# FLORENCIA T. HUIBONHOA, PETITIONER, VS. COURT OF APPEALS, SPOUSES RUFINA G. LIM AND ANTHONY LIM, LORETA GOJOCCO CHUA AND SPOUSES SEVERINO AND PRISCILLA GOJOCCO, RESPONDENTS.

*G.R. Nos. 95897 & 102604. December 14, 1999*

Ponente: PURISIMA, J.

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**PURISIMA, J.:**

These two petitions for review on certiorari under Rule 45 of the Rules of Court seek the reversal of the Decisions of the Court of Appeals in CA-G.R. CV No. 16575 and CA-G.R. SP No. 24654 which affirmed, respectively, the decision of Branch 148 of the Regional Trial Court of Makati City, dismissing the complaint for reformation of contract, and the decision of Branch 55 of the Regional Trial Court of Manila, reversing that of Branch 13 of the Metropolitan Trial Court of Manila, which favorably acted in the ejectment case. Both petitions involve the same parties.

Culled from the records on hand, the facts giving rise to the two cases are as follows:

On June 8, 1983, Florencia T. Huibonhoa entered into a memorandum of agreement with siblings Rufina Gojocco Lim, Severino Gojocco and Loreta Gojocco Chua stipulating that Florencia T. Huibonhoa would lease from them (Gojoccos) three (3) adjacent commercial lots at Ilaya Street, Binondo, Manila, described as lot nos. 26-A, 26-B and 26-C, covered by Transfer Certificates of Title Nos. 76098, 80728 and 155450, all in their (Gojoccos') names.

On June 30, 1983, pursuant to the said memorandum of agreement, the parties inked a contract of lease of the same three lots for a period of fifteen (15) years commencing on July 1, 1983 and renewable upon agreement of the parties. Subject contract was to enable the lessee, Florencia T. Huibonhoa, to construct a "four-storey reinforced concrete building with concrete roof deck, according to plans and specifications approved by the City Engineer's Office." The parties agreed that the lessee could let/sublease the building and/or its spaces to interested parties under such terms and conditions as the lessee would determine and that all amounts collected as rents or income from the property would belong exclusively to the lessee. The lessee undertook to complete construction of the building "within eight (8) months from the date of the execution of the contract of lease." The contract further provided as follows:

> "5. Good will Money and Rate of Monthly Rental: Upon the signing of this Contract of Lease, LESSEE shall pay to each of the LESSOR the sum of P300,000.00 each or a total sum of P900,000.00, as goodwill money.
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> LESSEE shall pay to each of the LESSOR the sum of P15,000.00 each or a total amount of P45,000.00 as monthly rental for the leased premises, within the first five (5) days of each calendar month, at the office of the LESSOR or their authorized agent; Provided, however, that LESSEE's obligation to pay the rental shall start only upon completion of the building, but if it is not completed within eight (8) months from date hereof as provided for in par. 4 above, the monthly rental shall already accrue and shall be paid by LESSEE to LESSOR. In other words, during the period of construction, no monthly rental shall be collected from LESSEE;

> Provided, Finally, that the monthly rental shall be adjusted/increased upon the corresponding increase in the rental of sub-leasees (sic) using the percentage increase in the totality of rentals of the sub-leasees (sic) as basis for the percentage increase of monthly rental that LESSEE will pay to LESSOR."

The parties also agreed that upon the termination of the lease, the ownership and title to the building thus constructed on the said lots would automatically transfer to the lessor, even without any implementing document therefor. Real estate taxes on the land would be borne by the lessor while that on the building, by the lessee, but the latter was authorized to advance the money needed to meet the lessors' obligations such as the payment of real estate taxes on their lots. The lessors would deduct from the monthly rental due all such advances made by the lessee.

After the execution of the contract, the Gojoccos executed a power of attorney granting Huibonhoa the authority to obtain "credit facilities" in order that the three lots could be mortgaged for a limited one-year period from July 1983.[1] Hence, on September 12, 1983, Huibonhoa obtained from China Banking Corporation "credit facilities" not exceeding One Million (P1,000.000.00) Pesos. Simultaneously, she mortgaged the three lots to the creditor bank.[2] Fifteen days later or on September 27, 1983, to be precise, Huibonhoa signed a contract amending the real estate mortgage in favor of China Banking Corporation whereby the "credit facilities" were increased to the principal sum of Three Million (P3,000,000.00) Pesos.[3]

During the construction of the building which later became known as Poulex Merchandise Center,[4] former Senator Benigno Aquino, Jr. was assassinated. The incident must have affected the country's political and economic stability. The consequent hoarding of construction materials and increase in interest rates allegedly affected adversely the construction of the building such that Huibonhoa failed to complete the same within the stipulated eight-month period from July 1, 1983. Projected to be finished on February 29, 1984, the construction was completed only in September 1984 or seven (7) months later.

Under the contract, Huibonhoa was supposed to start paying rental in March 1984 but she failed to do so. Consequently, the Gojoccos made several verbal demands upon Huibonhoa for the payment of rental arrearages and, for her to vacate the leased premises. On December 19, 1984, lessors sent lessee a final letter of demand to pay the rental arrearages and to vacate the leased premises. The former also notified the latter of their intention to terminate the contract of lease.[5]

However, on January 3, 1985, Huibonhoa brought an action for reformation of contract before Branch 148 of the Regional Trial Court in Makati. Docketed as Civil Case No. 9402, the Complaint alleged that although there was a meeting of the minds between the parties on the lease contract, their true intention as to when the monthly rental would accrue was not therein expressed due to mistake or accident. She (lessee) alleged that the Gojoccos had erroneously considered the first accrual date of the rents to be March 1984 when their true intention was that during the entire period of actual construction of the building, no rents would accrue. Thus, according to Huibonhoa, the first rent would have been due only in October 1984. Moreover, the assassination of former Senator Benigno Aquino, Jr., an unforeseen event, caused the country's economy to turn from bad to worse and as a result, the prices of commodities like construction materials so increased that the building worth Six Million pesos escalated to "something like 11 to 12 million pesos." However, she averred that by reason of mistake or accident, the lease contract failed to provide that should an unforeseen event dramatically increase the cost of construction, the monthly rental would be reduced and the term of the lease would be extended for such duration as may be fair and equitable to both the lessors and the lessee.

