

EMILIA S. BLAS, PETITIONER, VS. THE COURT OF APPEALS AND ARTHUR YAO, RESPONDENTS.*G.R. No. 82813. December 14, 1989*

Ponente: FELICIANO, J.

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Petitioner Emilia S. Blas was lessee of the Premier Theater Building which was owned by Alfonso Bichara and located in Rizal Avenue, Grace Park, Caloocan City. Petitioner's contract of lease with Bichara gave her the right to sublease the premises and was originally effective for a period of five (5) years, i.e., from 1 January 1980 to 31 December 1984.

Petitioner Blas in turn entered into an oral contract with private respondent Arthur Yao, subletting to the latter a portion of the premises for a monthly sublease rental of P5,000.00. She subleased another portion of the premises to one Emilio Sia for a monthly sublease rental of P3,000.00. Respondent Yao paid his monthly sublease rentals to petitioner Blas and continued to do so after 1 January 1985 and until March 1985.

On 27 March 1985, however, Alfonso Bichara wrote to private respondent Yao informing the latter that since the contract of lease between Bichara and petitioner Blas had expired on 31 December 1984, the rental due from respondent Yao and accruing from January 1985 and thereafter, were to be paid to Bichara. This demand was reiterated by Bichara in a letter to respondent Yao dated 24 July 1985. Respondent Yao then commenced paying his sublease rentals directly to Bichara.

In the meantime, Alfonso Bichara had filed an ejectment suit against petitioner Blas which was docketed as Civil Case No. 16988, before the Metropolitan Trial Court of Caloocan City. The Metropolitan Trial Court rendered a decision dated 11 November 1985, extending petitioner Blas' lease contract with Bichara for another five (5) years counting from 1 January 1985 up to 31 December 1989.

Upon appeal by Bichara, the Regional Trial Court of Caloocan City affirmed the decision of the lower court, and that decision became final and executory on 2 July 1986.

Petitioner Blas then demanded that respondent Yao pay to her the accrued sublease rentals. Respondent Yao, however, continued to remit his sublease rentals directly to lessor Bichara. Finally, in a letter dated 7 February 1987, petitioner demanded that respondent Yao pay the accrued rentals pertaining to the portion of the premises originally subleased to him as well as the accrued rentals pertaining to the portion he had taken over from sublessee Sia, and that he vacate both portions of the premises. Respondent Yao refused to leave the premises.

Accordingly, petitioner Blas commenced an ejectment suit against private respondent Yao before the Metropolitan Trial Court of Caloocan City, Branch 51. After trial, the Metropolitan Trial Court rendered a decision in favor of petitioner Blas and ordered Mr. Yao to vacate the premises and to pay to petitioner reasonable compensation for the use of the premises at the rate of P5,000.00 a month for the space originally subleased to him and P3,000.00 a month for the space originally subleased to Mr. Sia, beginning 1 March 1987 and every

month thereafter until the premises shall have been vacated.

Respondent Yao went on appeal before the Regional Trial Court of Caloocan City, Branch 123, and that court in a Decision dated 17 March 1987, reversed the decision of the Metropolitan Trial Court and dismissed petitioner's ejectment suit, while requiring petitioner to pay Mr. Yao P5,000.00 for attorney's fees.

A Petition for Review was then filed by petitioner Blas with the Court of Appeals. On 28 March 1988, however, the Court of appeals denied the petition, holding that petitioner was not entitled to eject respondent sublessee Yao because: (a) the period of the sublease had not yet expired, the same having been renewed for five (5) years upon renewal of the principal contract of lease for five (5) years; and (b) respondent Yao had not defaulted on the payment of sublease rentals, since he had been paying the same to lessor Bichara who in turn was crediting petitioner with the amounts thereof.

In the instant Petition for Review of the decision of the Court of Appeals, two (2) issues are therefore raised: firstly, whether or not the sublease had been renewed for a Period of five (5) years; and secondly, whether or not respondent Yao had incurred default in the payment of the sublease rentals.

In respect of the first issue, the Court of Appeals,[1] held that the period of the sublease contract had been automatically renewed upon the renewal of the principal lease contract. The Court of Appeals said:

"However, in the instant case, the record shows that the sublease between petitioner and private respondent is one with a fixed period but not on a month-to-month basis. The principal lease contract between the petitioner and Alfonso Bichara, the lessor, permits the sublease of the premises but the sublease of the premises shall be co-terminous with the principal lease. Thus, in the principal lease contract dated March 20, 1980, it was stipulated among others that:

'With respect however, to the store and other commercial spaces at the ground floor of the building, the Lessee shall have the right to sublet the Same provided that the term of the sublease agreement shall only be co-terminous with the terms of this principal lease.'

