

IMELDA, LEONARDO, FIDELINO, JOSEFINA, ANITA, AZUCENA, AND SISA, ALL SURNAMED SYJUCO, PETITIONERS, VS. COURT OF APPEALS AND FILIPINAS BANK, RESPONDENTS.

G.R. No. 80800. April 12, 1989

Ponente: PARAS, J.

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PARAS, J.:

Under consideration is a petition for review on certiorari, seeking the reversal of the Decision* (dated 23 July 1987) and Amended Decision and Resolution* (dated 18 November 1987) of the respondent Court of Appeals (CA) Eighth Division, the dispositive portions of which respectively state:

Re-Decision

"WHEREFORE, judgment is hereby and now modified as follows:

"1. Petitioner is ordered to pay monthly rentals only from the period January 1 to June 30, 1984 in the amount of P25,000.00 or P150,000.00;

"2. Eugenio Trinidad and Kalayaan Development & Industrial Corporation and all persons claiming rights under them are ordered to vacate the sub-leased premises and surrender possession thereof to private respondents and to pay the latter the sum of P150,000.00 representing reasonable rental value of the same premises from July to December 1984 at the rate of P25,000.00 and thereafter the same amount of P25,000.00 a month until the premises are finally vacated and possession restored to private respondents;

"3. The private respondents are ordered to pay petitioner P50,000.00 in attorney's fees;

"4. The decisions of the respondent courts inconsistent with this decision are hereby set aside and the orders, writs and processes issued pursuant thereto are permanently enjoined;

"5. This case hereby and now remanded to the Regional Trial Court for proceedings consonant with this Decision; and

"6. No costs. (pp. 39-40, Rollo)

Re Amended Decision and Resolution

"WHEREFORE, with the modification that the rental to be paid by petitioner be P30,000.00 a month, for the period from January to June 1984 or P180,000.00 for six (6) months amending the questioned Decision adjudging the reduced amount of P25,000.00, as contained in par. 1 of the dispositive portion; and likewise that the reasonable rentals to be paid by Eugenio Trinidad and Kalayaan Development & Industrial Corporation and all persons claiming right under them be P30,000.00 a month until the premises are finally vacated and possession restored to private respondents, the Decision sought to be reconsidered is affirmed. (p. 58, Rollo)

Previously, the Pilipinas Bank had filed with Us a petition to prohibit the enforcement pending appeal of the

Regional Trial Court's (RTC's) decision and on appeal by certiorari from the decision of the then Intermediate Appellate Court denying its petition for review of the said RTC's decision. We consolidated and, later, remanded both petitions to respondent CA for further proceedings on the merits, hence, the above rulings.

The facts found by the trial court, and adopted by the CA, are as follows:

"On September 29, 1963 the petitioner Pilipinas Bank, formerly Filipinas Manufacturers Bank and Trust Company, leased from the plaintiffs (now private respondents) 1,387 (should be, 1,384) square meters of land commencing from January 1, 1963 and ending on December 31, 1983 as per written contract Exhibit 'A'.

"Paragraph 6 of the Contract of Lease allows the petitioner, as lessee, to 'sublease any part or portion of the premises or the whole portion thereof without obtaining the consent of the lessors thereto.'

"On April 1, 1977, the petitioner 'subleased to Eugenio Trinidad, President of Kalayaan Development and Industrial Corporation, a portion of 965 square meters with a term that is coterminous with the original lease contract and therefore ending also on December 31, 1983 which contract of sublease was likewise covered by a written contract (Exhibit 10). The contract of sublease was subject to the same terms and conditions as of the original contract of lease.'

"Sections 3 and 6 of the Contract of Sublease prohibited the sublessee Eugenio Trinidad from further subleasing the property subleased to him by the petitioner.

"Sections 3 and 6 of the Contract of Sublease provide:

"3. That the SUBLESSEE hereby expressly agrees and warrants that the leased premises shall be used by him exclusively for the Caloocan City Food and Fruit Terminal store or market and that the SUBLESSEE is hereby prohibited from using said premises for any other purpose without the prior consent of the SUBLESSOR.

