

ENRIQUE P. SYQUIA, PETITIONER, VS. THE HONORABLE COURT OF APPEALS AND EDWARD LITTON, RESPONDENTS.

G.R. No. 61932. June 30, 1987

Ponente: PARAS, J.

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PARAS, J.:

Before Us is an appeal by certiorari from the split decision[1] of a division of five of the Court of Appeals dated March 16, 1982 as well as that resolution of the Court of Appeals denying petitioner's Motion for Reconsideration.

The instant action arose from an ejectment case against petitioner by Edward Litton based on the expiration of the Contract of Lease over the Dutch Inn Building originally owned by the heirs of Doña Rosa Litton or the Litton co-ownership who leased it to Litton Finance and Investment Corporation. The latter sublet it to herein petitioner for a period commencing on February 1, 1970 and ending on January 31, 1979.

On August 9, 1976, the Litton co-ownership was dissolved by partition (Exh. "E") and the ownership of the Dutch Inn Building and the lots on which it is built was adjudicated to herein private respondent Edward Litton. On December 1, 1976, the latter gave notice in writing (Exh. "F") that as the new owner of said properties, rentals of the same should be remitted to him starting January, 1977. Petitioner signified his conformity (Exh. "F-1") to this notice and accordingly paid his rentals directly to private respondent.

On December 1, 1978, petitioner wrote to respondent manifesting his willingness to renew the contract of lease upon its expiration on January 31, 1979 under such terms as may be agreeable to both of them (Exh. "I" for petitioner and Exh. "S" for respondents).

A series of communications ensued between them, private respondent, thru counsel, consistently invoking the clear and unequivocal terms of the contract of lease (Exh. "G") especially the duration thereof which allegedly does not provide for renewal or extension. On December 15, 1978 and thereafter on January 4, 11 and 22, 1979, private respondent, thru counsel, asked petitioner in writing to vacate the premises on or before the expiration of the lease contract on January 31, 1979, and upon his failure to vacate the premises after the expiry date of the lease contract, he should pay the amount of P58,685.00 per month as compensation for the use and occupation of the premises (Exh. "L"). Petitioner objected to the amount as not being fair and reasonable rental, petitioner invoking the huge investment he has put in the Dutch Inn Building from 1970 to 1979 and also the alleged verbal assurance plaintiff-appellee's predecessor-in-interest of petitioner's priority to renew the lease of the premises in question.

Upon petitioner's refusal to vacate the premises upon written demand made by private respondent on February 1, 1979, private respondent filed the case for ejectment based on the expiration of the Contract of Lease, the City Court rendered a decision[2] in favor of plaintiff Edward Litton (herein private respondent) and ordered defendant, Enrique Syquia (herein petitioner) to vacate the premises and to pay plaintiff Litton, P31,781.16 a month as the reasonable value of the use and occupation of the premises from February 1, 1979 until defendant

Syquia vacates the premises, the amount of P3,000.00 as attorney's fees and the costs. On appeal to the RTC (then CFI), the judgment[3] was slightly modified in that the monthly rental was reduced to P28,000.00, less any amount that defendant may have deposited with the court and withdrawn by the plaintiff and that defendant's counterclaim was dismissed for lack of merit.

The case was elevated to the Court of Appeals by way of Petition for Review under Republic Act 6031, with Syquia assailing the aforementioned decision. The appellate court upon a split vote of four Justices con-curring to one dissenting, affirmed the decision of the lower court and dismissed the petition for review. Hence this appeal, petitioner relying on the following arguments:

A

Respondent Court of Appeals has decided this case not in accord with law as well as applicable decisions of the Supreme Court.

B

Respondent Court of Appeals has gravely erred in its interpretation and applica-tion of Art. 1403 of the Civil Code of the Philippines and likewise erred in its failure to correctly apply Section 7, Rule 130 of our Rules of Court.

C

Respondent Court of Appeals has committed grave abuse of discretion amounting to lack of jurisdiction in affirming the lower Court's award of increased rental and/or reasonable compensation for the use of the premises in question in the amount of P28,000.00 a month.

D

Respondent Court of Appeals has committed grave abuse of discretion in its failure to extend petitioner's stay in the leased premises.

E

Respondent Court of Appeals has likewise erred in its failure to award unto peti-tioner the reasonable amount of damages and/or compensation as has been proven by him and un rebutted by private respond-ent.

