

SAMAHAN NG MGA NANGUNGUPAHAN SA AZCARRAGA TEXTILE MARKET, INC., CATALINA SADSAD, CHONG LE HON, REYNALDO SANTOS, FELIX CHUA, YOLY SUAN, GLORIA DATO, CO SIU KENG, LUZ TUAZON, YU L...*G.R. No. 68357. September 26, 1988*

Ponente: GUTIERREZ, JR., J.

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In forty-four (44) consolidated cases for ejectment filed by respondent Antonio Lim against the individual petitioners, the City Court of Manila rendered a decision on June 9, 1980 ordering each of the petitioners and all those holding rights under them to vacate their respective market stalls located at 942-952 Carmen Planas Street, Tondo, Manila and to pay the private respondent the rentals demanded in the complaint from February 1, 1978 until the subject premises shall have been vacated less rentals previously paid, and attorney's fees in the amount of P1,500.00 plus costs. The decision was modified in an order dated February 27, 1981 which deleted the order to vacate the subject premises. Upon petition for certiorari filed by the petitioners, the city court's decision and order were set aside by the then Court of First Instance of Manila. However, when the case was elevated by the respondent to the then Intermediate Appellate Court, the trial court's decision was set aside and the decision and order of the City Court of Manila were reinstated.

The appellate court's decision and resolution denying the motion for reconsideration are now the subject of the instant petition.

The facts are not disputed. As correctly summarized by the appellate court, these are:

"Antonio Lim, plaintiff herein, 62 years of age, married, businessman and residing 960 Carmen Planas, Tondo, Manila, testified that he is the lessee of the building in question having leased the same from the owner thereof the Goodland Company, Inc. (Exhibit "A") on February 10, 1978. On March 27, 1978, through counsel, plaintiff sent each defendant a letter (Exhibit "C") which he himself delivered to them giving them an extension of 5 days after the 10-day period given them to execute with him a lease contract over their stalls otherwise he would consider their failure to do so as lack of interest to lease the premises in which event they are given 10 days to vacate after paying the rentals effective February 1, 1978, at the rate indicated in the letter. None of the defendants complied with the demand. Prior to this formal demand there were several conferences between the parties wherein some of the tenants were present accompanied by their spokesman Mrs. Remedios Samala, president of the 'Samahan' wherein the matter of rentals was discussed. No agreement was reached as to how much the tenants should pay their new sublessor. Finally on March 27, 1978, the 'Samahan' thru its president Remedios Samala sent plaintiff a letter (Exhibit 'E') proposing a scheme where the stalls were categorized in accordance with their locations and fixing the rentals thereon. This was also turned down by plaintiff who on the same day sent individual notices to the defendants advising them to vacate within 10 days from receipt of the same if they would not sign a lease agreement with him. In that letter, Lim emphasized the fact that he is dealing only with the bona fide stallholders with the corresponding licenses. Lim likewise testified that the basis of the rentals he is demanding from the defendants is the amount he is paying the owner

of the building as rentals thereon and for expenses for the operation of the market (Exhibit 'B').

"Plaintiff contends that as of December 31, 1977 the individual contracts of lease of defendants with the owner of the building, the Goodland Company, Inc., expired and they were told to vacate their respective stalls by Goodland Company, Inc. as shown by a big sign on the market wall and that as of February 10, 1978 he became the lessee of the entire building which housed the stalls of defendants.

"Consequently, he avers, in the absence of a new contract between him and the individual defendants, they are considered to have no rights whatsoever to the stalls in question.

"The defendants presented as their common witness Eva Gonzales, 50, married, merchant and residing at 627-D Montana, Sampaloc, Manila, who testified that she had been a lessee of the Azcarraga Textile Market (former name of De Luxe Textile Market) occupying a stall therein for the last 14 years and paying rentals to the 'Samahan Ng Mga Nangungupahan sa Azcarraga Textile Market' which in turn pays the lessor. Her monthly rental thereon was P287.50 but plaintiff is now demanding a monthly rental of P820.00 or an increase of 182%. She also testified that she conducted a survey in two other markets in the vicinity, the Wellington Textile Market and the Azcarraga Textile Market Annex, and she found out that for stalls with the same area as she occupies the rentals therein are almost the same as what she pays her lessor. She admitted that there are other markets located nearby but she did not bother to inquire as to the rentals therein.

