

RODOLFO GUIANG, PETITIONER, VS. RICARDO C. SAMANO, JUDGE SERAFIN E. CAMILON, AND HONORABLE COURT OF APPEALS, RESPONDENTS.

G.R. No. 50501. April 22, 1991

Ponente: BIDIN, J.

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BIDIN, J.:

This is a petition for review on certiorari seeking to reverse and set aside the Decision[1] of the Court of Appeals dated April 30, 1979 in CA-G.R. No. SP-08690 entitled "Rodolfo Guiang vs. Ricardo C. Samano, et. al." which affirmed the Decision[2] of the Court of First Instance of Rizal, Branch VIII dated November 9, 1978 in Civil Case No. 29475 entitled "Ricardo C. Samano vs. Rodolfo Guiang" which, in turn, affirmed in all respects the Decision[3] of the Municipal Court of Makati dated April 12, 1978 in Civil Case No. 15250 entitled "Ricardo C. Samano vs. Rodolfo Guiang", ordering therein defendant (herein petitioner) to vacate the premises and to pay therein plaintiff (herein private respondent) the amount of P40.00 a month from November, 1977 until he (herein petitioner) vacates the premises plus attorney's fees and the costs of suit.

As culled from the records, the uncontroverted facts of this case are as follows:

Sometime in 1961, petitioner verbally leased a portion of a parcel of land located at 533 Lacuna Street, Bangkal, Makati, Metro Manila belonging to private respondent at an agreed monthly rental of P40.00.

Immediately after petitioner occupied the aforesaid lot, he constructed a house thereon for which he spent the amount of P8,000.00.

On December 18, 1975, private respondent filed an ejectment case docketed as Civil Case No. 14704 against petitioner before the Municipal Court of Makati on the ground that the petitioner as defendant failed to pay the monthly rentals of P40.00 from July to December, 1975 in the total sum of P240.00.

But before said case could be tried on the merits, the parties thereto filed a joint motion to dismiss the same. Hence, an order dated August 20, 1976 was issued dismissing the case on the ground that it has been settled amicably.

Barely a month thereafter or on September 14, 1976, private respondent filed another ejectment case docketed as Civil Case No. 15250 against petitioner before the same court, alleging, among others, as basis for his cause of action, the following:

"3. That defendant has been in arrears since August, 1975 up to the present, or in the total amount of Five Hundred Sixty (P560.00) Pesos, Philippine Currency, and despite oral and written demands, the last written demand of which is dated August 21, 1976, thru personal service, a xerox copy of said demand is hereto attached, marked as Annex 'A' and considered as an integral part hereof, defendant failed and refused as he fails and refuses to vacate the premises removing his house thereat and paying his obligations, to the damage and prejudice of the herein plaintiff."

In his Answer with Counterclaim dated October 13, 1976, petitioner alleged that:

"3. Defendant specifically denies the allegations contained in paragraph 3 of the complaint to the effect that he has failed and refused to pay his arrearages the truth of the matter being those alleged in defendant's Affirmative and Special Defenses."

The aforesaid Affirmative and Special Defenses allegations read as follows:

"7. That since 1961 up to and until 12 June 1975, date of receipt of payment for rental due for July 1975, defendant has been religiously paying the agreed rent on the premises;

8. That in or about the latter part of July 1975, plaintiff approached the defendant herein and intimated his (plaintiff's) intentions of increasing the rental on the premises from P40.00 to P120.00 a month, however, due to some financial problems the defendant then found himself confronted with, the latter declined and refused to accede to plaintiff's request and demands for a raise of rentals on the premises;

9. That since then and up to the present, the plaintiff had refused to accept the monthly payments of P40.00 tendered on him so that the defendant was constrained to deposit the rentals due thereon with a bank so that at any time, defendant could withdraw and pay his arrearages, the accumulation of which is not due to defendant's faults."

After trial, a decision dated April 12, 1978 was rendered by the Municipal Court of Makati, the dispositive portion of which reads:

"WHEREFORE, in view of the foregoing, judgment is hereby rendered for the plaintiff Ricardo Samano and against the defendant Rodolfo Guiang, to wit:

1. ordering the defendant and all persons claiming rights under him to immediately vacate the premises in litis and restore possession thereof to herein plaintiff;
2. ordering the defendant to pay plaintiff the amount of Forty (P40.00) Pesos a month from November 1977 until he finally vacates the premises;
3. ordering the defendant to pay plaintiff the sum of Five Hundred (P500.00) Pesos by way attorney's fees; and
4. ordering the defendant to pay the costs of suit.