Huibonhoa then prayed that the contract of lease be reformed so as to reflect the true intention of the parties; that its terms be novated so that the accrual of rents should be computed from October 1984; that the monthly rent of P45,000.00 be equitably reduced to P30,000.00, and the term of the lease be extended by five (5) years.[6]


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Eleven days later or on January 14, 1985, to be exact, the Gojoccos filed Civil Case No. 106097 against Huibonhoa for "cancellation of lease, ejectment and collection" with the Metropolitan Trial Court of Manila. They theorized that despite the expiration of the 8-month construction period, Huibonhoa failed to pay the rents that had accrued since March 1, 1984, their verbal demands therefor notwithstanding; that, in their letter of December 19, 1984, they had notified Huibonhoa of their intention to "terminate and cancel the lease for violation of its terms" and that they demanded from her the "restitution of the land in question" and the payment of all rentals due thereunder; that Huibonhoa refused to pay the rentals in bad faith because she had "sublet the stalls, bodegas and offices to numerous tenants and/or stallholders" from whom she had collected "goodwill money and exorbitant rentals even prior to the completion of the building or as of March 1984;" that she was about to sublease the vacant spaces in the building; that she was able to finish construction of the building "without utilizing her own capital or investment" on account of the mortgages of their land in the amount of P3,700,000 (sic); that because the mortgage indebtedness with China Banking Corporation had remained outstanding and unpaid, they had revoked the power of attorney in Huibonhoa's favor on December 21, 1984, and that, because Huibonhoa was about to depart from the Philippines, the rentals due and owing from the leased premises should be held to answer for their claim by virtue of a writ of attachment.

The Gojoccos prayed that Huibonhoa and all persons claiming rights under her be ordered to vacate the leased premises, to surrender to them actual and physical possession thereof and to pay the rents due and unpaid at the agreed rate of P45,000.00 a month from March 1984 to January 1985, with legal interest thereon. They also prayed that Huibonhua be ordered to pay the fair rental value of P60,000.00 a month "beginning February 5, 1985 and every 5[th] of the month until the premises shall be actually vacated and restored" to them and that, "considering the nature of the action," the Rules on Summary Procedure be applied to prevent further losses, damages and expenses on their part.[7]

Meanwhile, in Civil Case No. 9402, the Gojoccos submitted an answer to the complaint for reformation of contract; asserting that the true intention of the parties was to obligate Huibonhoa to pay rents immediately upon the expiration of the maximum period of eight (8) months from the execution of the lease contract, which intention was meant to avoid a situation wherein Huibonhoa would deliberately delay the completion of the building within the 8-month period to elude payment of rental starting March 1984. They also claimed that Huibonhoa instituted the case in anticipation of the ejectment suit they would file against her; that she was estopped from questioning the enforceability of the lease contract after having received monetary benefits as a result of her utilization of the premises to her sole profit and advantage; that the financial reverses she suffered after the assassination of Senator Benigno Aquino, Jr. could not be considered a fortuitous event that would justify the reduction of the monthly rental and extension of the contract of lease for five years; and that the "principle of contract of adhesion" in interpreting the lease contract should be strictly applied to Huibonhoa because it was her counsel who prepared it.[8]

The Gojoccos prayed that Huibonhoa be ordered to pay them the sum of P495,000.00 representing unpaid rents from March 1, 1984 to January 31, 1985 and the monthly rent of P60,000.00 from February 1, 1985 until Huibonhoa shall have surrendered the premises to them, and that she be ordered to pay attorney's fees, moral and exemplary damages and the costs of suit.

On January 31, 1985, Rufina Gojocco Lim entered into an agreement[9] with Huibonhoa whereby, to put an end to Civil Case No. 9402, the former agreed to extend the term of the lease by three (3) more years or for eighteen (18) years from July 1, 1983. The agreement expressly provided that no rents would be collected unless and until the construction work was already completed or that during the construction, no monthly rental should be collected. It also provided that "in case some unforeseen event should dramatically increase the cost of the

building, then the amount of monthly rent shall be reduced to such sum and the term of the lease extended for such duration as may be fair and equitable, bearing in mind the actual construction cost of the building." The agreement recognized the fact that the Aquino assassination that resulted in the "hoarding of construction materials and the skyrocketing of the interest rates" on Huibonhoa's loans, resulted in the increase in actual cost of the construction from P6,000,000.00 to between P11,000,000.00 and P12,000,000.00.

There is no record that Rufina Gojocco Lim was dropped as a defendant in Civil Case No. 9402 but only Loretta Gojocco Chua and the Spouses Severino and Priscilla Gojocco filed the memorandum for the defendants in that case.[10]

On March 9, 1987, the Makati RTC[11] rendered a decision holding that Huibonhoa had not presented clear and convincing evidence to justify the reformation of the lease contract. It considered as "misplaced" her contention that the Aquino assassination was an "accident" within the purview of Art. 1359 of the Civil Code. It held that the act of Rufina G. Lim in entering into an agreement with Huibonhoa that, in effect, "reformed" the lease contract, was not binding upon Severino and Loretta Gojocco considering that they were separate and independent owners of the lots subject of the lease. On this point, the trial court cited Sec. 25, Rule 130 of the Rules of Court which provides that the rights of a party cannot be prejudiced by the act, declaration or omission of another. It thus decided Civil Case No. 9402 as follows:

> "WHEREFORE, judgment is hereby rendered:
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> a) Dismissing the plaintiff's complaint and defendant Rufina Lim's counterclaim, with costs against them;
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> b) Ordering the plaintiff to pay to defendant Loretta Gojocco Chua the amount of P360,000.00, representing rentals due from March 1, 1984 to February 28, 1987, with interests thereon at the legal rate from date of the filing of the complaint until full payment thereof, plus the sum of P15,000.00 per month beginning March, 1987 and for as long as the plaintiff is in possession of the leased premises;
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> c) Ordering the plaintiff to pay to defendant Severino Gojocco Chua the amount of P360,000.00, representing rentals due from March 1, 1984 to February 28, 1987, with interests thereon at the legal rate from date of the filing of the complaint until full payment thereof, plus the sum of P15,000.00 per month beginning March, 1987 and for as long as the plaintiff is in possession of the leased premises;
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> d) Ordering the plaintiff to pay attorney's fees in favor of the above-named defendants in the sum of P36,000.00, aside from costs of suit.
>
> SO ORDERED."

