

VIRGINIA OCAMPO JUAREZ, PETITIONER, VS. THE HON. COURT OF APPEALS AND CETUS DEVELOPMENT, INC., RESPONDENTS.

G.R. No. 93474. October 07, 1992

Ponente: CRUZ, J.

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CRUZ, J.:

The subject of this controversy is a lot located at 502 Quezon Boulevard, Manila. It was leased in the early 1900's to Servillano Ocampo, who built a house thereon where he lived with his parents and his sister Angela. He died on March 17, 1956. The lease was taken over by Angela Ocampo, who continued to stay in the house together with her children, including herein petitioner Virginia Ocampo Juarez. In 1976, because of her advanced age, Angela moved to her daughter Virginia's house in Pasay City. The house on Quezon Boulevard she leased to Roberto Capuchino, reserving only one room for her personal belongings.

Meantime, the lot had been sold by the Aranetas to Susanna Realty, Inc., which in turn sold it in 1985 to Cetus Development Corporation, the herein private respondent.

Immediately after acquiring the lot, Cetus filed a complaint for ejectment against the petitioner with the Municipal Court of Manila on the ground that the lessee had subleased the property without its consent in violation of BP 877. The case was dismissed.[1] The court held that the statute was inapplicable because the sublease was made prior to its effectivity.

The decision was affirmed on appeal to the Regional Trial Court of Manila. That court added that the law was applicable only where the lessor had constructed the building located on the lot and not where it was constructed by the lessee himself. It also held that the real party in interest was not the petitioner but Angela Ocampo Juarez.[2]

The Court of Appeals reversed.[3] It ruled that BP 877 was applicable because the original contract of lease did not specify a fixed term and payment of the rental was made on a monthly basis. The contract was deemed terminated from month to month. Hence, when it was renewed in July 1985, it became subject to BP 877, which had come into effect on June 12, 1985.

The respondent court further held that the law covered the subject property under the definition of residential unit therein as referring to:

Section 2. Definition of terms -

(b) x x x an apartment, house and/or land on which another's dwelling is located used for residential purposes and shall include not only buildings, parts or units thereof used solely as dwelling places, except motels, motel rooms, hotels, hotel rooms, boarding houses, dormitories, rooms and bedspaces offered for rent by their owners, x x x.

Furthermore, the statute provided the following ground for the ejectment of the tenant:

Sec. 5. Grounds for Judicial Ejectment. – Ejectment shall be allowed on the following grounds:

(a) Assignment of lease or subleasing of residential units in whole or in part, including the acceptance of boarders or bedspacers, without the written content of the owner/lessor.

Finally, Virginia Ocampo Juarez was a proper party defendant in the ejectment case because she was the one actually paying the rentals to the plaintiff at the time the complaint was filed.

The respondent court is now faulted in this petition for review on certiorari. The petitioner again contends that BP 877 should not be given retroactive application because it would violate the impairment clause and the prohibition against ex post facto laws. She repeats that she is not the proper party defendant but her mother Angela, who inherited the leasehold right from her brother Servillano, the original lessee of the lot.

We rule for the respondents.

Article 1687 of the Civil Code provides:

If the period for the lease has not been fixed, it is understood to be from year to year, if the rent agreed upon is annual; from month to month, if it is monthly; from week to week, if the rent is weekly; and from day to day, if the rent is to be paid daily. However, even though a monthly rent is paid, and no period for the lease has been set, the courts may fix a longer term for the lease after the lessee has occupied the premises for over one year. If the rent is weekly, the courts may likewise determine a longer period after the lessee has been in possession for over six months. In case of daily rent, the courts may also fix a longer period after the lessee has stayed in the place for over one month. (1581a)

As the original contract of lease did not prescribe a fixed period and the rentals were paid monthly, the same should be considered renewable from month to month, following the above-quoted provision. The same observations are made of the contract of sublease in favor of Capuchino, which began in 1976 and has continued to date. Like the principal contract, the sublease was also terminable at the end of each month because no specific period had been prescribed and the rentals were also payable monthly.

The petitioner insists that the sublease was not prohibited when it was concluded in 1976 and suggests that since it was valid at that time, it should continue to be valid even now.