F

Respondent Court of Appeals has committed a grave abuse of discretion in its failure to extend petitioner's stay in the leased premises.

G

Respondent Court of Appeals has like-wise erred in its failure to award unto petitioner the reasonable amount of damages and/or compensation as has been proven by him and is more than substan-tially shown by the records. (pp. 29-30, Rollo)

To have a better grasp of the facts and issues of the case, We find it necessary to quote the pertinent portion of the judgment of the Regional Trial Court, to wit:

"After a careful perusal of the evidence of both parties, their arguments and their memoranda, the court finds that the principal issue is whether or not the defendant is entitled to a renewal of the contract of lease, Exhibit

"G", which on its face, expired on January 31, 1979. In other words, can the alleged verbal assurances of George Litton Sr. and Gloria Litton del Rio be sufficient basis to vary the written contract and allow the defendant an extension of the lease contract, which, on its surface, already expired on January 31, 1979? There is no dispute that the contract of lease, Exhibit "G", entered into by and between the defendant and plaintiff's predecessors-in-interest, has been terminated by its express provision appearing in paragraph 1, which states that the lease shall be for a period of nine (9) years commencing on January 1, 1970 and ending on January 31, 1979.

"Defendant claims that this case was filed prematurely considering that he is entitled to a renewal of the contract, that one of the inducements which made him enter into a lease agreement with plaintiff's predecessor-in-interest was the oral assurance of said plaintiff's predecessor-in-interest that the defendant is entitled to a renewal or a priority to lease the premises upon the expiration of the contract of lease; that in view of the close relationship then existing between the defendant and George Litton Sr. and Gloria Litton del Rio and the trust and confidence relied by defendant on both parties, defendant did not insist on the insertion of the provision regarding his priority to lease the premises in Exhibit "G"; that Exhibit "G" is merely a copy of a previous contract of lease, Exhibit "12"; that when defendant pointed to George Litton Sr. and Gloria Litton del Rio of his priority to lease the premises, the latter assured him that he should not worry regarding the absence of the option to renew the lease contract, Exhibit "G" because he would be given priority to lease the premises upon the expiration of the lease contract; that because of this verbal assurance of George Litton Sr. and Gloria Litton del Rio, and that plaintiff, having assumed or acquired the rights and obligations of the former when he became the owner of the property subject of this case, the plaintiff is now duty-bound to respect the verbal assurance given by the plaintiff's predecessor to give him a renewal or priority to a new lease over the property and that defendant should now be made to exercise his option to renew the lease. In other words, plaintiff should be compelled to abide by the commitment made by his predecessor-in-interest.

"Defendant further claims that he is entitled to exercise his option to extend or renew the lease considering the huge investment he has made on the Dutch Inn Building. Plaintiff, however, insists that by the expiration of the contract of lease, he has the right to demand to take action for unlawful detainer and that defendant should vacate the premises and to pay the amount of P58,685.00 as monthly rental, which is the reasonable compensation for the use of the premises after January 31, 1979.

"From his testimony in the lower court, defendant stated that he was assured or promised by George Litton Sr. and Gloria Litton del Rio, representatives of the Litton Finance & Investment Corp.; that he, defendant, Enrique Syquia, would be given priority to lease the same property after the expiration of the lease contract.

"According to the plaintiff, there is infringement of the Statute of Frauds as well as the Parol Evidence Rule. On the other hand, the defendant invokes the exception contained in Section 7, Rule 130 of the Rules of Court (Parol Evidence Rule). Defendant contends that antecedent factors were involved which induced him to enter into the contract of lease with Litton Finance & Investment Corp. This brings us to the provision of Statute of Frauds under Article 1403, No. 2(e), which provides as follows:

'Art. 1403. The following contracts are unenforceable unless they are ratified:

(1) xx xx xx

(2) Those that do not comply with the Statute of Frauds as set forth in this number. In the following cases an agreement hereafter made shall be unenforceable by action, unless the same, or some note or memorandum thereof, be in writing, and subscribed by the party charged, or by his agent; evidence, therefore, of the agreement cannot be received without the writing, or a secondary evidence of its contents:

(a) x xx xxx

(b) x xxx xx

(c) x xx xxx

(d) x xx xxx

(e) An agreement for the leasing for a longer period than one year, or for the sale of real property or of an interest therein.'