Upon motion of the Gojocco, the trial court amended the dispositive portion of its aforesaid decision in that Huibonhua was ordered to pay each of Loretta Gojocco Chua and Severino Gojocco the amount of P540,000.00 instead of P360,000.00 and that attorney's fees of P54,000.00, instead of P36,000.00, be paid by Huibonhoa.

On the other hand, in Civil Case No. 102604, the Metropolitan Trial Court of Manila granted Huibonhoa's prayer that the case be excluded from the operation of the Rule on Summary Procedure for the reason that the unpaid

rents sued upon amounted to P495,000.00.[12] Thereafter, Huibonhoa presented a motion to dismiss or, in the alternative, to suspend proceedings in the case, contending that the pendency of the action for reformation of contract constituted a ground of lis pendens or at the very least, posed a prejudicial question to the ejectment case. The Gojoccos opposed such motion, pointing out that while there was identity of parties between the two cases, the causes of action, subject matter and reliefs sought for therein were different.

On May 10, 1985, after Huibonhoa had sent in her reply to the said opposition, Rufina G. Lim, through counsel, prayed that she be dropped as plaintiff in the case, and counsel begged leave to withdraw as the lawyer of the latter in the case. Subsequently, Severino Gojocco and Loretta Gojocco Chua filed a motion praying for an order requiring Huibonhoa to deposit the rents. On March 25, 1986, the court below issued an Omnibus Order denying Huibonhoa's motion to dismiss, requiring her to pay monthly rental of P30,000.00 starting March 1984 and every month thereafter, and denying Rufina G. Lim's motion that she be dropped as plaintiff in the case.[13] Huibonhoa moved for reconsideration of said order but the plaintiffs, apparently including Rufina, opposed the motion.

On July 21, 1986, Severino Gojocco and Huibonhoa entered into an agreement that altered certain terms of the lease contract in the same way that the agreement between Huibonhoa and Rufina G. Lim "novated" the contract.[14]

On March 24, 1987, the Metropolitan Trial Court of Manila issued an Order denying Huibonhoa's motion for reconsideration and the Gojoccos' motion for issuance of a writ of preliminary attachment, and allowing Huibonhoa a period of fifteen (15) days within which to deposit P30,000.00 a month starting March 1984 and every month thereafter.[15] Huibonhoa interposed a second motion for reconsideration of the March 25, 1986 order on the ground that she had amicably settled the case with Severino Gojocco and Rufina G. Lim. She therein alleged that only P15,000.00 was due Loretta G. Chua. She informed the court of the decision of the Makati Regional Trial Court in Civil Case No. 9402 and argued that since that court had awarded the Gojoccos rental arrearages, it would be unjust should she be made to pay rental arrearages, once again.

On June 30, 1987, the Metropolitan Trial Court of Manila issued an Order reiterating its decision to assume jurisdiction over Civil Case No. 106097 and modified its March 24, 1987 Order by deleting the portion thereof which required Huibonhua to deposit monthly rents. It also required Huibonhoa to file her answer within fifteen (15) days from receipt of the copy of the court's order. Accordingly, on July 21, 1987, Huibonhoa sent in her answer alleging that the lease contract had been novated by the agreements she had signed on January 31, 1985 and July 21, 1986, with Rufina G. Lim and Severino Gojocco, respectively. Huibonhoa added that she had paid Severino Gojocco the amount of P228,000.00 through an Allied Bank manager's check.[16]

On August 27, 1987, the Metropolitan Trial Court of Manila issued a Pre-trial Order limiting the issues in Civil Case No. 106097 to: (a) whether or not plaintiffs had the right to eject the defendant on the ground of violation of the conditions of the lease contract and (b) whether or not Severino Gojocco had the right to pursue the ejectment case in view of the agreement he had entered into with Huibonhoa on July 21, 1986.

On July 30, 1990, the Metropolitan Trial Court of Manila[17] came out with a decision "in favor of plaintiffs Severino Gojocco and Loreta Gojocco Chua and against Florencia T. Huibonhoa." It ordered Huibonhoa to vacate the lots owned by Severino Gojocco and Loreta Gojocco Chua and to pay each of them the amounts P5,000.00 as attorney's fees and P1,000.00 as appearance fee. All three (3) party-litigants appealed to the Regional Trial Court of Manila.

On February 14, 1991, the Regional Trial Court of Manila, Branch 55,[18] reversed the decision of the Metropolitan Trial Court and ordered the dismissal of the complaint in Civil Case No. 106097. The reversal of the inferior court's decision was based primarily on its finding that:


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> "1. The suit below is intrinsically and inherently an action for cancellation of lease or rescission of contract. In fact, the plaintiffs themselves recognized this intrinsic nature of the action by categorizing the same action as one for cancellation of lease, ejectment and collection. The suit cannot properly be reduced to one of simple ejectment as rights of the parties to the still existing contracts have yet to be determined and resolved. Necessarily, to put an end to the parties' relation, the contract between them has got to be abrogated, rescinded or resolved. The action for the purpose is however cognizable by the Regional Trial Court as its subject-matter is incapable of pecuniary estimation (See Sec. 19(1), B.P. 129)."

Hence, Civil Case Nos. 9402 and 106097 (that was docketed before the RTC of Manila as Civil Case No. 90-54557) were both elevated to the Court of Appeals.

In CA-G.R. CV No. 16575, the Court of Appeals rendered a Decision[19] on May 31, 1990, affirming the decision of the Makati Regional Trial Court in Civil Case No. 9402. Huibonhoa filed a motion for the reconsideration of such Decision and on October 18, 1990, the Court of Appeals modified the same accordingly, by ordering that the amount of P270,825.00 paid by Huibonhoa to Severino and Priscilla Gojocco be deducted from the total amount of unpaid rentals due the said spouses.

