

**MIDWAY MARITIME AND TECHNOLOGICAL FOUNDATION,
REPRESENTED BY ITS CHAIRMAN/PRESIDENT PHD IN EDUCATION
DR. SABINO M. MANGLICMOT, PETITIONER, VS. MARISSA E. CASTRO,
ET AL., RESPOND...**

G.R. No. 189061. August 06, 2014

Ponente: REYES, J.

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REYES, J.:

The petitioner Midway Maritime and Technological Foundation (petitioner) is the lessee of two parcels of land in Cabanatuan City. Its president, Dr. Sabino Manglicmot (Manglicmot), is married to Adoracion Cloma (Adoracion), who is the registered owner of the property under Transfer Certificate of Title (TCT) Nos. T-71321 and T-71322. Inside said property stands a residential building, which is now the subject matter of the dispute, owned by the respondents.

The two parcels of land, on a portion of which the residential building stand, were originally owned by the respondents' father Louis Castro, Sr. The elder Castro was also the president of Cabanatuan City Colleges (CCC). On August 15, 1974, Castro mortgaged the property to Bancom Development Corporation (Bancom) to secure a loan. During the subsistence of the mortgage, CCC's board of directors agreed to a 15-year lease of a portion of the property to the Castro children, herein respondents, who subsequently built the residential house now in dispute. The lease was to expire in 1992.

When CCC failed to pay its obligation, Bancom foreclosed the mortgage and the property was sold at public auction in 1979, with Bancom as the highest bidder. Bancom thereafter assigned the credit to Union Bank of the Philippines (Union Bank), and later on, Union Bank consolidated its ownership over the properties in 1984 due to CCC's failure to redeem the property. When Union Bank sought the issuance of a writ of possession over the properties, which included the residential building, respondents opposed the same. The case reached the Court in G.R. No. 97401 entitled, *Castro, Jr. v. CA*, [1] and in a Decision dated December 6, 1995, the Court ruled that the residential house owned by the respondents should not have been included in the writ of possession issued by the trial court as CCC has no title over it.

In the meantime, Adoracion's father, Tomas Cloma (Tomas), bought the two parcels of land from Union Bank in an auction sale conducted on July 13, 1993. Tomas subsequently leased the property to the petitioner and thereafter, sold the same to Adoracion. Several suits were brought by the respondents against the petitioner, including the case at bench, which is an action for Ownership, Recovery of Possession and Damages, docketed as Civil Case No. 3700 (AF).

In their Amended Complaint[2] dated April 19, 2000, the respondents alleged that: (1) they are the owners of the residential building subject of the dispute, which they used from 1977 to 1985 when they left for the United States of America and instituted their uncle, Josefino C. Castro (Josefino), as the caretaker; (2) Manglicmot, who was the President of the petitioner Midway Maritime and Technological Foundation, leased the building (except for

the portion occupied by Josefino) from Lourdes Castro, mother of the respondents, in June 1993 with monthly rent of P6,000.00, which was later to be increased to P10,000.00 in October 1995 after Josefino vacates his occupied portion; (3) the petitioner failed to pay rent starting August 1995, thus prompting the respondents to file the action. The respondents prayed that they be declared as the owners of the residential building, and that the petitioner be ordered to vacate the same and pay rent arrearages and damages.[3]

The petitioner, however, denied respondents' ownership of the residential building and claimed that Adoracion owns the building, having bought the same together with the land on which it stands.[4]

In a Decision[5] dated July 2, 2001, the Regional Trial Court (RTC) of Cabanatuan City, Branch 28, rendered judgment in favor of the respondents, declared them as the absolute owners of the residential building and ordered petitioner to pay the respondents unpaid rentals from August 1995 until fully paid. The dispositive portion of the RTC decision reads:

WHEREFORE, judgment is hereby rendered:

1. Declaring the [respondents] as the absolute owners of the building in question described as follows:

x x x x

2. Ordering the [petitioner] to pay the [respondents] the sum of [P]672,000.00 by way of unpaid rentals from August 1995 at [P]6,000.00 and from October 1995 at [P]10,000.00 until fully paid.

3. The claim for moral damages, other litigation expenses and attorney's fees are dismissed for lack of merit.

SO ORDERED.[6]

The Court of Appeals (CA) dismissed the petitioner's appeal and affirmed the RTC decision in the assailed Decision[7] dated October 29, 2008 and Resolution[8] dated August 3, 2009.