So, under 2(e) of Article 1403 of the Civil Code as quoted above, the alleged oral assurance or promise of the representatives of the Litton Finance & Investment Corp. that defendant should be given priority or a renewal of Exhibit "G" can-not be enforceable against plaintiff. Likewise, under the Parol Evidence Rule, defendant's claim that he is entitled to a renewal of the contract of lease for the reason that the lessors have given him the option to renew the contract cannot be maintained. The Parol Evidence Rule, Sec. 7, Rule 130 of the Rules of Court provides:

'When the terms of an agreement have been reduced to writing, it is to be considered as containing all such terms, and therefore, there can be, between the parties and their successors in interest, no evidence of the terms of the agreement other than the contents of the writing, except in the following cases:

(a) Where a mistake or imperfection of the writing, or its failure to express the true intent and agreement of the parties, or the validity of the agreement is put in issue by the pleadings;

(b) When there is an intrinsic ambiguity in the writing.

The term "agreement" includes wills.'

"Applying the Parol Evidence Rule to the instant case, it is clear that there being a written agreement between the parties, the same should be controlling between them. The exceptions provided for in (a) and (b) cannot apply in the instant case in view of the fact that the contract of lease, Exhibit "G" is clear, thus precluding any mistake or imperfection or failure to express the true intent and agreement of the parties. The court cannot see any ambiguity in the contract. The tests of completeness of a written contract is the contract itself, as provided for under Sec. 1494 of Jones on Evidence x x x.

"Following these doctrines, there is absolutely no room to read into Exhibit "G", the alleged extension or renewal or assurance of priority to lease after the contract shall have expired, because the document is in itself, complete, and no ambiguities can be ascribed to its terms and neither is there any mistake or imperfection or failure to express the true intent and agreement of the parties therein, simply because the provisions for extension or renewal are not found in or capable of being inferred from the express terms of Exhibit "G". It is significant to note that defendant failed to point out the mistake or imperfection or failure to express the true intent and agreement of the parties or any ambiguity of the contract.

xxx xxx xxx xxx

"The testimony of the defendant that there was an oral understanding between him and the representatives of Litton Finance & Investment Corp. to be allowed to extend or renew or be given priority to lease the property at the expiration of the contract of lease on January 31, 1979 is belied by his letter to plaintiff dated December 1, 1978, which is inconsistent to what all along said defendant had professed. This is shown by paragraph 2 of the letter marked as Exhibit "S" for the plaintiff and Exhibit "1" for the defendant:

'Since our contract of lease will terminate on January 31, 1979, we are writing you this letter to inform you that we are willing to renew said contract under such terms as may be agreeable to both of us.'

It is significant from this portion of the letter that the defendant never mentioned his option or priority to lease the property. It is the observation of the court that the alleged verbal assurance of George Litton Sr. and Gloria Litton del Rio is only an afterthought of the defendant. It is merely an eleventh hour defense of the

defendant when the plaintiff refused to renew the contract. The inference of said letter is very clear. That the defendant had no right or preference to renew the contract and that was the reason why he was requesting to negotiate for the renewal of the contract.

"Assuming for the sake of argument that there really was a verbal agreement or promise on the part of George Litton Sr. and Gloria del Rio to allow defendant to renew the contract of lease at its expiration, the court believes that such assurance or promise would not have any binding effect on the original lessor, the Litton Finance & Investment Corporation, considering that defendant did not adduce any evidence to show in what capacity George Litton Sr. and Gloria Litton del Rio gave that assurance and considering further that it was James Litton who signed the contract of lease, Exhibit "G" in representation of Litton Finance & Investment Corporation as its director-vice-president. Under the Corporation Law, 'corporation's acts are only valid if a board resolution authorizes said acts, otherwise, said unauthorized acts are not binding to it.' The evidence does not show that the act of George Litton Sr. and Gloria Litton del Rio had been ratified.

"The last issue is the reasonable compensation for the use and occupation by the defendant of the premises in question. The lower court fixed the reasonable compensation in the amount of P31,781.16 a month. This court cannot understand how the lower court reached at that alleged reasonable monthly compensation.

"Antonio Doria, the expert witness, presented by the defendant appears to be a neutral and unbiased witness. Under cross-examination by the plaintiff, he testified as follows:

xxx xxx xxx xxx."