In CA-G.R. SP No. 24654, the Court of Appeals also affirmed the decision of the Regional Trial Court of Manila in Civil Case No. 106097 by its Decision[20] promulgated on October 29, 1991. Considering the allegations of the complaint for cancellation of lease, ejectment and collection, the Court of Appeals ratiocinated and concluded:

> "These allegations, which are denied by private respondent, raised issues which go beyond the simple issue of unlawful possession in ejectment cases. While the complaint does not seek the rescission of the lease contract, ejecting the lessee would, in effect, deprive the lessee of the income and other beneficial fruits of the building of which she is the owner until the end of the term of the lease. Certainly this cannot be decreed in a summary action for ejectment. The decision of the MTC, it is true, only ordered the ejectment of the private respondent from the leased premises. But what about the building which, according to petitioners themselves, cost the private respondent P3,700,000.00 to construct? Will it be demolished or will its ownership vest, even before the end of the 15-year term, in the petitioners as owners of the land? Indeed, inextricably linked to the question of physical possession is the ownership of the building which the lessee was permitted to put up on the land. To evict the lessee from the land would be to bar her not only from entering the building which she owns but also from collecting the rents from its tenants."

With respect to the contention of the Gojoccos that since Huibonhoa had submitted to the jurisdiction of the Metropolitan Trial Court, the jurisdictional issue had been foreclosed, the Court of Appeals opined:

> "Petitioners point out that private respondent can no longer raise the question of jurisdiction because she filed a motion to dismiss in the MTC but she did not raise this question (Rule 15, sec. 8). But the Omnibus motion rule does not cover two grounds which, although not raised in a motion to dismiss, are not waived. These are (1) failure to state a cause of action and (2) lack of jurisdiction over the subject matter. (Rule 9, sec. 2). These grounds can be invoked any time. Moreover, in this case it was not really private respondent who questioned the jurisdiction over the Metropolitan Trial Court. It was the Regional Trial Court which did so motu propio."

On February 19, 1992, [21] the Court resolved that these two petitions for review on certiorari be consolidated. Although they sprang from the same factual milieu, the petitions are to be discussed separately, however, because the issues raised are cognate yet independent from each other.

In G.R. No. 95897

> Petitioner Huibonhoa contends that:
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> 1. THE RESPONDENT COURT OF APPEALS COMMITTED A GRAVE AND SERIOUS ERROR, CONSTITUTING ABUSE OF DISCRETION, IN FINDING THE AGREEMENT BETWEEN PETITIONER

> AND PRIVATE RESPONDENT SEVERINO GOJOCCO (ANNEX "E") WORTHLESS AND USELESS ALTHOUGH IT HAS RECOGNIZED THE PAYMENTS WHICH RESPONDENT SEVERINO GOJOCCO HAS RECEIVED FROM THE PETITIONER WHICH ACTUALLY CONSTITUTED AN ACT OF RATIFICATION;
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> 2. THE RESPONDENT COURT FAILED TO CONSIDER THE TRAGIC ASSASSINATION OF FORMER SENATOR BENIGNO AQUINO AS A FORTUITOUS EVENT OR FORCE MAJEURE WHICH JUSTIFIES THE ADJUSTMENT OF THE TERMS OF THE CONTRACT OF LEASE.[22]

Article 1305 of the Civil Code defines a contract as "a meeting of the minds between two persons whereby one binds himself, with respect to the other, to give something or to render some service." Once the minds of the contacting parties meet, a valid contract exists, whether it is reduced to writing or not. When the terms of an agreement have been reduced to writing, it is considered as containing all the terms agreed upon. As such, there can be, between the parties and their successors in interest, no evidence of such terms other than the contents of the written agreement, except when it fails to express the true intent and agreement of the parties.[23] In such an exception, one of the parties may bring an action for the reformation of the instrument to the end that their true intention may be expressed.[24]

Reformation is that remedy in equity by means of which a written instrument is made or construed so as to express or conform to the real intention of the parties.[25] As to its nature, in Toyota Motor Philippines Corporation v. Court of Appeals,[26] the Court said:

> "An action for reformation is in personam, not in rem, xxx even when real estate is involved. xxx It is merely an equitable relief granted to the parties where through mistake or fraud, the instrument failed to express the real agreement or intention of the parties. While it is a recognized remedy afforded by courts of equity it may not be applied if it is contrary to well-settled principles or rules. It is a long-standing principle that equity follows the law. It is applied in the absence of and never against statutory law. xxx Courts are bound by rules of law and have no arbitrary discretion to disregard them. xxx Courts of equity must proceed with outmost caution especially when rights of third parties may intervene. xxx."

Article 1359 of the Civil Code provides that "(w)hen, there having been a meeting of the minds of the parties to a contract, their true intention is not expressed in the instrument purporting to embody the agreement, by reason of mistake, fraud, inequitable conduct or accident, one of the parties may ask for the reformation of the instrument to the end that such intention may be expressed. xxx." An action for reformation of instrument under this provision of law may prosper only upon the concurrence of the following requisites: (1) there must have been a meeting of the minds of the parties to the contact; (2) the instrument does not express the true intention of the parties; and (3) the failure of the instrument to express the true intention of the parties is due to mistake, fraud, inequitable conduct or accident.[27]

The meeting of the minds between Huibonhoa, on the one hand, and the Gojoccos, on the other, is manifest in the written lease contract duly executed by them. The success of the action for reformation of the contract of lease at bar should therefore, depend on the presence of the two other requisites aforementioned.

To prove that the lease contract does not evince the true intention of the parties, specifically as regards the time when Huibonhoa should start paying rents, she presented as a witness one of the lessors, Rufina G. Lim, who testified that prior to the execution of the lease contract on June 30, 1983, the parties had entered into a Memorandum of Agreement on June 8, 1983; that on December 21, 1984, the lessors revoked the special power of attorney in favor of Huibonhoa; that on January 31, 1985, she entered into an agreement with Huibonhoa whereby the amount of the rent was reduced to P10,000 a month and the term of the lease was extended by three (3) years, and that Huibonhoa started paying rental in September 1984.[28]

There is no statement in such testimony that categorically points to the fact that the contract of lease has failed to express the true intention of the parties. While it is true that paragraph 4 of the Memorandum of Agreement[29] states that the P15,000 monthly rental due each of the three lessors shall be collected in advance within the first five (5) days of each month "upon completion of the building," the same memorandum of agreement also provides as follows:

> "8. This Memorandum of Agreement shall bind the SECOND PARTY only after the signing of the Contact of Lease by both parties which shall not be later than June 30, 1983, provided, however, that should the SECOND PARTY decide not to proceed with the signing on the deadline aforestated, the FIRST PARTY shall not hold her liable therefor."