Hence, this petition.

The petitioner contests the award of rentals made by the RTC, which was affirmed by the CA, contending that when Tomas bought the two parcels of land from Union Bank in 1993, the sale included the improvements thereon, one of which was the residential house in dispute. The petitioner also argues that the lease between CCC and the respondents already expired at the time of the sale and they are now the current lessees of the property, albeit the residential house is still standing inside the school compound.[9] The petitioner relies on a decision rendered by the RTC of Cabanatuan City, Branch 26, in Civil Case No. 2939 (AF), which was an appeal from the trial court's dismissal of the complaint for Ejectment with Damages filed by the respondents against the petitioner. In said decision, the RTC stated that "in the advertised sale of the lots covered by TCT Nos. T-45816 and [T-45817] of the land records of Cabanatuan City, all improvements were included, hence, the instant case has no factual and legal basis." [10]

Ruling of the Court

The first issue to be resolved is whether there was a lease agreement between the petitioner and the respondents as regards the residential building. Such issue, it must be emphasized, is a question of fact[11] that has been resolved by the RTC in the affirmative, to wit: "from June 1993 to July 25, 1995 or for a period of 26 months, the [petitioner] has been paying rentals for the building in question and paid a rental of [P]156,000.00 which rental was increased to P10,000.00 beginning October 1995 when the caretaker of the [respondents] Mr. Josefino Castro was ejected therefrom and the entire building was leased to the [petitioner], represented by Dr. Sabino Manglicmot." [12] Such finding is borne by the records of this case. Exhibit "J" [13] for the respondents is a cash disbursement voucher issued by the petitioner to Mrs. Lourdes Castro. The voucher contained the statement

“payment of building rentals x x x from June 01 to December 01, 1993” in the total amount of P36,000.00. The petitioner’s payment of the foregoing rentals confirms the existence of its agreement to lease the residential building from the respondents.

Given the existence of the lease, the petitioner’s claim denying the respondents’ ownership of the residential house must be rejected. According to the petitioner, it is Adoracion who actually owns the residential building having bought the same, together with the two parcels of land, from her father Tomas, who, in turn, bought it in an auction sale.

It is settled that “[o]nce a contract of lease is shown to exist between the parties, the lessee cannot by any proof, however strong, overturn the conclusive presumption that the lessor has a valid title to or a better right of possession to the subject premises than the lessee.”[14] Section 2(b), Rule 131 of the Rules of Court prohibits a tenant from denying the title of his landlord at the time of the commencement of the relation of landlord and tenant between them.[15] In *Santos v. National Statistics Office*,[16] the Court expounded on the rule on estoppel against a tenant and further clarified that what a tenant is estopped from denying is the title of his landlord at the time of the commencement of the landlord-tenant relation. If the title asserted is one that is alleged to have been acquired subsequent to the commencement of that relation, the presumption will not apply.[17]

In this case, the petitioner’s basis for insisting on Adoracion’s ownership dates back to the latter’s purchase of the two parcels of land from her father, Tomas. It was Tomas who bought the property in an auction sale by Union Bank in 1993 and leased the same to the petitioner in the same year. Note must be made that the petitioner’s president, Manglicmot, is the husband of Adoracion and son-in-law of Tomas. It is not improbable that at the time the petitioner leased the residential building from the respondents’ mother in 1993, it was aware of the circumstances surrounding the sale of the two parcels of land and the nature of the respondents’ claim over the residential house. Yet, the petitioner still chose to lease the building. Consequently, the petitioner is now estopped from denying the respondents’ title over the residential building.

More importantly, the respondents’ ownership of the residential building is already an established fact.

