

LUCIO SAN ANDRES, PETITIONER, VS. THE HONORABLE COURT OF APPEALS AND HEIRS OF GO CO, REPRESENTED BY ELIAS ANG, RESPONDENTS.*G.R. No. 94516. December 06, 1996*

Ponente: MENDOZA, J.

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Petitioner Lucio San Andres leased a portion of his land, consisting of 5,000 square meters, to Go Co. He brought this suit for ejectment against the heirs of Go Co, alleging violation of the prohibition in the lease contract against subleasing the land. The Metropolitan Trial Court of Valenzuela gave judgment for petitioner. On appeal the Regional Trial Court affirmed with modification, but on further appeal to the Court of Appeals,[1] the latter court reversed. Hence this petition for review on certiorari on the ground that the appellate court erred (1) in holding that the MeTC did not acquire jurisdiction over the suit for failure of petitioner to demand that private respondents vacate the premises, and (2) in holding that private respondents did not violate the contract which prohibits the lessee from subleasing the land because what they had to a third party was not the land but the building they had constructed on the leased premises.

The facts are as follows:

Petitioner is the owner of a parcel of land in Barangay Canumay, Valenzuela, Metro Manila. On May 27, 1973 he leased a portion of his land, consisting of 5,000 square meters in the northern part, to Go Co, the father of private respondent Elias Ang. The lease is for a period of thirty (30) years starting June 1, 1973 and expiring May 13, 2003. The contract stipulates that the lessee has a right to put up buildings or factories thereon but, at the end of the term of the lease, all structures which the lessee may put up on the land will belong in ownership to the lessor.

Go Co started the construction of a two-storey building on the land, but before he could finish the building, he ran out of funds and was forced to borrow P280,000.00 from Alberto Dy of Land Center Philippines, Inc. (hereinafter called Land Center). Because of Go Co's failure to pay the interest stipulated in his promissory note, Go Co gave Alberto Dy the right to use the building.

On December 19, 1974 Go Co died. His heirs continued paying the monthly rent to petitioner. They also inherited their father's debt to Land Center. Consequently, private respondents represented by Elias Ang, entered into a Memorandum of Agreement with Kookaburra Industrial Corporation (hereinafter called Kookaburra Industrial) pursuant to which the latter undertook to pay private respondents' indebtedness to Land Center. Private respondent Elias Ang later became a stockholder of Kookaburra Industrial by the assignment to him of 20 shares of the 2,000 subscribed shares of stock of the corporation.

In 1980, Kookaburra Industrial occupied the leased property and conducted its business therein. A contract of lease was entered into between Land Center, through Alberto Dy, and Kookaburra Industrial, through its president, Ramon Yu, whereby the former leased to the latter the building. The lease was for a period of three (3) years, from January 1, 1980 up to December 31, 1982, at a monthly rental of P7,000.00. An Addendum to the

Contract of Lease, dated January 20, 1983, executed between the same parties extended the lease for two (2) years.

In 1985, petitioner refused to accept further payments of the rentals, as he demanded the execution of a new contract from private respondents. As he failed in his bid, he began a series of actions against private respondents.

First, on November 18, 1987, he wrote private respondent Elias Ang, giving notice of the termination of the lease contract made with Go Co by reason of the death of the latter and charging private respondents with violations of the lease contracts by subleasing the property without the petitioner's consent.

Second, the following year, 1988, petitioner filed a case for ejectment and damages against private respondents.

On September 7, 1989, the Metropolitan Trial Court of Valenzuela gave judgment for petitioner. It found that private respondents violated the lease contract by subleasing the building built on the leased property to Kookaburra Industrial. The court ordered private respondents to vacate the premises and to pay the petitioner monthly rentals for the use and occupation of said premises at the rate of P8,500.00 a month from December 1987 until they vacate the same and the amount of P4,000.00 for attorney's fees and the costs of the suit.

Private respondents appealed to the Regional Trial Court which on November 8, 1989 affirmed the decision of the MeTC, but reduced the monthly rental to be paid by private respondents to P1,200.00 a month from December 1987 until they finally vacate the premises. On further appeal, the Court of Appeals reversed the decision of the RTC and dismissed the petitioner's complaint.

Hence, this petition for review on certiorari by Lucio San Andres.