In view thereof, reliance on the provisions of the Memorandum of Agreement is misplaced considering that its provisions would bind the parties only upon the signing of the lease contract. However, the lease contract that was later entered into by the parties qualified the time when the lessee should start paying the monthly rentals. Paragraph 5 of the lease contract states that the "LESSEE's" obligation to pay the rental shall start only upon the completion of the building, but if it is not completed within eight (8) months from date hereof as provided for in par. 5 (sic) above, the monthly rental shall already accrue and shall be paid by LESSEE to LESSOR." That qualification applies even though the next sentence states that "(I)n other words, during the period of construction, no monthly rentals shall be collected from LESSEE." Otherwise, there was no reason for the insertion of that qualification on the period of construction of the building the termination of which would signal the accrual of the monthly rentals. Non-inclusion of that qualification would also give the lessee the unbridled discretion as to the period of construction of the building to the detriment of the lessor's right to exercise ownership thereover upon the expiration of the 15-year lease period.

In actions for reformation of contact, the onus probandi is upon the party who insists that the contract should be reformed.[30] Huibonhoa having failed to discharge that burden of proving that the true intention of the parties has not been accurately expressed in the lease contract sought to be reformed, the trial court correctly held that no clear and convincing proof warrants the reformation thereof.

> In the complaint, Huibonhoa alleged:
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> "5.9 By reason of mistake or accident, the contract (Annex `A') fails to state the true intention and real agreement of the parties to the effect that in case some unforeseen event should dramatically increase the cost of the building, then the amount of monthly rent shall be reduced to such sum and the term of the lease extended for such duration as may be fair and equitable to both parties, bearing in mind the actual construction cost of the building.
>
> 5.10. As a direct result of the tragic Aquino assassination on 21 August 1983, which the parties did not foresee and coming as it did barely two (2) months after the contract (Annex `A') had been signed, the country's economy dramatically turned from bad to worse, and the resulting ill effects thereof specifically the hoarding of construction materials adversely affected the plaintiff resulting, among others, in delaying the construction work and the skyrocketing of the interest rates on plaintiff's loans, such that instead of roughly P6 Million as originally budgeted the building in question now actually cost the plaintiff something like 11 to 12 million pesos, more or less."

In the present petition, Huibonhoa asserts that: by reason of oversight or mistake, the true intention of the parties that should some unforeseen event dramatically increase the cost of the building, then the amount of monthly rent shall be reduced to such sum and the term of the lease extended to such period as would be fair and equitable to both sides, bearing in mind always that petitioner was ordinary LESSEE but was an investor-developer." She insists that "(i)n truth, the contract, while that of lease, really amounted to a common business venture of the


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parties."[31]

On account of her failure to prove what costly mistake allegedly suppressed the true intention of the parties, Huibonhoa honestly admitted that there was an oversight in the drafting of the contract by her own counsel. By such admission, oversight may not be attributed to all the parties to the contract and therefore, it cannot be considered a valid reason for the reformation of the same contract. In fact, because it was Huibonhoa's counsel himself who drafted the contract, any obscurity therein should be construed against her.[32] Unable to substantiate her stance that the true intention of the parties is not expressed in the lease contract in question, Huibonhoa nonetheless contends that paragraph 5 thereof should be interpreted in such a way that she should only begin paying monthly rent in October 1984 and not in March 1984.[33]

Such contention betrays Huibonhoa's confusion on the distinction between interpretation and reformation of contracts. In National Irrigation Administration v. Gamit,[34] the Court distinguished the two concepts as follows:

> "`Interpretation' is the act of making intelligible what was before not understood, ambiguous, or not obvious. It is a method by which the meaning of language is ascertained. The `interpretation' of a contract is the determination of the meaning attached to the words written or spoken which make the contract. On the other hand, `reformation' is that remedy in equity by means of which a written instrument is made or construed so as to express or conform to the real intention of the parties. In granting reformation, therefore, equity is not really making a new contract for the parties, but is confirming and perpetuating the real contract between the parties which, under the technical rules of law, could not be enforced but for such reformation. As aptly observed by the Code Commission, the rationale of the doctrine is that it would be unjust and inequitable to allow the enforcement of a written instrument which does not reflect or disclose the real meeting of the minds of the parties."

By bringing an action for the reformation of subject lease contract, Huibonhoa chose to reform the instrument and not the contract itself.[35] She is thus precluded from inserting stipulations that are not extant in the lease contract itself lest the very agreement embodied in the instrument is altered.

Neither does the Court find merit in her submission that the assassination of the late Senator Benigno Aquino, Jr. was a fortuitous event that justified a modification of the terms of the lease contract.

A fortuitous event is that which could not be foreseen, or which even if foreseen, was inevitable. To exempt the obligor from liability for a breach of an obligation due to an "act of God", the following requisites must concur: (a) the cause of the breach of the obligation must be independent of the will of the debtor; (b) the event must be either unforeseeable or unavoidable; (c) the event must be such as to render it impossible for the debtor to fulfill his obligation in a normal manner; and (d) the debtor must be free from any participation in, or aggravation of the injury to the creditor.[36]

In the case under scrutiny, the assassination of Senator Aquino may indeed be considered a fortuitous event. However, the said incident per se could not have caused the delay in the construction of the building. What might have caused the delay was the resulting escalation of prices of commodities including construction materials. Be that as it may, there is no merit in Huibonhoa's argument that the inflation borne by the Filipinos in 1983 justified the delayed accrual of monthly rental, the reduction of its amount and the extension of the lease by three (3) years.

Inflation is the sharp increase of money or credit or both without a corresponding increase in business transaction.[37] There is inflation when there is an increase in the volume of money and credit relative to available goods resulting in a substantial and continuing rise in the general price level.[38] While it is of judicial notice that there has been a decline in the purchasing power of the Philippine peso, this downward fall of the currency cannot be considered unforeseeable considering that since the 1970's we have been experiencing

inflation. It is simply a universal trend that has not spared our country.[39] Conformably, this Court upheld the petitioner's view in Occeña v. Jabson[40] that even a worldwide increase in prices does not constitute a sufficient cause of action for modification of an instrument.