(pp. 141-155, Rollo)

From the foregoing, it is crystal clear that the court a quo did not whimsically decide the case, nor decide it without substantial basis in support thereof.

In dismissing the petition of appellant Syquia, respondent Court of Appeals relied heavily on the findings of fact of the Regional Trial Court and concluded that there is "a lot more than substantial evidence supporting the court a quo's finding of fact and that the conclusions arrived at by his honor are clearly not against the law and jurisprudence." The case involves unlawful detainer and respondent Court of Appeals correctly applied the "substantial evidence" rule as provided for under R.A. 6031, amending Section 45 Judiciary Law of 1948. Said Act which was applied in the case of *Gindoy vs. Tapucar*,^[4] provides that "in cases falling under the exclusive original jurisdiction of Municipal and City Courts^[5] which are appealed to the Court of First Instance,^[6] the decision of the latter shall be final, provided, that the findings of facts contained in said decision are supported by substantial evidence as basis thereof, and the conclusions are not clearly against the law and jurisprudence."^[7]

It is noted that petitioner is among other things a successful and experienced businessman. Considering his huge investment made on the building, he should have taken steps to protect his investment within the protective mantle of the law by insisting that the alleged verbal assurance be reduced into writing. His failure to do so has considerably weakened his claim.

Proof of the alleged verbal assurance of a lease renewal cannot be allowed both under the Parol Evidence Rule and the Statute of Frauds for failure to put in writing said alleged stipulation. Upon the other hand We are inclined to consider Syquia as having constructed in good faith the improvements he introduced in the Dutch Inn Building. His rights to said improvements are governed by Art. 1678 of the Civil Code which provides:

"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 ex-penses, 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."

Petitioner admits the fact of ownership of the pri-vate respondent over the building in question. As the owner, it is only logical that he should have the freedom to choose the tenant of the premises under such terms and conditions as may enable him to realize reasonable and fair returns therefrom. Since petitioner stubbornly refused to vacate the premises despite repeated demands of respondent, he should be obliged to compensate the latter such amount as may be deemed fair and reasonable under the circumstances. What then is reasonable? An expert witness in the person of Mr. Antonio Doria testified in the court below and thus established that P28,000.00 is fair and reasonable rental under the pre-mises. However, judicial notice is requested by private respondent of the runaway inflation which supervened since January 31, 1979, contending that had the premises been vacated at the expiration of the contract on January 31, 1979, the latter (private respondent) could have leased it immediately to other interested parties under such terms that could have taken into consideration the inflation rate at the time and provided for periodic rate escalation corresponding to subsequent inflation. He contends likewise that petitioner is a possessor in bad faith with his continued enjoyment of the premises after the expiration of the lease.

We cannot grant the foregoing prayer of private respondent without denying due process of law to petitioner. While We can take judicial cognizance of the fact of inflation, there is no sufficient evidence pre-sented to substantiate respondent's claim of his actual loss in petitioner's failure to surrender the premises.

We now come to the next assignment of error. The instant case is not within the scope of Art. 1687 of the Civil Code which covers lease contracts with no fixed period. The contract of lease in question is with a definite period. Thus to extend the lease of petition-er would be completely devoid of legal basis, inasmuch as the stipulated period of the contract between the parties had already expired and private respondent is unwilling to extend the same. There is no way therefore that herein petitioner can hold on to the property after January 31, 1979 without conformity of plaintiff-appellee.

WHEREFORE, premises considered, the assailed decision is hereby **AFFIRMED**, with the modification that this case is hereby **REMANDED** to the Regional Trial Court involved, for the determination of the parties rights under Art. 1678 of the Civil Code (supra).

SO ORDERED.

Fernan, (Chairman), Gutierrez, Jr., Padilla, Bidin, and Cortes, JJ., concur.

[1] Penned by Honorable Justice Ramon G. Gaviola, Jr., with Honorable Justices B.S. de la Fuente, Porfirio V. Sison, Isidro Borromeo, concurring; and Honorable Justice Onofre A. Villaluz, dissenting.

[2] Written by Honorable Judge Bienvenido S. Salamanca.

[3] Decided by Honorable Judge Alfredo C. Florendo

[4] 75 SCRA 38.

[5] Now known as the Metropolitan Trial Courts.

[6] Now known as Regional Trial Courts.

[7] Section 7, Rule 130, Rules of Court.

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