SO ORDERED."

On appeal by petitioner to the Court of First Instance of Rizal, the decision of the trial court was affirmed in all respects. The dispositive portion of said CFI judgment dated November 9, 1978, reads —

"FROM THE FOREGOING, this Court holds that the trial court committed no error in rendering its decision which conforms to the evidence presented and to the law, for which reason, the appeal is dismissed and the decision appealed from is affirmed in all respects, with costs against the defendant.

SO ORDERED."

Petitioner filed a petition for review with the Court of Appeals attributing to the Court of First Instance of Rizal four (4) errors, to wit:

"1. The respondent judge erred in not reversing the decision of the Municipal Court of Makati, Metro Manila, dated April 12, 1978 and in not considering that the same is barred by prior judgment or res judicata rendered in Civil Case No. 14704 entitled 'Ricardo C. Samano versus Rodolfo Guiang', Municipal Court of Makati, Rizal.

2. The respondent judge erred in not ruling that the private respondent violated Presidential Decree No. 20 when he clearly told the petitioner that he was increasing the rentals from P40.00 to P120.00 a month.
3. The respondent judge erred, that on the assumption that the private respondent has the right to eject the petitioner, in not requiring the said respondent to pay for the value of the house, the petitioner being lessee is a builder in good faith.
4. That respondent judge erred in not ruling that the petitioner being a tenant of the premises in question since 1961 continuously up to the present there is a need to fix the period of the contract of lease."

In a decision promulgated on April 30, 1979, the Court of Appeals dismissed said petition, the dispositive part of which reads —

"Withal, we sustain the decision of the respondent court, the same being not only supported by substantial evidence, but fully in accord with the applicable law as well.

WHEREFORE, the petition for review is hereby dismissed, with costs against petitioner Rodolfo Guiang.

SO ORDERED."

Hence, this petition.

In the resolution of October 8, 1979, the First Division of the Supreme Court gave due course to the petition and both parties were required to file simultaneous memoranda. The memorandum for the petitioner was filed on November 13, 1979 while that of the private respondent was filed on January 15, 1980.

The petition is devoid of merit.

The main issue in this case is whether Civil Case No. 14704 for non-payment of rentals from July, 1975 up to and including December 18, 1975 which was allegedly settled amicably constitutes *res judicata* and a bar to Civil Case No. 15250 which is also for non-payment of rentals from August, 1975 to September 14, 1976.

Petitioner contends that the findings of the respondent appellate court in dismissing the petition were grounded entirely on speculations, surmises, conjectures and without factual or legal basis, and said court acted with grave abuse of discretion in dismissing the same apparently on the basis of the following: firstly, that the respondent appellate court erred in ruling that the question of *res judicata* was not raised by the petitioner in his appeal memorandum and secondly, that the same court erred in ruling that the petitioner has not paid the rentals from August to December, 1975.

The issues of *res judicata* and non-payment of rentals from August to December, 1975 are purely factual in nature which the Supreme Court is not bound to review, much less reverse, on appeal. Well-settled is the rule in this jurisdiction that the findings of fact of the Court of Appeals when supported by substantial evidence, as they are in the instant case, is beyond the Supreme Court's power of judicial review. It is not the function of the Supreme Court to analyze and weigh such evidence all over again (*PNB v. CA*, 159 SCRA 433 [1988]).

Even the findings of fact of the trial court are entitled to great respect, and carry even more weight when affirmed by the Court of Appeals (*Go Ong vs. CA*, 154 SCRA 270). Consequently, the factual findings of the Court of Appeals are conclusive on the parties (*Investment & Development, Inc. vs. CA*, 162 SCRA 636).

Moreover, the issue in the case at bar has been settled in the case of *Limpan Investment Corporation vs. Lim Sy*, 159 SCRA 484 [1988], the pertinent portion of which reads:

"Although the first action of the owner for ejectment of tenant was dismissed by the court under a judgment that became final and executory, such dismissal does not preclude the owner from making a new demand upon

the tenant to vacate should the tenant again fail to pay the rents due."

Even assuming that the first ejectment suit docketed as Civil Case No. 14704 was dismissed on August 20, 1976 (although a copy of the dismissal order is nowhere to be found in the record transmitted from the Municipal Court to the respondent court) nonetheless petitioner's possession of the premises in question became unlawful and a new cause of action for ejectment accrued, after a written letter of demand to pay the rentals in arrears from August, 1975 was served by private respondent upon petitioner on August 21, 1976 when the latter failed and refused to comply therewith.