"6. That the SUBLESSEE shall not directly or indirectly sublease, assign, transfer, convey, mortgage or in any way encumber its right to sublease over the premises or any portion thereof under any circumstances whatsoever; any contract made in violation of this clause shall be null and void. It is expressly understood and agreed by the herein parties that the personal character of the SUBLESSEE as hereinbelow represented and the nature of occupancy of the leased premises as above restricted, constitute and are special considerations and inducement for the granting of the sublease by the SUBLESSOR; consequently, any violation, direct or indirect of any of the stipulations hereof shall automatically and unequivocally terminate this contract of lease effective from the time such violation occurs.

"In spite of the prohibition to sublease and in violation thereof, Eugenio Trinidad 'constructed stalls/stores thereon and lease the same to 12 persons who conducted their individual business.'

"On February 10, 1984, after the expiration of the lease on December 31, 1983, private respondents filed an action for unlawful detainer, against the petitioner, as sole defendant, before the MTC, Caloocan City, which was docketed as Civil Case No. 16193.

"The petitioner, as defendant, filed an answer, which in the language of the decision of the MTC 'did not oppose the ejectment as it affirmed the expiration of the lease contract on December 31, 1983 but opposed the increased rentals being demanded by the plaintiffs after the expiration of the lease contending that the demanded increase is unconscionable and unreasonable.'

"On July 6, 1984, six months after the expiration of the lease and five months after the filing of the complaint, defendant bank 'surrendered the premises it occupied by surrendering to the court the key to the bank structure.'" (pp. 32-43, Rollo)

Meanwhile, Pilipinas Bank filed an ejectment case against Eugenio Trinidad and Kalayaan Industrial

Development Corporation (Kalayaan, for short) on 26 September 1984 with the same MTC, docketed as Civil Case No. 16617, after the latter court denied its Motion to Admit Third Party Complaint in Civil Case No. 16193, the original ejectment suit. These two cases were subsequently consolidated. However, upon motion of the defendants therein, Civil Case No. 16617 was dismissed without prejudice to whatever liability said defendants may have in the original ejectment suit.

The respondent CA narrates further:

"The MTC, on December 27, 1984, rendered a decision the dispositive portion of which reads:

"WHEREFORE, for reasons given, judgment is hereby rendered for the plaintiffs, ordering defendant Pilipinas Bank to pay the former the sum of P180,000.00 representing the reasonable rental value of the subject premises from January 1, 1984 to June 30, 1984 at the rate of P30,000.00 a month.

"Judgment is likewise rendered against Eugenio Trinidad and Kalayaan Development and Industrial Corporation and all persons claiming right under them to vacate the subleased premises and surrender possession thereof to the plaintiffs, and to pay the latter the sum of P180,000.00 representing reasonable rental value of the subject premises from July 1984 to December 1984 at the rate of P30,000.00 a month up to and until the subleased premises is finally vacated and possession surrendered to the plaintiffs.

"The Pilipinas Bank and Kalayaan Development and Industrial Corporation are likewise ordered to pay, pro rata, the sum of P10,000.00 as and for attorney's fees plus costs of the suit.

"Both petitioner and private respondents appealed from this Decision.

"On January 11, 1985, Eugenio Trinidad, who was not a party in Civil Case No. 16193 filed a motion for reconsideration assailing the portion of the decision making him liable to pay a monthly rental on the ground that the sublessee is not a party to the case and is not in physical or material possession of the leased premises after the expiration of the contract of lease on December 31, 1983. Thus, according to petitioner, when they vacated the premises on July 6, 1984, the only occupants of the premises in question were the stall-holders or vendors with whom neither the petitioner nor the private respondents had any privity of contract. In addition, petitioner observed, both the MTC and private respondents' counsel referred to the stallholders as squatters, citing the transcript of the hearing of March 27, 1984.