It is only when an extraordinary inflation supervenes that the law affords the parties a relief in contractual obligations.[41] In Filipino Pipe and Foundry Corporation v. NAWASA,[42] the Court explained extraordinary inflation thus:

> "Extraordinary inflation exists when `there is a decrease or increase in the purchasing power of the Philippine currency which is unusual or beyond the common fluctuation in the value of said currency, and such decrease or increase could not have been reasonably foreseen or was manifestly beyond the contemplation of the parties at the time of the establishment of the obligation. (Tolentino, Commentaries and Jurisprudence on the Civil Code, Vol. IV, p. 284.)
>
> An example of extraordinary inflation is the following description of what happened to the Deutschmark in 1920:
> `More recently, in the 1920's Germany experienced a case of hyperinflation. In early 1921, the value of the German mark was 4.2 to the U.S. dollar. By May of the same year, it had stumbled to 62 to the U.S. dollar. And as prices went up rapidly, so that by October 1923, it had reached 4.2 trillion to the U.S. dollar!' (Bernardo M. Villegas & Victor R. Abola, Economics, An Introduction [Third Edition]).

As reported, `prices were going up every week, then every day, then every hour. Women were paid several times a days so that they could rush out and exchange their money for something of value before what little purchasing power was left dissolved in their hands. Some workers tried to beat the constantly rising prices by throwing their money out of the windows to their waiting wives, who would rush to unload the nearly worthless paper. A postage stamp cost millions of marks and a loaf of bread, billions.' (Sidney Rutberg, `The Money Balloon' New York: Simon and Schuster, 1975, p. 19, cited in `Economics, An Introduction' by Villegas & Abola, 3rd Ed.)"

No decrease in the peso value of such magnitude having occurred, Huibonhoa has no valid ground to ask this Court to intervene and modify the lease agreement to suit her purpose. As it is, Huibonhoa even failed to prove by evidence, documentary or testimonial, that there was an extraordinary inflation from July 1983 to February 1984. Although she repeatedly alleged that the cost of constructing the building doubled from P6 million to P12 million, she failed to show by how much, for instance, the price index of goods and services had risen during that intervening period. An extraordinary inflation cannot be assumed.[43] Hence, for Huibonhoa to claim exemption from liability by reason of fortuitous event under Art. 1174 of the Civil Code, she must prove that inflation was the sole and proximate cause of the loss or destruction of the contract[44]or, in this case, of the delay in the construction of the building. Having failed to do so, Huibonhoa's contention is untenable.

Pathetically, if indeed a fortuitous event deterred the timely fulfillment of Huibonhoa's obligation under the lease contract, she chose the wrong remedy in filing the case for reformation of the contract. Instead, she should have availed of the remedy of recission of contract in order that the court could release her from performing her obligation under Arts. 1266[45] and 1267[46] of the Civil Code, so that the parties could be restored to their status prior to the execution of the lease contract.

As regards Huibonhoa's assertion that the lease contract was novated by Rufina G. Lim and Severino Gojocco who entered into an agreement with her on January 31, 1985 and July 21, 1986, respectively, it bears stressing that the lease contract they had entered into is not a simple one. It is unique in that while there is only one lessee, Huibonhoa, and the contract refers to a "LESSOR," there are actually three lessors with separate certificates of title over the three lots on which Huibonhoa constructed the 4-storey building. As Huibonhoa herself ironically asserts, the lease contract is an "indivisible" one because the lessors' interests "cannot be separated even if they

owned the lands separately under different certificates of title."[47] Hence, the acts of Rufina G. Lim and Severino Gojocco in entering into the new agreement with Huibonhoa could have affected only their individual rights as lessors because no new agreement was forged between Huibonhoa and all the lessors, including Loreta Gojocco.

Consequently, because the three lot owners simultaneously entered into the lease contract with Huibonhoa, novation of the contract could only be effected by their simultaneous act of abrogating the original contract and at the same time forging a new one in writing. Although as a rule no form of words or writing is necessary to give effect to a novation,[48] a written agreement signed by all the parties to the lease contract is required in this case. Ordinary diligence on the part of the parties demanded that they execute a written agreement if indeed they wanted to enter into a new one because of the 15-year life span of the lease affecting real property and the fact that third persons would be affected thereby on account of the express agreement allowing the lessee to lease the building to third parties.[49]

Under the law, novation is never presumed. The parties to a contract must expressly agree that they are abrogating their old contract in favor of a new one.[50] Accordingly, it was held that no novation of a contract had occurred when the new agreement entered into between the parties was intended "to give life" to the old one.[51] "Giving life" to the contract was the very purpose for which Rufina G. Lim signed the agreement on January 31, 1986 with Huibonhoa. It was intended to graft into the lease contract provisions that would facilitate fulfillment of Huibonhoa's obligation therein.[52] That the new agreement was meant to strengthen the enforceability of the lease is further evidenced by the fact, although its stipulations as to the period of the lease and as to the amount of rental were altered, the agreement with Rufina G. Lim does not even hint that the lease itself would be abrogated. As such, even Huibonhoa's agreement with Rufina G. Lim cannot be considered a novation of the original lease contract. Where the parties to the new obligation expressly recognize the continuing existence and validity of the old one, where, in other words, the parties expressly negated the lapsing of the old obligation, there can be no novation.[53]

As regards the new agreement with Severino Gojocco, it should be noted that he only disclaimed its existence when the check issued by Huibonhoa to him, allegedly in accordance with the new agreement, was dishonored. That unfortunate fact might have led Severino Gojocco to refuse acceptance of rents paid by Huibonhoa subsequent to the dishonor of the check. However, the non-existence of the new agreement with Severino Gojocco is a question of fact that the courts below had properly determined. The Court of Appeals has affirmed the trial court's finding that "not only was Gojocco's consent vitiated by fraud and false representation there likewise was failure of consideration in the execution of Exhibit C, (and therefore) the said agreement is legally inefficacious."[54] In the Resolution of October 18, 1990, the Court of Appeals considered the amount of P270,825.00 represented by the check handed by Huibonhoa to Severino Gojocco as "partial settlement" or "partial payment"[55] clearly under the terms of the original lease contract. There is no reason to depart from the findings and conclusions of the appellate court on this matter.

