

**SPS. AUGUSTO C. LEGASTO AND CELIA LEGASTO, PETITIONERS, VS.
THE HON. COURT OF APPEALS, ESTELITO MENDOZA, SOCORRO
CARANGUIAN, ELIAS BUENAFE, BERNARDO PEREZ, SOFIA RUALO,
TREFINA ...**

G.R. Nos. 76854-60. April 25, 1989

Ponente: GUTIERREZ, JR., J.

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GUTIERREZ, JR., J.:

This is a petition for the review on certiorari of the Court of Appeals' amended decision which set aside the decisions of the lower courts in the ejectment cases against the private respondents and instead ordered that the complaints against them be dismissed.

The undisputed facts of the case as found by the Metropolitan Trial Court and as reiterated in the Regional Trial Court's decision and the Court of Appeals' amended decision are as follows:

"Plaintiffs are owners of the apartment-building located at 318-E. Rodriguez Sr. Avenue, Quezon City. Occupying the following units appearing opposite their names are:

1. Estelito Mendoza - No. 318-C

Enrique Borja

2. Socorro Caranguian - No. 318-G

Herminia Buenafe

3. Elias Buenafe - No. 318-H

4. Bernardo Peres - No. 318-K

Fe Perez

5. Sofia Rualo - No. 318-L

Fe Esperanza Almacen

6. Trifena Gacerez

Maryroze Gacerez and

Jessie Gacerez - No. 318-Q

7. Apolonia Balachica - No. 318-Y

They started leasing the premises since 1970. The 10% increase annually as authorized by law was imposed and collected. The tenants agreed that as of June 30, 1985 they are paying plaintiffs P488.00 monthly subject to discounts or rebates if paid on or before the 5th day of the month or after the 5th but before the 30th of each

month as embodied in their separate contracts of lease.

On June 18, 1985, plaintiffs sent a letter informing defendants that effective July 1, 1985 the rent of the units they are occupying would be increased to P1,500.00 monthly. These letters were received by the defendants. As the defendants did not heed the letters, plaintiffs filed the requisite complaint with Barangay Mariana for non-payment of rents and ejectment. As no settlement was reached, a certification to file action was issued by the Barangay officials on October 7, 1985. On the part of the defendants, they likewise filed a complaint with the same barangay against the plaintiffs' hasty increase of rental to P1,500.00 which according to the defendants is 'unlawful and reprehensible.' ” (pp. 24-25, Rollo)

An action was accordingly filed by the petitioner-spouses before the Metropolitan Trial Court of Quezon City against the private respondents for ejectment on the ground of non-payment of the increased rents.

The trial court held that eviction was warranted for non-payment of rents.

On appeal by herein private respondents, the Regional Trial Court (RTC) of Quezon City, Branch 84 affirmed the decision in toto.

A petition for the review of the RTC's decision was there-after filed before the then Intermediate Appellate Court.

The appellate Court at first dismissed the petition which was filed on May 16, 1986, on the assumption that the petitioners' counsel received the copy of the RTC decision dated April 24, 1986 on April 29, 1986 and had only up to May 14, 1986 within which to perfect the appeal.

However, in a motion for reconsideration, the petition was subsequently given due course and the earlier decision was set aside.

The respondent Court of Appeals then promulgated an amended decision setting aside the lower court's decisions and instead ruling in favor of herein private, respondents.

Hence, this petition for review.

The petitioners raise the following assignment of error:

I

"RESPONDENT COURT OF APPEALS ACTED WITHOUT JURISDICTION IN RENDERING THE DECISION ANNEX "G" HEREOF NOTWITHSTANDING THE FACT THAT AS FOUND BY SAID RESPONDENT COURT IN ITS EARLIER DECISION ANNEX "E" HEREOF, THE PETITION FOR REVIEW ANNEX "C" HEREOF WAS FILED OUT OF TIME;

II

"ASSUMING PURELY HYPOTHETICALLY THAT RESPONDENT COURT OF APPEALS HAD JURISDICTION TO TAKE COGNIZANCE OF AND DECIDE THE PETITION FOR REVIEW ANNEX "C" HEREOF, IT NEVERTHELESS COMMITTED A SERIOUS ERROR OF LAW IN ITS INTERPRETATION OF THE CUMULATIVE MANNER OF YEARLY INCREASE IN RENT OF THOSE COVERED BY BP. 25 AND IN THEREBY DISMISSING THE EJECTMENT COMPLAINTS HEREIN." (pp. 24-25, Rollo)

The Court of Appeals earlier dismissed the private respondents' appeal by way of a petition for review for being filed two days after the 15-day reglementary period.