Thus, Article 1650 of the Civil Code provides as follows:

When in the contract of lease of things there is no express prohibition, the lessee may sublet the thing leased, in whole or in part, without prejudice to his responsibility for the performance of the contract toward the lessor.

She forgets, however, that when the sublease was renewed in July 1985, it had become invalid under the provisions of BP 877, which had already become effective. The law was operating prospectively upon the new, or renewed, contract of sublease which now could no longer be considered valid without the written consent of the lessor.

But even if the sublease were not terminable when the statute became effective on June 12, 1985, and had a fixed period going beyond that date, that period could still be cut short by operation of BP 877. This time the law would operate retroactively, to affect existing contracts of sub-lease concluded before the law came into effect.

Thus, BP 877 provides as follows:

All residential units the total monthly rental of which does not exceed four hundred eighty pesos (P480.00) as of the effectivity of this Act shall be covered by this Act.

x x x

The petitioner complains that the retroactive application of the law would violate the impairment clause. The argument does not impress. The impairment clause is now no longer inviolate; in fact, there are many who now believe it is an anachronism in the present-day society. It was quite useful before in protecting the integrity of private agreements from government meddling, but that was when such agreements did not affect the community in general. They were indeed purely private agreements then. Any interference with them at that time was really an unwarranted intrusion that could be properly struck down.

But things are different now. More and more, the interests of the public have become involved in what are supposed to be still private agreements, which have as a result been removed from the protection of the impairment clause. These agreements have come within the embrace of the police power, that obtrusive protector of the public interest. It is a ubiquitous policeman indeed. As long as the contract affects the public welfare one way or another so as to require the interference of the State, then must the police power be asserted, and prevail, over the impairment clause.

As we held in *Philippine Veterans Bank Employees Union vs. Philippine Veterans Bank*:^[4]

Even if it be conceded that the charter of the Bank constitutes a contract between the Government and the stockholders of the Bank, it would not follow that the relationship cannot be altered without violating the impairment clause. This is a too simplistic conclusion that loses sight of the vulnerability of this "precious little clause," as it is called, to the inherent powers of the State when the public interest demands their exercise. The clause, according to Corwin, "is lately of negligible importance, and might well be stricken from the Constitution. For most practical purposes, in fact, it has been."

The undeniable fact is that the notion of public interest has made such considerable inroads into the constitutional guaranty that one could validly say now that it has become the exception rather than the rule. The impact of the modern society upon hitherto private agreements has left the clause in a shambles, as it were, making practically every contract susceptible to change on behalf of the public. The modern understanding is that the contract is protected by the guaranty only if it does not affect public interest, but there is hardly any contract now that does not somehow or other affect public interest as not to come under the powers of the State. Part of that understanding therefore is that, conversely, the contract may be altered validly if it involves the public interest, to which private interests must yield "as a postulate of the existing social order."

And so it must be in the case at bar. Housing is one of the most serious social problems of the country. The regulation of rentals, especially in the urban areas, has long been the continuing concern of the government, as manifested by the succession of laws on the subject, beginning with Rep. Act No. 6359, the original House Rentals Law. This Court has consistently recognized the need for such legislation, to prevent the lessor from imposing arbitrary conditions on the lessee while at the same time deterring the lessee from abusing the statutory benefits accorded to him.

Thus, the lessor is prohibited from arbitrarily increasing the rentals and leaving the lessee no choice except to pay up or vacate the leased premises for the shelterless streets. On the other hand, the lessee is not permitted to insist on paying inordinately low rentals grown absurd and unrealistic in view of rising costs, including the expenses of administering and maintaining the leased premises.

In allowing the ejectment of the lessee who has subleased the leased premises without the written consent of the lessor, the law has taken note of one of the unconscionable practices of lessees that have caused much prejudice to the lessor. The subject lease is a case in point. It is not denied that the rental on the lot is only P69.70 per month. On the other hand, the petitioner has declared that she charges Capuchino a monthly rental of P400.00 under the sublease contract, or almost ten times her own rental. While it is true that this covers both the lot and the building, the point is that she is not paying the lessor enough for the use of the lot in light of the total rental she is charging

Capuchino for the use of the house and lot.