Nevertheless, because Severino Gojocco repudiates the new agreement even before this Court as his consent thereto had allegedly been "vitiated by fraud and false representation,"[56] Huibonhoa may not escape complete fulfillment of her obligation under the original lease contract as far as Severino Gojocco is concerned. She is thus contractually bound to pay him the unpaid rents.

Aside from the monthly rental that should be paid by Huibonhoa starting March 1984, Loreto Gojocco Chua is also entitled to interest at the rate of 6% per annum from the accrual of the rent in accordance with Article 2209[57] of the Civil Code until it is fully paid because the monetary award does not partake of a loan or forbearance in money. However, the interim period from the finality of this judgment until the monetary award is


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fully satisfied, is equivalent to a forbearance of credit and therefore, during that interim period, the applicable rate of legal interest shall be 12%.[58] As regards Severino Gojocco, he shall be entitled to such interests only from the time that Huibonhoa defaulted paying her monthly rentals to him considering that he had already received from her the amount of P270,825.00 as rentals.

The amount of monthly rentals upon which interest shall be charged shall be that stipulated in paragraph 5 of the lease contract or P15,000.00 to each lessor. That amount, however, shall be subject to the provision therein that the amount of rentals shall be "adjusted/increased upon the corresponding increase in the rental of subleases using the percentage increase in the totality of rentals of the sub-lessees as basis for the percentage increase of monthly rental that LESSEE will pay to LESSOR." Upon remand of this case therefore, the trial court shall determine the total monetary award in favor of Loreta Gojocco Chua and of Severino Gojocco.

From the facts of the case, it is clear that what Huibonhoa aimed for in filing the action for reformation of the lease contract, is to absolve herself from her delay in the payment of monthly rentals and to extend the term of the lease, which under the original lease contract, expired in 1988. The ostensible reasons behind the institution of the case she alleged were the unfavorable repercussions resulting from the economic and political upheaval on the heels of the Aquino assassination. However, a contract duly executed is the law between the parties who are obliged to comply with its terms. Events occurring subsequent to the signing of an agreement may suffice to alter its terms only if, upon failure of the parties to arrive at a valid compromise, the court deems the same to be sufficient reasons in law for altering the terms of the contract. This court once said:

> "It is a long established doctrine that the law does not relieve a party from the effects of an unwise, foolish, or disastrous contract, entered into with all the required formalities and with full awareness of what he was doing. Courts have no power to relieve parties from obligations voluntarily assumed, simply because their contracts turned out to be disastrous deals or unwise investments."[59]

In G.R. No. 102604

Petitioners Severino Gojocco and Loreta G. Chua assail the Decision of the Court of Appeals on the following grounds;

> a) RESPONDENT COURT HAS DECIDED QUESTIONS OF SUBSTANCE NOT HERETOFORE DETERMINED BY THIS HONORABLE COURT OR HAS DECIDED THEM IN A WAY CLEARLY CONTRARY TO LAW OR THE APPLICABLE DECISIONS OF THIS HONORABLE COURT;
>
> b) RESPONDENT COURT HAS SO FAR DEPARTED FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS AS TO CALL FOR AN EXERCISE OF THE POWERS OF SUPERVISION BY THE HONORABLE COURT.[60]

The contentions of petitioners relate to the basic issue raised in the petition - whether or not the Court of Appeals erred in affirming the decision of the Regional Trial Court that dismissed for lack of jurisdiction the complaint for ejectment brought by petitioners before the Metropolitan Trial Court of Manila. In other words, the issue for determination here is: whether or not the Metropolitan Trial Court had jurisdiction over the complaint for "cancellation of lease, ejectment and collection" in Civil Case No. 90-54557.

The governing law on jurisdiction when the complaint was filed on January 14, 1985 was Sec. 33 (2) of Batas Pambansa Blg. 129 vesting municipal courts with:

> "Exclusive original jurisdiction over cases of forcible entry and unlawful detainer. Provided, That when, in such cases, the defendant raises the question of ownership in his pleadings and the question of possession cannot be resolved without deciding the issue of ownership, the issue of ownership should be resolved only to determine the issue of possession."

Thereunder, when the issue of ownership is indispensable to the resolution of the issue of possession, the Metropolitan Trial Court is empowered to decide it as well.[61] Explaining this jurisdictional matter, in Dizon v. Court of Appeals,[62] the Court said:

> "x x x. Well-settled is the rule that in an ejectment suit, the only issue is possession de facto or physical or material possession and not possession de jure. So that, even if the question of ownership is raised in the pleadings, as in this case, the court may pass upon such issue but only to determine the question of possession especially if the former is inseparably linked with the latter. It cannot dispose with finality the issue of ownership-such issue being inutile in an ejectment suit except to throw light on the question of possession. This is why the issue of ownership or title is generally immaterial and foreign to an ejectment suit.
>
> Detainer, being a mere quieting process, questions raised on real property are incidentally discussed. In fact, any evidence of ownership is expressly banned by Sec. 4, Rule 70 except to resolve the question of possession. Thus, all that the court may do, is to make an initial determination of who is the owner of the property so that it can resolve who is entitled to its possession absent other evidence to resolve the latter. But such determination of ownership is not clothed with finality. Neither will it affect ownership of the property nor constitute a binding and conclusive adjudication on the merits with respect to the issue of ownership. x x x."