However, the respondent court set aside this decision.

In its resolution dated September 23, 1986, the appellate court held:

"In the motion for reconsideration, counsel for the petitioners pointed out in his affidavit of merit, that the decision subject of the petition for review, was actually claimed from the Post Office by the messengerial pool on April 29, 1986, but was picked up from the messengerial pool by his messenger Julieta Afungol and delivered to him (petitioners' counsel) only on May 2, 1986; and that the final-ization of the petition for review was only finished on May 16, 1986 due to intermittent power brownouts from May 12 to May 14, 1986.

We find merit in the motion for reconsideration. In *Republic v. Court of Appeals*, 83 SCRA 453, the Supreme Court held that a six-day delay in the perfection of the appeal does not warrant its dismissal; and, again in *Ramos v. Bagasao*, 96 SCRA 395, the Court held that the delay of four (4) days in filing a notice of appeal and a motion for extension of time to file a record on appeal can be excused on the basis of equity." (pp. 68-69, Rollo)

The appellate court then rendered the assailed amended decision in favor of the private respondents.

We held in the case of *Siguenza v. Court of Appeals*, (137 SCRA 570, 576 [1985]):

"In the case of *Castro v. Court of Appeals* (132 SCRA 782), we stressed the importance and real purpose of the remedy of appeal and ruled:

'An appeal is an essential part of our judicial system. We have advised the courts to proceed with caution so as not to deprive a party of the right to appeal (*National Waterworks and Sewerage Authority v. Municipality of Libmanan*, 97 SCRA 138) and instructed that every party-litigant should be afforded the amplest opportunity for the proper and just disposition of his cause, freed from the constraints of technicalities (*A-One Feeds, Inc. v. Court of Appeals*, 100 SCRA 590).

'The rules of procedure are not to be applied in a very rigid and technical sense. The rules of procedure are used only to help secure not override substantial justice. (*Gregorio v. Court of Appeals*, 122 SCRA 120_/_). Therefore, we ruled in *Republic v. Court of Appeals* (83 SCRA 453) that a six-day delay in the perfection of the appeal does not warrant its dismissal. And again in *Ramos v. Bagasao* (96 SCRA 395), this Court held that the delay of four (4) days in filing a notice of appeal and a motion for extension of time to file a record on appeal can be excused on the basis of equity.'

"We should emphasize, however, that we have allowed the filing of an appeal in some cases where a stringent application of the rules would have denied it, only when to do so would serve the demands of substantial justice and in the exercise of our equity jurisdiction.

"In the case at bar, the petitioners' delay in filing their record on appeal should not be strictly construed as to deprive them of the right to appeal especially since on its face the appeal appears to be impressed with merit." (Underlining supplied)

As a rule, periods prescribed to do certain acts must be followed. However, under exceptional circumstances, a delay in the filing of an appeal may be excused on grounds of substantial justice and equity.

In the instant case, we respect the decision of the respondent court to give due course to the appeal which raised an important legal question affecting many tenants and landlords similarly situated all over the country. The respondent court considered the reasons behind the delay. We agree with its ruling on the delay.

The correct interpretation of the term "cumulative" as used in the Rent Control Law is vital in order to know which law is applicable to the case at bar.

Batas Pambansa Blg. 25, section 1 provides:

"SECTION 1. Authority to Increase Rentals-Upon the effectivity of this Act and for a duration of five years thereafter the monthly rentals of all residential units not exceeding three hundred pesos shall not be increased, for any one year period, by more than ten percent (10%) of the monthly rentals existing at the time of the approval of this Act.

"The yearly increases authorized herein shall be cumulative. (Underscoring provided).