First. Petitioner contends that the Court of Appeals erred in holding that no demand to vacate had been made by him before bringing this suit for ejectment. He contends that before filing the ejectment suit his attorney sent private respondents a letter, demanding that "a formal contract of lease between you and our client, must be forged or executed immediately," otherwise private respondents would be considered "intruders of the property from which you can be ousted or rejected." Petitioner argues that this sufficiently put private respondents on notice that if they failed to enter into a new lease contract with petitioner, private respondents would be ejected from the land.

This contention of petitioner is without basis. The letter referred to reads:[2]

18 November 1987

Mr. Elias Ang
809 Zacatero St.,
Sta Cruz, Manila

Dear Mr. Ang:

This letter has reference to your stay, occupation and use of the premises known as Lot 1043, Malinta Estate, situated at Canumay, Valenzuela, Metro Manila, owned by and registered under the name of our client, Lucio San Andres.

You must have been aware that although said property was previously leased to your father, Go Co, by our client, said lease contract has been automatically terminated or abrogated with the death of your father, if it is not so terminated with his death, nonetheless, you have violated the terms and conditions of said lease contract by subleasing the premises leased to a third person or entity, against the will and without the consent of our client. In view of the above-developments, we wish to inform you, as we have already stated in our demand letter of November 11, 1987, which we presumed that you have already received, that said contract is deemed

terminated or abrogated motu-proprio. By reason of said termination or abrogation, your continued stay, occupation and use, therefore, of said premises are now only under the tolerance or implied consent of our client, without necessarily meaning the existence of a lease contract.

To legalize therefore, your continued stay, use and occupation of the said premises, we wish to inform you that formal contract of lease, between you and our client, must be forged or executed immediately, otherwise, your said stay, thereat, is without any color of right should our client discontinue his tolerance.

Should you desire to enter into a formal contract of lease with our client, basically, the following are the terms and conditions which our client would want you to agree, to wit;

1. The area to be covered by the lease contract shall be limited to the extent of the area presently occupied by your existing building, unless you negotiate for a bigger area;
2. The monthly rental to be paid shall be computed at P3.00 per square meter;
3. The maximum duration of the contract shall be limited to three (3) years, but it can be renewed by mutual agreement;
4. If the whole area could not be leased by you, then, our client can lease the remaining area to other interested persons;
5. Definitely, sub-leasing is not allowed; and
6. We will not recognize other persons, representing your interest, except you.

We will wait for your counter-proposals within a period of ten (10) days from receipt of this letter. If we will not hear from you within the above-stated period, then, we shall interpret your silence as lack of interest to lease the premises. And unless your present stay, use and occupation of said premises is legalized by a valid written lease contract, we will regard you as a plain intruder in the premises, where, by law, you can be ejected and ousted.

Trusting that this letter will merit your preferential attention before any further legal actions shall be initiated.

Very truly yours,

ATTY. LIBERATO C. TENEZA
Counsel for Lucio San Andres

The question is whether this letter constitutes a demand to vacate as required by Rule 70, §2, sufficient to confer jurisdiction on the MeTC. This provision states:

§2. Landlord to proceed against tenant only after demand.- No landlord, or his legal representative or assign, shall bring such action against a tenant for failure to pay rent or due 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 on the premises, or by posting such notice on the premise if no persons be found thereon.

We hold that the letter does not meet the requirements in Rule 70, §2 and for that reason the MeTC did not acquire jurisdiction over this case. To begin with, contrary to the assertion in the letter, the lease contract between petitioner and private respondents' predecessor-in-interest, Go Co, was not terminated by the death of Go Co. The fact is that the parties in this case so regarded the contract and therefore continued the lease even after the death of Go Co in 1974. It was only in 1987, thirteen years later, when petitioner demanded the execution of a new contract on the ground that the lease had been terminated upon the death of the lessee.

The letter in question also mentions violation of the lease contract by private respondent as ground for its termination. To be sure, an action for rescission of a contract of lease could have been brought under Art. 1659 of the Civil Code for violation of the lease contract, but no such action was instituted, which must be done in the RTC. Instead, what was brought was this action for ejectment which he filed in the MeTC. As such, the suit is subject to the requirement of Rule 70,§2 of the Rules of Court concerning the need for a demand to be made before the lessee may be considered a deforciant, unlawfully withholding possession from the owner of the land.

Now, the demand must be either to pay the rents or to comply with the terms of the contract, as the case may be. But the letter of petitioner's attorney makes neither demand on private respondents. It does not demand that they comply with the stipulation prohibiting the lessee from subletting the land. Instead, the letter demands the execution of a new lease contract on the theory that the 1973 lease agreement has been terminated. As already explained, however, the 1973 contract was not terminated by the death of Go Co in 1974 because in fact it provides for the transfer of ownership of buildings built on the land upon the expiration of the lease in the year 2003.

