, petitioners cannot, therefore, claim damages from respondent.

WHEREFORE, the petition is DENIED. The Decision and Resolution of the Court of Appeals in CA-G.R. CV No. 73866 are AFFIRMED. Costs against petitioners.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, Chico-Nazario, and Reyes, JJ., concur.

[1] Penned by Associate Justice Myrna Dimaranan Vidal, with Associate Justices Jose L. Sabio, Jr. and Jose C. Reyes, Jr., concurring; rollo, pp. 42-50.

[2] Rollo, pp. 71-74.

[3] Id. at 51.

[4] 2. Rental. The LESSEE shall pay, without need of further demand, a monthly rental of FIFTEEN THOUSAND PESOS (P15,000.00) for the first five years, TWENTY THOUSAND PESOS (P20,000.00) for the next five years, and TWENTY-FIVE THOUSAND PESOS (P25,000.00) for the last five years within the first ten (10) days of each and every month, in the city residence of the LESSOR. (Id. at 58.)

[5] 16. Deposit: Upon the signing of this contract, the LESSEE shall make a deposit of two months rental to the LESSOR, of which said deposit shall not be applied to any rental that is due; said deposit shall be reimbursed at the end of this contract. (Id. at 60.)

[6] Rollo, pp. 58-60

[7] Id. at 61.

[8] Id. at 63-64.

[9] Id. at 62.

[10] Id. at 52-57.

[11] Id. at 66-69.

[12] Id. at 73-74.

[13] Id. at 49-50.

[14] Id. at 51.

[15] Id. at 17.

[16] Id. at 142.

[17] See CA Decision, id. at 47.

[18] Rollo, p. 59.

[19] Id. at 48-49.

[20] Aznar v. Citibank, N.A. (Philippines), G.R. No. 164273, March 28, 2007, 519 SCRA 287, 311.

[21] Id. at 312.

[22] 357 Phil. 262 (1998).

[23] Id. at 275-276.

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