"The motion for reconsideration of Eugenio Trinidad has not been resolved to the present.

"On October 29, 1985, the RTC in Civil Case No. 11728 modified the MTC decision in Civil Case No. 16193 on appeal, as follows:

"WHEREFORE, premises considered, judgment is hereby rendered modifying the decision of the trial court as follows:

'1. Ordering the defendant and all persons claiming rights under it, including Kalayaan Development Corporation, to vacate the premises subject of this case covered by TCT No. 4856 of the Registry of Deeds of Caloocan City and surrender the peaceful possession thereof to the plaintiffs;

'2. Ordering the defendant to pay plaintiffs the sum of P30,000.00 a month as fair rental value of the subject premises from January 1, 1984 until the same shall have been fully vacated. In case of default of said defendant, ordering the sublessee, Eugenio Trinidad and/or Kalayaan Development Corp., subsidiarily liable to pay plaintiffs the said fair rental value until the premises shall have likewise been fully vacated;

'3. Ordering defendant to pay P10,000.00 as and for attorney's fees; and

'4. The costs of suit.'

(pp. 34-36, Rollo)

In this present petition, the Syjucos assign the following errors committed by the CA:

- I. That the respondent Court erred in applying Articles 1665, 1651 and 1266 of the Civil Code;
- II. That the respondent Court erred in basing its judgment on misapprehension of facts that private respondent has completely vacated the premises leased consisting of 1,387 sq.m.;
- III. The respondent Court erred in applying Article 1652 and Article 1651 of the Civil Code;
- IV. That the respondent Court erred in basing its judgment on misapprehension of facts that sublessees, Trinidad and Kalayaan Development Corporation were parties in the ejectment case in the Metropolitan Trial Court docketed as Civil Case No. 16193 entitled, 'Syjuco et al. v. Pilipinas Bank.'
- V. The respondent Court erred in ordering herein petitioners to pay respondents attorney's fees in the amount of P50,000.00." (p. 11, Rollo)

After considering the facts and the arguments raised by the parties. We are constrained to dismiss the petition.

1. At the outset, there is no doubt that the lessee in a contract of lease is obliged to return the thing subject of said contract upon the expiration of the period agreed upon. Article 1665 of the Civil Code expressly requires that the thing leased be returned. And it stands to reason and the spirit of the law that, as a general rule, not only a portion of the thing leased be returned but the whole of it. Additionally the law mandates that the thing leased be returned in the same condition.

This leads us to the question of whether or not Pilipinas Bank is deemed to have performed its obligation to return the property to the Syjucos, the lessors-owners. The answer is in the affirmative. It must be borne in mind that from the start, the contract of sub-lease between the sub-lessee and the present occupants is null and void. In point is the contract of sublease between Pilipinas Bank as sub-lessor and Eugenio Trinidad and Kalayaan, Sections 3 and 6 of which provide:

"3. That the SUBLESSEE hereby expressly agrees and warrants that the leased premises shall be used by him exclusively for the Caloocan City Food and Fruit Terminal store or market and that the SUBLESSEE is hereby strictly prohibited from using said premises for any other purpose without the prior consent of the SUBLESSOR.

x x x x x

"6. That the SUBLESSEE shall not directly or indirectly sublease, assign, transfer, convey, mortgage or in any way encumber its right to sublease over the premises or any portion thereof under any circumstances whatsoever; any contract made in violation of this clause shall be null and void. It is expressly understood and agreed by the herein parties that the personal character of the SUBLESSEE as hereinbelow represented and the nature of occupancy of the leased premises as above restricted, constitute and are special considerations and inducement for the granting of the sublease by the SUBLESSOR; consequently, any violation, direct or indirect of any of the stipulations hereon shall automatically and unequivocally terminate this contract of lease effective from the time such violation occurs. (pp. 33-34, Rollo)

It is well entrenched in this jurisdiction that the contract is the law between the parties thereof (Phil. American General Insurance v. Mutuc, 61 SCRA 22; Herrera v. Petrophil Corporation, 146 SCRA 360) provided nothing therein is contrary to law, morals, good customs, public policy, or public order (Lagunsad v. Soto, 92 SCRA 476). In the light of the clear and express provisions of the abovequoted contract, there is no doubt that the contract entered into by Mr. Trinidad further sub-leasing a portion of the premises to the present occupants, is null and

void.