Neither could petitioner unilaterally and extrajudicially rescind the contract for violation of its "no sublease" provision, assuming there was a violation of the agreement. Petitioner undoubtedly knew this, that is why he brought an ejectment suit as an alternative to an action for rescission.

Second. Petitioner also contends that the Court of Appeals erred in holding that private respondents did not violate their contract of lease. The appellate court held that the prohibition against subleasing refers to the land and not the building constructed by the lessee, which would not belong to petitioner until after the expiration of the lease in the year 2003. Indeed the lease agreement refers to the subleasing of the "land leased herein" ("lupang pinaupahan dito"), thus:

(g) Hindi maaring ipa-upang muli (sub-lease) ng IKALAWANG PANIG ang lupang pinaupahan dito na walang nakasulat na pahintulot ang UNANG PANIG.[3]

The question is whether the prohibition against subleasing of the land extends to the leasing of the building. As already stated, because the lessee, Go Co, ran out of funds to finish the construction of his building, he was forced to borrow money from Alberto Dy of Land Center, to pay for which he allowed Land Center the free use of the building. Land Center subsequently leased the building for a term of five years, renewable thereafter on a year-to-year basis, to Kookaburra Industrial.

In *Duellome v. Gotico*,^[4] petitioner leased his lot for P10.00 a month to private respondents' father-in-law, who later built a house on the land. Private respondent came to live in the house. When the lessee transferred residence to another place, private respondents were left in the house, which they rented from the lessee for P20.00. They paid P10.00 to the owner of the land and P10.00 to the owner of the house. Later, however, upon request of the lessee, private respondents paid the entire rent to the lessee. Because the rent on the land was not paid, the owner of the lot brought an ejectment suit against private respondents. The suit was eventually dismissed as the lessee paid the rents in arrears, but private respondents sued the owner of the lot for damages, claiming that the ejectment suit was malicious and caused damage to their reputation. They contended that they were not really liable to petitioner for the payment of the rent on the land. In absolving petitioner from liability for damages, this Court held that in a true sense private respondents were lessees of the land, and not only of the house because "[t]he lease of the building naturally includes[s] the lease of the lot and the rentals of the building include the rentals of the lot."^[5] Since the lessee failed to pay the rents, the lot owner had a right to sue the private respondents as sublessees of the land for the unpaid rentals in accordance with Art. 1652 of the Civil Code which provides:

Art. 1652. The sublessee is subsidiary liable to the lessor for any rent due from the lessee. However, the sub-lessee 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. . .

However, for the purpose of enforcing the "no-sublease" provision of the lease contract in this case, it is clear not only from the text of the agreement which unequivocally speaks of the sublease of "the land leased herein," but also from its context that it does not apply to the lease of the building which the lessee had constructed on the land leased.[6] This is because the term of the lease is for 30 years. The purpose of the lease is for the lessee to have a place on which to construct a building or a factory. The building could be a tenement house or a factory, either of which could be for commercial purposes such as for lease. A stipulation that upon the expiration of the lease the building constructed by the lessee will become the property of the owner of the land is usual with respect to commercial buildings, the lessee calculating that the building will bring him income sufficient to cover his investment besides a fair return. It is thus unlikely that, in entering into the 30-year lease contract in this case, the parties contemplated imposing restrictions on private respondents' rights of ownership of the building, by prohibiting even the lease of the building constructed by the lessee. The most natural and the most logical construction of the "no sublease" provision is that it refers only to the land leased but not to the building or factory which the lessee was authorized to construct on the land.

WHEREFORE, the decision of the Court of Appeals is AFFIRMED.

SO ORDERED.

Regalado (Chairman), Romero, Puno, and Torres, Jr., JJ., concur.

[1] Per Felipe Kalalo, J. and concurred in by Luis A. Javellana, and Abelardo M. Dayrit, JJ.

[2] Annex H, Rollo, p. 54.

[3] Annex I, Rollo, p. 112.

[4] 117 Phil. 845 (1963).

[5] Id., 850.

[6] The Civil Code provides in pertinent parts:

Art. 1370. If the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control.

If the words appear to be contrary to the evident intention of the parties, the latter shall prevail over the former.

Art. 1373. If some stipulation of any contract should admit of several meanings, it shall be understood as bearing that import which is most adequate to render it effectual.

Art. 1374. The various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly.

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