The effectivity of B.P. 25 expired on April 10, 1984 but was extended by P.D. 1912 to December 31, 1984 and later extended for another six months up to June 30, 1985. On June 12, 1985, a new rental regulation law, B.P. 877, was enacted. The meaning of "cumulative" in B.P. 25 becomes important to the parties because B.P. 877 applies the prohibition against increases of rent beyond those provided in the law only to residential units, the monthly rentals of which do not exceed P480.00 as of July 1, 1985. Significantly, B.P. 877 specifically stresses that the yearly increases shall be cumulative and compounded. (See 81 O.G. No. 24, p. 2524, June 17, 1985).

Batas Pambansa Blg. 877, sec. 1 provides:

"SECTION 1. Monthly Rentals and Maximum Increases. - Beginning July 1, 1985 and for a duration of two and a half years there-after, ending on December 31, 1987, monthly rentals of all residential units not exceeding four hundred eighty (P480.00) pesos shall not be increased by the lessor by more than the rates herein provided:

Period

Maximum Increase

July 1, 1985 to Dec. 31, 1985

10 percent

Jan. 1, 1986 to Dec. 31, 1986

20 percent

Jan. 1, 1987 to Dec. 31, 1987

20 percent

The increase authorized herein shall be cumulative and compounded." (Underscoring supplied)

How should the word "cumulative" be interpreted?

According to the Oxford Universal Dictionary, "cumulative" means constituted by accumulation; acquiring or increasing in force by successive additions. The dictionary meaning is not of much help as it leaves unanswered what would be the basis of the successive additions. Should the 10% be based on the P250.00 monthly rental for 1980 such that it would be a constant P25.00 every year for 1981, 1982, 1983, and so forth? Or should it be 10% of the rental for the preceding year and not always 1980 as the base year?

The respondent court stated:

"If the lessors had followed B.P. Blg. 25, they should have collected from their lessees increased rentals as follows from April 1979 (the date of effectivity of the law) to June 30, 1985, the date of effectivity of B.P. Blg. 877.

"First Year

May 1979-1980 P250.00 + P25.00 (10% of P250.00) = P275.00

Second Year

May 1980-1981. $P275.00 + P25.00 = P300.00$

Third Year

May 1981-1982 $P300.00 + P25.00 = P325.00$

Fourth Year

May 1982-1983 $P325.00 + P25.00 = P350.00$

Fifth Year

May 1983-1984 $P350.00 + P25.00 = P375.00$

Sixth Year

May 1984-1985 $P375.00 + P25.00 = P400.00$

May-June 30, 1985 $P400.00 + P25.00 = P425.00$

"Contrary to the prohibition in B.P. Blg. 25 that the lease rental for residential units renting for not more than P300 a month 'shall not be increased for any one year period by more than 10% of the monthly rentals existing at the time of the approval of this act' and that the yearly increases shall be cumulative, not compounded, the respondents lessors compounded the yearly increases starting May 1979, so that in May 1985 they were collecting rent of P487.14 monthly (actually P488) from the petitioners. The compounding of the yearly increases was done as follows:

Year Amount

May 1979-1980 $P250.00 + P25.00$ (10% of P250.00) = P275.00

May 1980-1981 $P275.00 + P27.50$ (10% of P275.00) = P302.50

May 1981-1982 $P302.50 + P30.25$ (10% of P302.00) = P332.75

May 1982-1983 $P332.75 + P33.25$ (10% of P332.75) = P366.00

May 1983-1984 $P336.00 + P36.60$ (10% of P336.02) = P402.60

May 1984-1985 $P402.60 + P40.26$ (10% of P402.60) = P442.86

May 1985-

June 30, 1985 $P442.86 + P44.28$ (10% of P442.86) = P487.14

"Consequently, when B.P. Blg. 877 became effective on July 1, 1985 the petitioners were paying rent of more than P480 per month to their lessors and the latter lighted upon that circumstance to justify their demand for still higher rent on the ground that their property was not covered by B.P. Blg. 877 because the rent being paid by the lessees was more than P480 monthly. Invoking B.P. Blg. 25, the petitioners refused to pay the P1,500.00 monthly rent demanded by the private respondents on the ground that their P488 monthly rental was based on a wrong computation of the allowable increases by the private respondents. Forthwith, the private respondents filed suits to eject them." (Rollo, pp. 75-76)

A resort to legislative records as extrinsic aids to know the intent of the legislature as to the meaning of "cumulative" is not of much help.