Considering the above, the present occupants cannot exactly be said to be claiming rights under Pilipinas Bank, such claim of right merely being apparent. The nullity of the occupants contract of sublease with Mr. Trinidad completely negates any juridical relation between Pilipinas Bank and said occupants. Such nullity leads us to conclude that the present occupants did so occupy the premises under their own name and responsibility, thus, properly labelled "squatters" by the respondent CA (see Amended Decision, p. 53, Rollo). Likewise, in view of the further sub-leasing of the premises to the present occupants, Mr. Trinidad and Kalayaan ceased to be sublessees of Pilipinas Bank by virtue of the automatic termination of said contract of sublease pursuant to Section 6 thereof (supra). As correctly found by the respondent CA:

"... Eugenio Trinidad and Kalayaan Development Corporation cannot be accurately considered as claiming rights which emanated from the original lessor-lessee relationship between the petitioner Bank and the private respondents. It has been clearly established that such relationship has been tarnished by the violation committed by the sublessee in further subletting the premises to the squatters." (Amended Decision, p. 53, Rollo)

Hence, when Pilipinas Bank surrendered the key to the premises it physically occupied, it is deemed to have completely returned the premises leased to it. The obligation then to evict the occupants in the premises could not be attributed to Pilipinas Bank since any juridical relation between the Bank and the occupants no longer exists and that the original contract of lease had already been terminated by virtue of said bank's withdrawal from the property. As correctly ruled by the MTC in dismissing the ejectment suit filed by Pilipinas Bank against Mr. Trinidad, Kalayaan, and the occupants:

"Upon the termination or expiration of the lease contract between the Syjucos and Pilipinas Bank on December 31, 1983, the latter has been dispossessed of any legal right to eject the defendant Kalayaan because there is no more contract between them to speak of. The authority of the plaintiff bank springs from their sublease contract which already expired. It now devolves upon the Syjucos, the landowner, to do the ejecting of the defendant, but since the former has already filed an ejectment suit against the Pilipinas Bank, as the original lessee, there is no more need to file another suit against the sublessee Kalayaan because 'a judgment of eviction against the tenant binds and is enforceable against his sublessee although the latter was not made a party to the case.' (Gozon v. Dela Rosa, 77 Phil. 919; Ng Sui Tan v. Amparo, 80 Phil. 921; Go King v. Geronimo, 81 Phil. 445)" (MTC Order, p. 116, Rollo)

Clearly then, in the light of the foregoing discussion, the present occupants did occupy the premises in question in their own capacity. They cannot be said to have a claim of right springing from the Pilipinas Bank as original lessee because the lease agreement between Mr. Trinidad (as president of Kalayaan) and the present occupants is null and void, it being contrary to the contract of sub-lease. Likewise, the said contract of sub-lease having been automatically ended when Mr. Trinidad further sub-leased the premises to the occupants, no true claim of right to possess the said premises may be ascribed to said occupants as emanating from Pilipinas Bank. As such, the latter cannot be considered the proper party to oust said occupants within the meaning of Section 1, Rule 70 of the Rules of Court.

If anybody is to blame for the Syjucos' inability to possess the premises occupied, it should be Mr. Trinidad and the occupants themselves for having gone against the contract of sub-lease between the former and Pilipinas Bank. Contrary to the Syjucos' claim, fault cannot be imputed to Pilipinas Bank in sub-leasing part of the property to Mr. Trinidad as president of Kalayaan precisely because the Syjucos themselves allowed sub-letting in the original contract of lease. As found by the respondent CA, "paragraph 6 of the contract of lease allows the petitioner, as lessee, to 'sublease any part or portion of the premises or the whole portion thereof without obtaining the consent of the lessors thereto,'" (p. 33, Rollo). On the contrary, Pilipinas Bank even acted in herein

petitioners' favor in providing for Sections 3 and 6 in the contract of sub-lease (*supra*).