"The issues which the court is asked to resolve boil down to only two. First, are the rentals being demanded by plaintiff reasonable or not? Second, are the defendants the real parties in interests?

"Exhibit 'B' for the plaintiff shows that the total gross income from rentals he had fixed is P43,092.00 while his expenses for the operation of the market is P39,855.35 or a net income of P3,236.85 a month which is less than 10% in profit. The reasonableness of rentals is determined by several contributing factors such as the ability of the lessee to pay, the nature of the premises being leased and its location, return of investment by the lessor, the purpose of the lease, etc.

"While it is true that the rentals being demanded by plaintiff are much more than the rentals which defendants paid to the owner of the building it is equally true that whoever operates the market would demand the same rate which is unavoidable due to the increased operating expenses of the market that the Court finds to be not unreasonable. There is no question that all of the defendants are engaged in business and are using the stalls for this purpose. It cannot be denied that prices of commodities have more than doubled since a decade ago which was brought about by price increase of oil. The realty business has not been spared of the effects-of oil prices. But business is what it is. If one cannot make enough profit to remain in business he has the privilege to close down. The plaintiff is now faced with such a dilemma. If he chooses to close down because he is not making any profit or might even lose greatly unless his demand is met still he has to meet his contractual obligation to the owner of the building with whom he agreed to lease the same for a period of 3 years. The defendants herein finding themselves to be not making enough profits if they meet plaintiff's demand can always vacate and find other places to ply their trade at less expense in rentals. This is the ruling laid down by the Supreme Court in the Vda. de Roxas case wherein the defendant was made to vacate because he did not want to pay an increase in the rents."

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"The private respondents filed a notice of appeal on March 25, 1981 (Annex G, Petition). However, on April 1, 1981, the said respondents filed a motion to withdraw their notice of appeal and appeal bond and instead asked for an extension of time to file a motion for reconsideration of the modified judgment. The reason given for the withdrawal is that the City Court should be given the opportunity to correct the supposed Jurisdictional errors in its decision (Annex H, Petition). In an order dated April 2, 1981, the court a quo denied the prayer for an extension of time to file a motion for reconsideration, stating that the period cannot be extended. Nevertheless, the said respondents filed their motion for reconsideration on April 8, 1981 which was denied in an order dated June 2, 1981 (Annex I, Petition) on the ground that the motion had become moot and academic in view of the

previous order dated April 2, 1981. The City Court also ruled that the appeal interposed by private respondents could not be given due course because it was not perfected on time. In view of this development, petitioner filed an urgent ex parte motion for execution which was granted on June 11, 1981.

"Meanwhile, on May 21, 1981, the private respondents filed a petition for certiorari in the Court of First Instance (now Regional Trial Court) of Manila to nullify the decision and order dated June 9, 1980 and February 22, 1981, respectively, of the City Court on the ground of lack of jurisdiction or of grave abuse of discretion on the part of said court, because, according to private respondents: (a) the complaints were not one for forcible entry or unlawful detainer but for the determination of the reasonableness of the rental fixed by petitioner hence, cognizable by the Court of First Instance; (b) petitioner's demand letter, Exhibit C, gave the lessees the alternative either to pay the increased rentals or to vacate the premises, which is not the demand contemplated by the Rules of Court, citing the case of *Vda. de Murga v. Chan*, 25 SCRA 441; (c) the complaints for ejectment were not brought against the real party-in-interest (referring to Samahan); and (d) there was no basis for the City Court's finding that the increased rentals fixed by petitioner were reasonable.

"Petitioner filed an answer to the petition with affirmative defenses on June 29, 1981. In an order of August 31, 1981, the respondent court required the private respondents to submit their comments on the previous motions filed by petitioner, one an omnibus motion filed on August 3, 1981, and the other a motion to cite private respondents Felix Chua, Yollie Soan and Nemesis Chua in contempt of court and to order the other respondents to maintain the status quo and to deposit all accrued rentals or post a supersedeas bond.

"These two motions filed by petitioner were denied by the respondent Judge on September 29, 1981. On January 21, 1982, the respondent Judge directed the private respondents to deposit in court within ten days from notice, the rentals for the period January to December 1981 at the old rate, either in cash or manager's check in the name of petitioner. In the same order, the parties were directed to submit their respective memoranda within thirty days from notice. This the parties did, after which the respondent Judge rendered a decision declaring the decision dated June 9, 1980 and the order dated February 27, 1981 rendered by the City Court of Manila as null and void. A motion for reconsideration of respondent Judge's decision was filed by the petitioner but it did not help him any." (Rollo, pp. 56-63)

As stated earlier, the appellate court set aside the decision of the Court of First Instance and reinstated the City Court of Manila's decision and order.