“Nemo dat quod non habet. One can sell only what one owns or is authorized to sell, and the buyer can acquire no more right than what the seller can transfer legally.”[18] It must be pointed out that what Tomas bought from Union Bank in the auction sale were the two parcels of land originally owned and mortgaged by CCC to Bancom, and which mortgage was later assigned by Bancom to Union Bank. Contrary to the petitioner’s assertion, the property subject of the mortgage and consequently the auction sale pertains only to these two parcels of land and did not include the residential house. This was precisely the tenor of *Castro, Jr. v. CA*[19] where the Court nullified the writ of possession issued by the trial court insofar as it affected the residential house constructed by the respondents on the mortgaged property as it was not owned by CCC, which was the mortgagor. The Court ruled:

[Article 2127 of the Civil Code] extends the effects of the real estate mortgage to accessions and accessories found on the hypothecated property when the secured obligation becomes due. The law is predicated on an assumption that the ownership of such accessions and accessories also belongs to the mortgagor as the owner of the principal. The provision has thus been seen by the Court, x x x, to mean that all improvements subsequently introduced or owned by the mortgagor on the encumbered property are deemed to form part of the mortgage. That the improvements are to be considered so incorporated only if so owned by the mortgagor is a rule that can hardly be debated since a contract of security, whether real or personal, needs as an indispensable element thereof the ownership by the pledgor or mortgagor of the property pledged or mortgaged. The rationale should be clear enough — in the event of default on the secured obligation, the foreclosure sale of the property would naturally be the next step that can expectedly follow. A sale would

result in the transmission of title to the buyer which is feasible only if the seller can be in a position to convey ownership of the thing sold (Article 1458, Civil Code). It is to say, in the instant case, that a foreclosure would be ineffective unless the mortgagor has title to the property to be foreclosed.[20] (Citations omitted and emphasis ours)

The rule is that “when a decision becomes final and executory, it becomes valid and binding upon the parties and their successors in interest.”[21] Such being the case, Castro, which already determined with finality the respondents’ ownership of the residential house in question, is applicable and binding in this case and the petitioner cannot be allowed to challenge the same. Thus, as correctly ruled by the CA, “[t]o our mind, the pronouncement resolving the said issue necessarily touches also the issue on the ownership of the building. x x x The finding of the Court [in Castro], now being final and executory, is no longer open for inquiry and therefore, has attained its immutability.”[22]

As regards the ruling of the RTC of Cabanatuan City, Branch 26, in Civil Case No. 2939 (AF) that the advertised sale of the property included all the improvements thereon,[23] suffice it to say that said case involved an action for ejectment and any resolution by the RTC on the matter of the ownership of the improvements of the property is merely provisional and cannot surpass the Court’s pronouncement in Castro and in the present case. The petitioner should be reminded that “in ejectment suits, the only issue for resolution is the physical or material possession of the property involved, independent of any claim of ownership by any of the party litigants. However, the issue of ownership may be provisionally ruled upon for the sole purpose of determining who is entitled to possession de facto.”[24] The MTC and RTC’s adjudication of ownership is merely provisional and would not bar or prejudice an action between the same parties involving title to the property.[25]

Also, Adoracion’s subsequent acquisition of the two parcels of land from her father does not necessarily entail the acquisition of the residential building. “A building by itself is a real or immovable property distinct from the land on which it is constructed and therefore can be a separate subject of contracts.”[26] Whatever Adoracion acquired from her father is still subject to the limitation pronounced by the Court in Castro, and the sale between Adoracion and Tomas is confined only to the two parcels of land and excluded the residential building owned by the respondents. It is beyond question that Tomas, and subsequently, Adoracion, could not have acquired a right greater than what their predecessors-in-interest – CCC and later, Union Bank – had.[27]

The petitioner also insists that the lease between CCC and the respondents already expired when Adoracion bought the property from Tomas. The foregoing issue, however, cannot be considered in the present action. As established from the facts of this case, the residential house is located on a portion of the property that was leased by CCC to the respondents. Disputing the lease between CCC and the respondents, in effect, goes into the right of the respondents to maintain the residential house in question and eventually, their right to have the same leased to the petitioner. Such argument, obviously, is a disguised effort to contest the title of the respondents over the residential house leased to the petitioner, which, as the Court previously discussed, cannot be allowed since they are estopped from denying the same.

There is also nothing on record that will prove the petitioner’s claim that the lease between CCC and the respondents already expired. The fact that Adoracion subsequently bought the property did not ipso facto terminate the lease. While the lease between CCC and the respondents contained a 15-year period, to end in 1992, the petitioner failed to show that the subsequent transferors/purchasers of the two parcels of land opted to terminate the lease or instituted any action for its termination. Bancom bought the property at an auction sale in 1979; Union Bank, in 1984; Tomas, and later, Adoracion, acquired the property in 1993.