In connection with the question on the applicability of Articles 1266 and 1651 of the Civil Code in relation to Article 1665, We rule that, under the circumstances, it should be resolved in the negative. Article 1266 cannot validly apply to the present case since it makes express reference to obligations to do (or personal obligations). This being so, it may not be invoked in exempting Pilipinas Bank (as lessee) from returning the whole property to the owners thereof for such obligation to return is in the nature of an obligation to give (or a real obligation), in which case Article 1262, not Article 1266, applies. Nevertheless, for reasons already discussed above, Pilipinas is deemed to have fully satisfied its obligation to return the whole property leased.

Similarly, Article 1651 cannot be correctly read with Article 1665 in the latter's application to the case at bar concerning the propriety of requiring the sub-lessees (i.e., Mr. Trinidad and Kalayaan) to pay rents directly to the lessors, Syjucos. Article 1651 clearly and expressly refers to the use and preservation of the thing leased and not to the matter of payment of rents. This is so precisely because it is Article 1652 which outlines the sub-lessee's liability for rents.

2. In their second assigned error, the Syjucos assail the respondent CA's finding that Pilipinas Bank had "completely vacated" (see pp. 49, 52, Rollo) the premises, such being a misapprehension of the facts. They clarify that Pilipinas Bank surrendered only a portion of the entire 1,387 square meters subject of the lease contract, about 965 square meters of which are still occupied by the sub-lessees of My Trinidad. On the other hand, Pilipinas Bank insists that it has indeed vacated the place completely, having physically and actually withdrawn from the premises. We find no cogent reason for Us to deviate from the said finding of fact.

As we had said earlier, Pilipinas Bank actually and physically withdrew from the premises. It has packed up all its properties and delivered the key to the building it occupied to the trial court. The fact that the sublessees of Mr. Trinidad remain in possession of a larger portion of the property does not change the truth that Pilipinas Bank has completely left the same and that it has performed its obligation to return the property leased. This is because the occupants cannot be properly considered as claiming rights from Pilipinas Bank, as already discussed above. They possess the bigger portion of the property in their own name; Pilipinas Bank is not privy to the fact of their possession. Hence, Pilipinas Bank is not responsible for the acts of the present occupants in entering the premises although they claim an apparent right from the former.

3. Anent the third and fourth assigned errors, the Syjucos essentially take exception to the respondent CA's ruling making Mr. Trinidad and Kalayaan and all persons claiming rights under them primarily liable for rents from July 1984, when Pilipinas Bank left the premises, until the same are finally vacated and possession restored to the Syjucos. They argue that Article 1651 of the Civil Code does not find application under the circumstances and maintain that Article 1652 should be solely applied. They also assail the CA's finding that Mr. Trinidad and Kalayaan were parties in the ejectment case before the trial court. On the other hand, Pilipinas Bank similarly contends that Article 1652 is inapplicable since it assumes the existence of a lease contract between the parties as well as a contract of sub-lease with Mr. Trinidad and Kalayaan from July 1984. It also maintains that Mr. Trinidad and Kalayaan are deemed parties to the ejectment case. It is Our considered view that the respondent CA correctly held the sub-lessees primarily liable.