During the deliberations on C.B. No. 16 before the bill was enacted as B.P. Blg. 25, Assemblyman Peña expressed the opinion that the word cumulative should be interpreted to mean compounded. Thus, the records of the Batasan show the following:

"MR. VELOSO, F. My first question is with respect to the meaning of the word 'cumulative'. I would like to know from the Gentleman from Palawan that he means by the word 'cumulative,' because this will be subject to different interpretations. It may be compounded or it may be just a simple 15% every year.

"MR. PEÑA. Perhaps, it would be best to answer by a concrete example. Based on a P100 a month rental, for instance, fifteen percent (15%) of P100 would be P115 monthly rental for the first year; and for the second year the 15% would be computed on the basis of the P115 monthly rental already in force, resulting in a new rental rate of P132.25.

"MR. VELOSO, F. That is precisely the clarification I wanted to know.

xxx xxx xxx

"MR. VELOSO, F. Then what is the meaning of the word 'cumulative' here. How does the word 'cumulative' come in?

"MR. PEÑA, Well, that is exactly the meaning, that rent increase of 15% will be computed on the basis of the rental rate existing at the time of the increase to determine rent for the succeeding years.

In the previous example, I cited if we might pursue it, if on the second year the rent is P132.25 because that would be the maximum allowed, for the third year the 15% would be computed on the basis of the P132.25 instead of the P100 original rental; thus the monthly rental would be P152 on the third year, P174.80 on the fourth year, and P201 on the fifth year.

When Assemblyman Jose Zubiri of the same Batasang Pambansa was sponsoring the parliamentary bill which became B.P. Blg. 877, he, however, explained "cumulative" as follows:

"x x x This proposed measure attempts to cover monthly rentals not exceeding P480.00 as of the effective date of this Act. This base rate of P480.00 monthly was conceived after considering the effects of Batas Pambansa Blg. 25 which allowed yearly 10% rental increases for a period of 5 years, adding to that the extension under Presidential Decree 1912 and the Batas Pambansa Blg. 687 for an additional period of 14 months. So that, all in all, we have allowed the lessor to increase the monthly rentals at 10 percent for a period of six years and two months. Computing these increases on a cumulative basis, a lessee whose rental was at P300.00 as of April 10, 1979 will now be paying estimated monthly rental of P480.00 monthly. Hence, the base rate was pegged at P480.00" (p. 77, Rollo)

We decide to interpret the word "cumulative" in a manner that will give it sense and meaning. The law should be read in a rational manner.

We call attention to the provision in B.P. 877 that "(t)he increases authorized herein shall be cumulative and compounded." If we follow the petitioners' contention that when the law provides for cumulation, it means that the annual increases must also be compounded, the legislative injunction to cumulate and compound the increases will have no meaning. If B.P. 25 intended the annual increases in rentals to be both cumulative and compounded, it should have followed the B.P. 877 formulation and expressly required compounding. The addition of "compounded" on June 12, 1985 to the law shows that compounding should start only as of this statute.

This interpretation is clearly apparent in the present law on house rentals.

Republic Act 6643 enacted on December 28, 1987 and effective on January 1, 1988 following its publication in at least one newspaper of general circulation provides:

"SECTION 1. The effectivity of Batas Pambansa Blg. 877, entitled 'An Act Providing for the Stabilization and Regulation of Rentals of Certain Residential Units and for Other Purposes,' is hereby extended for another two years for the period January 1, 1988 to December 31, 1989: Provided, That the allowable maximum increase for the two-year period shall not be more than twenty percent (20%) for the first year and not more than twenty percent (20%) for the second year; which increases shall be cumulative and compounded. (Emphasis supplied).

Again, the law carefully adds compounded to the phraseology of B.P. 25, where only "cumulative" was used to define the annual increases.

The respondent court is, therefore, correct in stating that if the lessors had followed B.P. Blg. 25, they should have collected as of May-June 30, 1985 the amount of P425.00 monthly instead of P487.14 (which they rounded out to P488.00) based on a com-pounding of the annual increases in rentals.

WHEREFORE, the petition for review is hereby DENIED for lack of merit. The questioned decision of the Court of Appeals is AFFIRMED.

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

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