The petitioners now assign the following errors to clarify the issues raised in this petition:

- FIRST ASSIGNMENT OF ERROR

THE IAC ERRED IN RULING THAT THE CITY COURT ACQUIRED JURISDICTION OVER THE CASES FOR UNLAWFUL DETAINER BASED ON A CAUSE OF ACTION FOR NON-PAYMENT OF RENTALS DESPITE THE ABSENCE OF A DEFINITE DEMAND TO PAY INCREASED RENTALS AND VACATE.

- SECOND ASSIGNMENT OF ERROR

THE IAC ERRED WHEN IT RULED THAT THE 'SAMAHAN NG MGA NANGUNGUPAHAN SA AZCARRAGA TEXTILE MARKET, INC.' (SAMAHAN) WAS NOT AN INDISPENSABLE PARTY TO THE CASES BEFORE THE CITY COURT ON THE BASIS OF A PRESUMPTION THAT AGENCY EXISTED BETWEEN SAMAHAN AND THE INDIVIDUAL PETITIONERS-APPELLANTS.

- THIRD ASSIGNMENT OF ERROR

THE IAC ERRED WHEN IT RULED THAT CERTIORARI WAS NOT THE PROPER REMEDY OF SAMAHAN AND THE INDIVIDUAL PETITIONERS-APPELLANTS BEFORE THE CFI DESPITE THE PATENT ERRORS OF JURISDICTION COMMITTED BY THE CITY COURT. (p. 9, Rollo)

Anent the first assignment of error, the petitioners contend that respondent Antonio Lim did not comply with the requirement of demand under Section 2, Rule 70 of the Revised Rules of Court to vest jurisdiction over the ejectment case in the city court. The rule provides:

"No landlord, or his legal representative or assign shall bring such action against a tenant for failure to pay rent due or to comply with the conditions of his lease, unless the tenant shall have failed to pay such rent or comply with such conditions for a period of fifteen (15) days or five (5) days in the case of building, after demand therefor, made upon him personally or by serving written notice of such demand upon the person found in the premises, or by posting such notice on the premises if no persons can be found thereon. (Underlining supplied)

The petitioners state that under the rule, a definite demand to vacate the premises is indispensable. They cite the case of *Vda. de Murga v. Chan* (25 SCRA 441).

The ruling in the *Vda. de Murga v. Chan* case does not apply to this case. In *Vda. de Murga*, the lease contract provided that upon its expiration the lessor had the option to purchase the improvements introduced by the lessees on the leased premises, but in the event the lessor did not exercise such option then the contract was automatically renewed. Under these facts, the court ruled that a more definite demand to vacate was necessary to give the lessor the right to eject the lessee from the premises.

The Court stated in *Vda. de Murqa*:

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"x x x We, however, do not find such notice (the alternative either to pay the increased rental or otherwise to vacate the land) to be the demand contemplated by the Rules of Court in 'unlawful detainer' cases. When after the notice the appellant elected to stay, he thereby merely assumed the obligation of paying the new rental and could not be ejected until he defaulted in said obligation and necessary demand was first made. (See *Lesaca v. Cuevas*, 125 SCRA 389)

However, the facts of the instant case are different.

Private respondent Antonio Lim was the lessee of the building where the petitioners' stalls were housed, having leased the same from Goodland Company, Inc., the owner of the building on February 10, 1978. As of December 31, 1977, the petitioners' contracts of lease with Goodland Company, Inc., had already expired. The stallholders were ordered to vacate if they were not amenable to the increased rentals. The petitioners did not pay increased rentals and did not vacate the premises. The Goodland Company, Inc., had earlier placed a big sign on the market wall, ordering the petitioners to vacate their respective stalls. The conferences looking for a way to avoid ejectment had broken down.