In view thereof, the sublease, being co-terminous with the principal lease contract expired on December 31, 1984; and was subsequently extended for another five years by virtue of the decision of the Metropolitan Trial Court, Branch L, Caloocan City, extending the lease for another five years from January 1, 1985. It has been held that the right of the sublease to remain in the premises depends on the right of the lessee himself to remain (Sipin vs. CFI of Manila, 74 Phil. 640, Phil. Consolidated Freight Lines, Inc. v. Ajon, et al., L-1020608, April 16, 1958; Duello vs. Gotico, L-17846, April 29, 1963).

x x x x x x x x."[2]

We think that the Court of Appeals misread the provisions of the principal lease contract which specified that: "the term of the sublease contract shall only be co-terminous with the terms of the principal lease." To our mind, it is quite clear that the lessee was being acknowledged as entitled to sublease the premises provided that the term of the sublease agreement could not exceed the term of the principal lease; should the principal lease have been lawfully terminated prior to the expiration of its full five-year term, the term of the sublease would automatically expire also. There is nothing in the quoted provision which prohibits the lessee/sublessor from subletting the premises involved for a period of time shorter than that specified for the duration of the principal lease agreement. The lessee/sublessor was not being compelled to sublease the premises involved for a fixed term of five (5) years to begin and end with the period of the principal lease. Thus, from the fact that the original sublease expired on the same day that the principal lease contract ended on 31 December 1984, it did not follow that when the principal lease contract was subsequently extended for another five (5) years by virtue of the Metropolitan Trial Court's decision, the period of the sublease was also thereby extended for the same period of five (5) years.

Petitioner lessee/sublessor could, of course, have renewed the sublease for the full period of five (5) years; but he did not. What he did was simply to continue subleasing the premises to respondent Yao on exactly the same basis as before the expiration of the original term of the principal lease and before the renewal of such term: the oral sublease contract simply continued on a month-to-month basis and was hence terminable at the end of any particular month.

The case law cited by the Court of Appeals does not run counter to the conclusion we have reached above. From the proposition that the right of the sublessee to remain in the premises depends on the right of the lessee himself to remain in the premises, it simply does not follow that the lessee/sublessor may not enter into a sublease agreement with a term shorter than that of the principal lease. Finally, examination of the record yields no reason at all for the lessor to have sought to compel the lessee/sublessor to sublet the premises only for the precise term -- no more, no less -- of the principal lease, that is, for five (5) years and not for any shorter period.

Turning to the second issue, the Court of Appeals held that respondent sublessee Yao had not been in default in the payment of sublease rentals to petitioner. Indeed, the Court of Appeals held that petitioner was estopped from raising the issue for the reason that she had acknowledged that the sublease rentals paid by Mr. Yao to lessor Bichara were credited by Bichara to petitioner's own rental account.

We consider that the Court of Appeals misconceived the nature of the legal relationships here involved. In a sublease arrangement, there are two (2) distinct leases involved: the principal lease and the sublease. There are two (2) juridical relationships which co-exist here and are intimately related to each other but nonetheless distinct one from the other. In a sublease arrangement, the personality of the lessee qua lessee does not disappear; his rights and obligations vis-a-vis the lessor are not passed on to nor acquired by the sublessee.[3] Manresa, in distinguishing carefully the relationship between the lessee/sublessor and sublessee on the one hand, from the relationship which arises between a lessor and the assignee of a lessee's rights under the lease contract, on the other hand, wrote:

"4.[o] Que el cesionario tiene accion directa contra el arrendador para exigir de el el cumplimiento de todas las obligaciones que este estipulo con el arrendatario, de igual modo que el esta tambien directamente obligado con el propio arrendador por razon de todo lo que se deriva del contrato.

Del concepto del subarriendo se deducen las tres consecuencias siguientes, contrarias a las tres primeras que acabamos de enumerar:

1.[a] El subarrendador goza por el precio del subarriendo de la preferencia establecida en el num. 7.[o] del art. 1.922 delCodigo,

2.[a] El subarrendatario puede exigir que la cosa se le entregue en buen estado de reparaciones a fin de que sirva para el uso a que se la destina.

3.[a] Las clausulas particulares del arriendo originario, mediante las cuales se hayan derogado los principios generales que rigen el contrato de arrendamiento, no pueden ser opuestas al subarrendatario ni ser invocadas por este.