Article 1676 of the Civil Code provides:

The purchaser of a piece of land which is under a lease that is not recorded in the Registry of property may terminate the lease, save when there is a stipulation to the contrary in the contract of sale, or when the purchaser knows of the existence of the lease.

x x x x.

It cannot be denied that the transferors/purchasers of the property all had knowledge of the lease between CCC and the respondents; yet, not any of the transferors/purchasers moved to terminate the lease. In *Bernabe v. Judge Luna*,^[28] the Court stated:

[P]etitioners are in error when they say that because they are the buyers of the lot involved herein, they ipso facto have the right to terminate an existing lease. They can do so but only if the lease itself is not recorded, and they, as buyers, are not aware of the lease's existence and duration, thus Art. 1676 of the Civil Code says:

x x x x

In the present case, the lease is not recorded, and although petitioner knew of its existence, there was no fixed period for its duration — hence the lease was generally terminable at the will of the buyers-petitioners. But of course they had to make a demand for its termination. x x x.^[29] (Citation omitted and emphasis ours)

This was, in fact, the significance of the Court's statement in *Castro*, that –

[I]n respect of the lease on the foreclosed property, the buyer at the foreclosure sale merely succeeds to the rights and obligations of the pledgor-mortgagor subject, however, to the provisions of Article 1676 of the Civil Code on its possible termination.^[30] (Citation omitted, emphasis and underscoring ours)

Given, however, the lack of substantiation, the petitioner's insistence on the expiry of the lease between CCC and the respondents, at this point, must fail.

WHEREFORE, the petition is DENIED for lack of merit.

SO ORDERED.

Sereno, C.J., (Chairperson), Bersamin,^[*] Villarama, Jr., and Mendoza,^[**] JJ., concur.

[*] Acting working chairperson per Special Order No. 1741 dated July 31, 2014 vice Associate Justice Teresita J. Leonardo-De Castro.

[**] Acting member per Special Order No. 1738 dated July 31, 2014 vice Associate Justice Teresita J. Leonardo-De Castro.

[1] 321 Phil. 262 (1995).

[2] Records, pp. 30-33.

[3] Id. at 33.

[4] Id. at 42. See also pp. 10-11.

[5] Issued by Judge Tomas B. Talavera; id. at 218-221.

[6] Id. at 221.

[7] Penned by Associate Justice Amelita G. Tolentino, with Associate Justices Japar B. Dimaampao and Sixto C. Marella, Jr., concurring; CA rollo, pp. 156-172.

- [8] Id. at 187-188.
- [9] Rollo, pp. 9-11.
- [10] Records, p. 119.
- [11] R & M General Merchandise, Inc. v. Court of Appeals, 419 Phil. 131, 143 (2001).
- [12] Records, p. 221.
- [13] Id. at 135.
- [14] Samelo v. Manotok Services, Inc., G.R. No. 170509, June 27, 2012, 675 SCRA 132, 142.
- [15] Id. at 141.
- [16] G.R. No. 171129, April 6, 2011, 647 SCRA 345.
- [17] Id. at 357.
- [18] Rufloe, et al. v. Burgos, et al., 597 Phil. 261, 270 (2009).
- [19] Supra note 1.
- [20] Id. at 268.
- [21] Government Service Insurance System (GSIS) v. Group Management Corporation (GMC), G.R. No. 167000, June 8, 2011, 651 SCRA 279, 309.
- [22] CA rollo, pp. 213-214.
- [23] Records, p. 119.
- [24] Malabanan v. Rural Bank of Cabuyao, Inc., 605 Phil. 523, 531 (2009).
- [25] Heirs of Albina G. Ampil v. Manahan, G.R. No. 175990, October 11, 2012, 684 SCRA 130, 139, citing Pascual v. Coronel, G.R. No. 159292, July 12, 2007, 527 SCRA 474, 482.
- [26] Sps. Alcaraz v. Tangga-an, 449 Phil. 62, 70 (2003), citing Article 415 of the Civil Code.
- [27] See Development Bank of the Philippines v. Prudential Bank, 512 Phil. 267, 279 (2005).
- [28] 232 Phil. 122 (1987).
- [29] Id. at 126-127.
- [30] Supra note 1, at 268.

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