Ejectment complaints were then filed in court. The private respondent was the new sublessor of the petitioners. As such, the private respondent had the right to eject the petitioners as the old contracts had expired and no new contracts of lease were executed. The demand letters sent to the petitioners substantially comply with the rules. Thus, on March 27, 1978, the private respondent through his counsel sent each of the petitioners a letter which he himself delivered to them, giving them an extension of five (5) days after the expiration of the ten-day period previously given them to execute a contract of lease over the market stalls, otherwise, the private respondent would consider their failure as lack of interest to lease the premises, in which event they had ten (10) days to vacate the premises from receipt of the letter after paying the back rentals due beginning February 1, 1978. When the petitioners failed to comply with the demand, the private respondent then filed the ejectment cases against the petitioners.

Considering these circumstances, the demand letters sufficed for the city court to acquire jurisdiction over the

cases, (See *Lesaca v. Cuevas supra*; *Golden Gate Realty Corporation v. Intermediate Appellate Court*, 152 SCRA 684, where the Court also applied a liberal rule to the nature of a demand to vacate.) The Court also notes the length of time that elapsed when the petitioners stated they were entering into a compromise agreement with the respondent during the pendency of this case.

The next issue to be resolved is whether or not petitioner SAMAHAN NG MGA NANGUNGUPAHAN SA AZCARRAGA TEXTILE MARKET, is an indispensable party-defendant in the ejectment case.

In the ejectment case, the petitioners-stallholders uniformly alleged as affirmative defense the following:

"c. The regular stallholder, on the other hand, is a member of the 'SAMAHAN NG MGA NANGUNGUPAHAN SA AZCARRAGA TEXTILE MARKET, INC., Annex "A" which in turn has a current lease agreement with plaintiff, and has been paying plaintiff the stipulated rent in lump sum consisting of rentals of all stalls of the members of the said cooperative, including those of defendant. As a matter of fact, the Samahan is rent-paid up to March, 1978. (p. 19, Rollo)

They aver that these allegations "clearly state the substantial interest of Samahan" in the ejectment case and the Samahan is therefore an indispensable party therein.

Section 2, Rule 3 of the Revised Rules of Court provides:

"Parties-in-interest. Every action must be prosecuted and defended in the name of the real party-in-interest. All persons having an interest in the subject of the action and in obtaining the relief demanded shall be joined as plaintiffs."

The Court has defined the real party-in-interest as follows:

"The real party-in-interest is the party who stands to be benefited or injured by the judgment or the party entitled to the avails of the suit. 'Interest' within the meaning of the rule means material interest, an interest in issue and to be affected by the decree, as distinguished from mere interest in the question involved, or a mere incidental interest. Consequently, a person who is not a party to a contract and for whose benefit it was not expressly made cannot maintain an action thereon, notwithstanding that the contract, if performed by the parties to it, would incidentally inure to his benefit. (Francisco, *the Revised Rules of Court in the Phil.*, Vol I, p. 26 cited in *House International Building Tenants Association, Inc. v. Intermediate Appellate Court*, 151 SCRA 703)

Petitioner SAMAHAN cannot be categorized as an indispensable party-defendant in the ejectment case. There is no showing of any interest belonging to it that was violated nor any injury caused by the respondent to warrant relief in the ejectment case. It has no contract of lease with the respondent. It merely acted as an agent of the petitioners-tenants for the purpose of payment of rentals to the landlord. In effect, petitioner SAMAHAN "has not shown any real, actual, material, or substantial interest in the subject matter of action."

Considering that the City Court of Manila acquired jurisdiction over the ejectment case, the appellate court did not commit reversible error in annulling the decision dated April 27, 1982 of the then Court of First Instance and reinstating the decision dated June 9, 1980 of the City Court of Manila.

However, we note that the appellate court also affirmed the city court's order dated February 27, 1981 which deleted the order to vacate the premises. This, should not have been done. The essence of an ejectment case is that in case the lessor wins, the lessee must vacate the premises unless the lessor enters into a new contract with him under terms and conditions acceptable to both.

Consequently, in order to forestall any litigations between the parties in case there is no new contract of lease executed between them, we rule that the city court's decision dated June 9, 1980 which provides that the

petitioner must vacate the premises must be reinstated and executed once this decision becomes final.

WHEREFORE, the instant petition is DISMISSED for lack of merit. The questioned decision of the then Intermediate Appellate Court is MODIFIED to the effect that the affirmance of the city court's order dated February 27, 1981 is DELETED. In all other respects, the questioned decision is AFFIRMED en toto.

SO ORDERED.

Fernan, C.J., (Chairman), Feliciano, Bidin, and Cortes, JJ., concur.

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