Petitioner further contends that the conclusions of the respondent appellate court are contrary to law based on the following grounds: (1) that the respondent appellate court did not fix the period of the contract of lease, the same having been verbally made without any definite period, and (2) that granting that the private respondent has the right to eject the petitioner from the premises in question, the same court did not order the private respondent to reimburse the petitioner the value of his house in the amount of at least P20,000.00 considering the tremendous increases in the price of construction materials and labor.

As correctly ruled by the respondent appellate court:

"It should be emphasized that the power granted to the court by Article 1687 of the Civil Code to fix a longer period for the lease is merely discretionary, not mandatory (*Prieto vs. Santos and Gaddi*, 98 Phil. 509). In the instant case, the respondent judge can hardly be faulted for refusing to extend the term of the lease, considering that petitioner has not sought such extension either in the trial court or in the respondent court. Besides, the fact that petitioner has not paid the rentals since August, 1975 up to the present hardly justifies an extension of petitioner's occupancy of the premises."

In *Divino vs. Marcos*, 4 SCRA 186 [1962] this Court held that:

"The power of the courts to 'fix a longer term for lease' is protestative or discretionary, — 'may' is the word — to be exercised or not in accordance with the particular circumstances of the case; a longer term to be granted where equities come into play demanding extension, to be denied where none appear, always with due reference to the parties' freedom to contract."

Admittedly, no definite period for the lease of the premises was agreed upon between the petitioner and the private respondent. However, as the rent was paid monthly, the period of lease is considered to be from month-to-month in accordance with Article 1687. Thus, when the private respondent in the instant case gave the petitioner notice to vacate the premises on August 21, 1976, the contract of lease was deemed to have expired as of the end of the said month. As ruled in *Baens vs. CA*, 125 SCRA [1983]: "even if the month-to-month agreement is on a verbal basis, if it is shown that the lessor needs the property for his own use or for the use of an immediate member of the family or for any of the other statutory grounds to eject under Section 5 of *Batas Pambansa Blg. 25* (in this case, arrears in payment of rent) which happens to be applicable, then the lease is considered terminated as of the end of the month, after proper notice or demand to vacate has been given (*Zablan vs. CA*, 154 SCRA 487 [1987]).

Petitioner's contention that respondent appellate court should have ordered private respondent to reimburse petitioner the value of his house, is equally untenable. Under Article 1678[4] of the New Civil Code, the lessor is given the option to pay the lessee one-half of the value of the improvements upon termination of the lease. In case the lessor does not exercise such option, the lessee's remedy is to remove the improvements. Otherwise stated the lessee does not have the right to demand for the payment of the value of his improvements if the lessor does not elect to pay for them but he (the lessee) may remove them.

As ruled by this Court in *Guzman vs. CA*, 177 SCRA 604 [1989], where the lessees are builders in good faith.

Article 1678 of the Civil Code governs the rights of the parties thereto. The lessors have the option to appropriate the house and other useful improvements made on the leased premises by paying one half of their value. But the lessees do not have the right to compel the lessors to appropriate the house and other useful improvements and make reimbursement nor to retain possession of the subject property until such reimbursement. Their right under the law is the removal of the house and other useful improvements should the lessor refuse to reimburse one half of their value.

A careful review of the records yields no cogent reason that warrants a reversal of the decision under view; more importantly, it being obvious that this petition is intended merely to delay the final disposition of this case.

WHEREFORE, the petition is Dismissed and the assailed decision of the Court of Appeals is Affirmed with treble costs against the petitioner. This decision shall be immediately executory.

SO ORDERED.

Fernan, C.J., (Chairman), Gutierrez, Jr., Feliciano, and Davide, Jr., JJ., concur.

[1] Penned by Associate Justice Venicio Escolin and concurred in by Associate Justices Serafin R. Cuevas and Elias B. Asuncion.

[2] Penned by Judge Serafin E. Camilon.

[3] Penned by Judge Ricardo E. Javier.

[4] "Art. 1678. If the lessee makes, in good faith, useful improvements which are suitable to the use for which the lease is intended, without altering the form or substance of the property leased, the lessor upon the termination of the lease shall pay the lessee one-half of the value of the improvements at that time. Should the lessor refuse to reimburse said amount, the lessee may remove the improvements even though the principal thing may suffer damage thereby. He shall not however, cause any more impairment upon the property leased than is necessary.

With regard to ornamental expenses, the lessee shall not be entitled to any reimbursement, but he may remove the ornamental objects, provided no damage is caused to the principal thing, and the lessor does not choose to retain them by paying their value at the time the lease is extinguished."

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