Agreguese a estas diferencias la consideracion de que en la cesion de arrendamiento, el arrendatario transmite integro su derecho, sin añadir ni quitar cosa alguna, sin que se altere, en cuanto a su fondo sustancial, el contenido de la relacion, existente entre el y el arrendador, mientras que en el subarriendo todas las alteraciones son posibles, siempre que naturalmente no redunden en perjuicio del arrendador que no ha intervenido en el contrato; asi, por ejemplo, el subarriendo podra referirse a parte tan solo de la cosa arrendada, podra estipularse duracion distinta, precio mayor o menor, etc., y se acabaran de formar el exacto concepto de uno y otro acto.

Esta es la diferencia esencial entre los actos distintos de que tratamos. En la cesion, el arrendatario transmite en absoluta su derecho, su personalidad desaparece, quedan solamente en la relacion juridica dos personas, el arrendador y el cesionario, que se convierte en arrendatario. En el subarriendo no desaparece personalidad alguna; hay dos arriendos y dos relaciones juridicas diferentes, aunque intimamente ligadas y relacionadas la una con la otra."[4]

Thus, we believe that payment by respondent sublessee Yao to lessor Bichara was not payment to petitioner lessee/sublessor. Bichara was, in the main, and except only in the specific instances identified in the Civil Code, a stranger to the relationship between lessee/sublessor Blas and respondent sublessee Yao. The lessee/sublessor is not an agent of the lessor; nor is the lessor an agent of the lessee/sublessor. Respondent Yao was not entitled to ignore the rights of petitioner Blas; he had no right or authority to pay the sublease rentals to lessor Bichara, said rentals being due and payable to lessee/sublessor Blas, even though petitioner was being credited by lessor Bichara with the amount of the rentals being paid by respondent Yao.

Articles 1651 and 1652 of the Civil Code provide as follows:

"Article 1651. Without prejudice to his obligation toward the sublessor, the sublessee is bound to the lessor for all acts which refer to the use and preservation of the thing leased in the manner stipulated between the lessor and the lessee." (Underscoring supplied)

"Article 1652. The sublessee is subsidiarily liable to the lessor for any rent due from the lessee. However, the sublessee shall not be responsible beyond the amount of rent due from him, in accordance with the terms of the sublease, at the time of the extra-judicial demand by the lessor.

Payments of rent in advance by the sublessee shall be deemed not to have been made, so far as the lessor's claim is concerned, unless said payments were effected in virtue of the custom of the place." (Underscoring supplied)

Article 1651 makes clear that the sublessee's obligations to the sublessor subsist although the lessor may enforce against the sublessee the provisions of the principal lease contract relating to the use and preservation of the lease premises. Article 1652 permits the lessor to proceed against the sublessee for rent due from the lessee, but only on a subsidiary liability basis. In the instant case, there is no showing that the lessee/sublessor had incurred default vis-a-vis the lessor for rentals due from the former under the principal lease contract.

We conclude that respondent Yao was in default vis-a-vis petitioner Blas in the matter of payment of sublease rentals and that accordingly, petitioner was entitled to terminate the sublease agreement for failure of respondent Yao to pay sublease rentals due. If respondent Yao was in doubt as to whether or not petitioner's lease contract with Bichara was still subsisting, he should have consigned in court the sublease rentals accruing during the pendency of the ejectment case filed by lessor Bichara against lessee Blas, with notice to the latter.[5] Having failed so to consign in accordance with law the sublease rentals due and payable, respondent Yao breached the contract of sublease.

WHEREFORE, the Court Resolved to REVERSE and SET ASIDE the Decision of the Court of Appeals dated 28 March 1988 in C.A. - G.R. SP No. 13479. The decision of the Metropolitan Trial Court dated 26 June 1987 ejecting respondent Yao from the premises in question and requiring him to pay reasonable compensation at the rate of P5,000.00 per month for the space originally subleased to him and P3,000.00 for the space originally subleased to Efren Sia beginning 1 March 1987 and until the said Premises shall have been actually vacated, and awarding petitioner the sum of P4,000.00 as attorney's fees and assessing costs against respondent Yao, is hereby REINSTATED. Costs against private respondent.

Fernan, C.J., Gutierrez, Jr., Bidin, and Cortes, JJ., concur.

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- [1] The ponente was Luciano, J. with Lantin and Lapeña, Jr., JJ., concurring.
- [2] Rollo, p. 17; underscoring supplied.
- [3] *Marimperio Compañia Naviera, S.A. v. Court of Appeals*, 156 SCRA 368 (1987).
- [4] 10 Manresa, *Comentarios al Código Civil Español*, Cuarto Edition at 438 (1931); underscoring supplied.
- [5] *Landicho v. Tensuan*, 151 SCRA 410 (1987).

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