As regard the application of either Article 1651 or 1652 of the Civil Code, We rule that neither can be properly invoked under the circumstances. As correctly noted by the Syjucos, and as We have mentioned earlier, Article 1651 refers to the sub-lessee's liability to the lessor for acts relating to the use and preservation of the property leased. It may not be resorted to in determining the sub-lessee's liability for rent since Article 1652 specifically governs that aspect. However, Article 1652 cannot also be applied in determining Pilipinas Bank's liability for

rents from July 1984 onwards precisely because no contract of lease existed from that time. The original contract of lease expired on December 31, 1983. From then on, as correctly pointed out by Pilipinas Bank on pages 17 to 18 of its Motion to Dismiss, the lease was renewed from month to month pursuant to Articles 1670 and 1687 of the Civil Code until it was finally terminated on July 6, 1984 when said Bank left the place. Ergo, the respondent CA did not commit any error in requiring Pilipinas Bank to pay rents only for the time the latter occupied the premises. Obviously then, it should be Mr. Trinidad and Kalayaan and all persons claiming rights under them who should be liable to pay rents to the Syjucos from the time Pilipinas Bank abandoned the premises.

With regard to the question of whether or not Mr. Trinidad and Kalayaan are parties to the ejectment case filed by the Syjucos against Pilipinas Bank, We hold that they indeed are. Going back to the facts, the Syjucos filed an ejectment case with the MTC on February 10, 1984 docketed as Civil Case No. 16193. After Pilipinas Bank's Motion to Admit Third Party complaint against Mr. Trinidad and Kalayaan was denied, the said Bank filed an ejectment suit against the latter on September 26, 1984 (see Complaint, p. 107, Rollo) and the same was docketed as Civil Case No. 16617. On Motion of Pilipinas Bank, the MTC ordered the consolidation of Civil Case No. 16617 with Civil Case No. 16193, the original ejectment suit (see p. 177, Rollo). Thereafter, on motion of Mr. Trinidad and Kalayaan, Civil Case No. 16617 was dismissed on November 15, 1984 with the following reservation made by the MTC:

"This is, however, without prejudice to whatever liability the defendant herein as sublessee, may have in the case filed by the property owner against the Pilipinas Bank since the eviction of the latter binds the defendant."
(MTC Order p. 117, Rollo)

While the MTC dismissed Civil Case No 16617 on the ground that Pilipinas Bank "has been dispossessed of any legal right to eject the defendant Kalayaan because there is no more contract between them to speak of" (MTC Decision, p. 116, Rollo), it recognized the impending liability of the defendants therein. Thus, from the above-quoted pronouncement, it is clear that the MTC did not totally relinquish its jurisdiction over Mr. Trinidad and Kalayaan, enabling it to hold the latter primarily liable for rents from July 1983. Besides, when a lessee's right to remain terminates, the right of a sub lessees to continue in possession ceases to exist, being privies of the lessee.

4. Coming now to the question of Attorney's fees, We are inclined to uphold the CA's finding when it said:

"Finally, movants assail the award of attorney's fees to the petitioner bank. No cogent reason has been advanced by movants to warrant a reversal of the same. We need not point out here that this case emanated from the MTC; that certiorari was filed in the RTC, and later on an appeal of the MTC Decision was lodged in the RTC and so on and so forth. In fact, this controversy has come full circle to the IAC, to the Supreme Court and back to this Court. In the Metropolitan Trial Court, private respondents were apparently unsatisfied by the said Court's Decision, which, for all appearances, already; completely and satisfactorily adjudicated private respondents' claim and cause of action by ordering ejectment even if the petitioner Bank had long been out of the leased premises, by ordering full restitution of the premises, by ordering a money judgment favorable to private respondents, with payment of attorney's fees, and by rendering judgment against the sublessee and all persons claiming rights under him. Yet, private respondents, assisted by counsel, persevered and prolonged litigation in the process, by lodging an appeal on their insistence that the sublessees are not parties in the case. (p. 57, Rollo)

WHEREFORE, the petition is hereby DENIED and the Orders of the respondent Court of Appeals are AFFIRMED.

SO ORDERED.

Melencio-Herrera, (Chairman), Padilla, Sarmiento, and Regalado, JJ., concur.

* Penned by Justice Floreliana Castro-Bartolome and concurred in by Justices Arturo Buena and Bonifacio Cacdac.

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