The Court is not unaware of the many gambits employed by landlords to eject their incumbent tenants whose rentals may not be increased beyond the statutory maximum and who may even enjoy the right to purchase the rented premises under certain conditions. Thus, lessors may pretend to need the premises themselves or to have to undertake urgent repairs thereon or to not have received the rentals on time when their real purpose is to lease the property to new tenants at higher rentals not covered by the rental laws.

On the other hand, there are lessees who have taken undue advantage of the rental laws by holding on to the leased premises although they no longer need them for their own residence or administering them to the prejudice of the landlord by partitioning the apartment or lot and subleasing them to separate families or individuals, or accepting bedspacers and boarders, each paying rentals that in the aggregate are much more than the regulated rentals the original lessee is paying the landlord.

The purpose of the law in interfering with such contracts is to protect both the landlord and the tenant from their mutual impositions that can only cause detriment to society as a whole. The practices above discussed have to be the subject of government regulation and even prohibition and cannot seek legitimate refuge in the impairment clause.

The petitioner's contention that BP 877 is an ex post facto law must also be rejected. It is not penal in nature and the mere fact that it contains penal provisions does not make it so. At any rate, she is not being prosecuted under the said penal provisions. She was sued in the municipal court in a civil complaint to eject her from the lot on the ground that she had unlawfully subleased it.

The petitioner's final contention is that she is not the proper party defendant in the ejectment case but her mother Angela, who inherited the leasehold right from Servillano Ocampo. That claim is also unacceptable. It is obvious that the petitioner has been acting on behalf of her mother, who is now 92 years of age and living in her care. Angela cannot administer the subleased lot and house, let alone appear in court to resist her ejectment. It is the petitioner who has been receiving the rent from Capuchino and in turn paying the rent on the lot to the private respondent. For all intents and purposes, she has taken over the leasehold right inherited by Angela and it is only proper that she be held responsible for the unauthorized sublease of the lot. In effect, it is the petitioner who is in legal possession of the leased lot and as such is the proper party defendant in a complaint for ejectment.

Thus, under Section 1, Rule 70, of the Rules of Court:

Who may institute proceedings, and when. - Subject to the provisions of the next succeeding section, a person deprived of the possession of any land or building by force, intimidation, threat, strategy, or stealth, or a landlord, vendor, vendee, or other person against whom the possession of any land or building is unlawfully withheld after the expiration or termination of the right to hold possession, by virtue of any contract, express or implied, or the legal representatives or assigns of any such, landlord, vendor, vendee, or other person may, at any time within one (1) year after such unlawful deprivation or withholding of possession, bring an action in the proper inferior court against the person or persons unlawfully withholding or depriving of possession, or any person or persons claiming under them, for the restitution of such possession, together with damages and costs. The complaint must be verified.

In any event, the non-joinder of Angela was not fatal to the complaint for ejectment because it is provided in Section 11, Rule 3, that:

Misjoinder and non-joinder of parties. - Misjoinder of parties is not ground for dismissal of an action. Parties may be dropped or added by order of the court on motion of any party or on its own initiative at any stage of the action and on such terms as are just. Any claim against a party may be severed and proceeded with

separately.

If the petitioner must still quibble about the non-inclusion of Angela, there is nothing to prevent this Court now from ordering her inclusion as party defendant and from considering her duly heard in her defense, through her daughter, the herein petitioner, who has been acting in her behalf throughout these proceedings. If that be the petitioner's insistence, then the order to that effect is hereby made.

The circumstances of this case show that the petitioner can no longer retain the leased lot, not because she does not need it anymore but, worse, because she is making a profitable business of subleasing it without the written consent of the landlord, who is entitled to recover the lot because of the violation of the lease. The petitioner cannot claim a denial of social justice because she was not entitled to it in the first place.

WHEREFORE, the petition is DENIED, with costs against the petitioner. It is so ordered.

Griño-Aquino, Medialdea, and Bellosillo, JJ., concur.

Padilla, J., on leave.

[1] By Judge Ernesto A. Reyes.

[2] Penned by Judge Maximo A. Savellano, Jr.

[3] Penned by Justice Ricardo L. Pronove, Jr. with Benipayo and Guingona, concurring.

[4] 189 SCRA 14.

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