The Court has consistently held that in forcible entry and unlawful detainer cases, jurisdiction is determined by the nature of the action as pleaded in the complaint.[63] The test of the sufficiency of the facts alleged in the complaint is whether or not admitting the facts alleged therein, the court could render a valid judgment upon the same in accordance with the prayer of the plaintiff.[64]

In an ejectment case, or specifically in an action for unlawful detainer like the present case, it suffices to allege that the defendant is unlawfully withholding possession of the property in question.[65] A complaint for unlawful detainer is therefore sufficient if it alleges that the withholding of possession or the refusal to vacate is unlawful without necessarily employing the terminology of the law.[66] It is therefore in order to make an inquiry into the averments of the complaint in Civil Case No. 90-54557.[67] The complaint, that was called one for "cancellation of lease, ejectment and collection," alleged the following facts:

> - The parties are residents of different barangays and therefore the provisions of P.D. No. 1508 (the law on the katarungang pambarangay) are inapplicable;
>
> - The plaintiffs, Rufina G. Lim, Severino Gojocco and Loreta Gojocco Chua are the registered owners of three parcels of commercial land in Ilaya Street, Binondo, Manila.
>
> - On June 30, 1983, they entered into a lease contract with defendant Huibonhoa whereby the latter would construct a 4-storey building on the three lots that, after the expiration of the 15-year period of the lease, would be owned by the lessors, and that, upon completion of construction of the building within eight (8) months from signing of the lease contract, the lessee would start paying monthly rentals;
>
> - After the expiration of the 8-months period or in March 1984, the rentals of P45,000.00 a month accrued.
>
> - Despite "verbal demands, meetings and conferences" by which the plaintiffs demanded from defendant payment of the total amount due on account of the lease contract, defendant failed to pay;
>
> - On December 19, 1984, the plaintiffs, through counsel, wrote defendant letter informing her of their intention to "terminate and cancel the lease for violation of its terms by the defendant" at the same time demanding restitution of the lots in question and payment of all rentals due;
>
> - Despite such verbal and written demands, the defendant refused to comply therewith to the damage and prejudice of the plaintiffs considering that defendant was subleasing the stalls, bodegas and offices to tenants who had paid her goodwill money and "exorbitant rentals" since March 1984 or prior to the completion of the

building until the filing of the complaint in amounts totaling millions of pesos;

- Defendant continued to sublease vacant spaces while depriving plaintiffs of reasonable compensation for the use and occupation of the premises;

- Defendant did not utilize her own capital in the construction of the building as she was able to mortgage the lots to the China Banking Corporation in the total amount of P3,700,000.00 as well as collect goodwill money from tenants;

- Plaintiffs revoked the authority given to defendant to encumber the property because of her failure of pay and liquidate the real estate loan within the one-year period which expired on September 30, 1984;

- That plaintiffs were forced to file the action by reason of defendant's bad faith and unwarranted refusal to satisfy their claims; and

- The rentals should be made to answer for plaintiffs' monetary claims on account of defendant's impending departure from the Philippines.

After praying for the issuance of a preliminary writ of attachment, the plaintiffs prayed as follows:

"WHEREFORE, premises considered, it is most respectfully prayed that judgment be rendered in favor of plaintiffs and against the defendant as follows:

- Ordering defendant and all persons claiming rights under her to forthwith vacate the leased premises described in this Complaint and to surrender actual and physical possession to herein plaintiffs and/or their duly authorized representatives;

- Ordering defendant to pay plaintiff all rentals due and unpaid at the agreed rate of P45,000.00 per month from March, 1984 to January, 1985 or for a period of 11 months with legal interests thereon until fully paid;

- Ordering the defendant to deposit past and future rentals with this Honorable Court, or in a bank acceptable to both parties, the Passbook to be turned over and submitted to this Honorable Court for further disposition;

- Sentencing defendant to pay the fair rental value of, and/or reasonable compensation for, the use and occupancy of the leased premises at the rate of P60,000 per month beginning February 5, 1985 and every 5th of the succeeding month thereafter until the premises is actually vacated and restored to herein plaintiffs;

- To pay plaintiffs a sum equivalent to 20% of the total amount claimed in this action for and as attorney's fees exclusive of appearance fees and costs of this action;

- That pending hearing of this case, a writ of preliminary attachment be issued against the credits due defendant from the tenants or sublessees of the premises in question to serve as security for the satisfaction of any judgment that may be recovered in this case;

- For such other and further relief as this Honorable Court may deem proper, just and equitable;

- Plaintiffs further respectfully pray that for expediency, considering the nature of this action and to protect plaintiffs from incurring further losses, damages and expenses concomittant to the deprivation or loss of their possession, that notwithstanding the amount of claim involved, they hereby respectfully invoke the applicability of the rules on Summary Procedure in the interest of justice."

Undoubtedly, the complaint avers ultimate facts required for a cause of action in an unlawful detainer case. It alleges possession of the properties by the lessee, verbal and written demands to pay rental arrearages and to vacate the leased premises, continued refusal of the lessees to surrender possession of the premises, and the fact that the action was filed within one year from demand to vacate.


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A reading of the allegations of the complaint and the reliefs prayed for indeed reveals facts that appear to be extraneous to the primary aim of recovering possession of property in an action for unlawful detainer although these facts do not involve issue of ownership of the premises. Thus, consonant with the allegation that defendant was leasing the spaces in the building to the tune of millions of peso, plaintiffs pray for an increase in monthly rentals to P60,000.00 a month starting February 5, 1985 or after construction of the building had been completed. The prayer likewise speaks of "past and future rentals" that should be deposited with the court or in an acceptable bank. In other words, the complaint seeks relief that are not limited to payment of the rent arrearages and the eviction of defendant from the leased premises.

Although for reasons of their own the Gojoccos opted not to express in the complaint their intention to terminate the lease, such intention could be gleaned from their prayer that the court should "sentence" Huibonhoa to pay the higher rent of P60,000.00 a month. That explains why the complaint is captioned as one for "cancellation of the lease" aside from its being one for ejectment and "collection." In praying that the court directs the defendant to pay the increased rental of P60,000.00 a month, plaintiffs, in effect, would want the existing contract terminated in order that the court could substitute it with another providing for an increased monthly rental.

However, forging contracts for parties in a case is beyond the jurisdiction of courts. Otherwise, it would result in the court's substitution of its own volition in a contract that should express only the parties' will. Necessarily, the Metropolitan Trial Court could not favorably act on the prayer for cancellation of the contract with another containing terms suggested by the plaintiffs as the allegations and prayer therefor are no more than superfluities that do not affect the main cause of action averred in the complaint. The court therefore granted only the main relief sought by the plaintiffs-the eviction of the defendant.

The Regional Trial Court incorrectly held that the complaint was also for rescission of contract, a case that is certainly not within the jurisdiction of the Metropolitan Trial Court. By the allegations of the complaint, the Gojoccos' aim was to cancel or terminate the contract because they sought its partial enforcement in praying for rental arrearages. There is a distinction in law between cancellation of a contract and its rescission. To rescind is to declare a contract void in its inception and to put an end to it as though it never were. It is not merely to terminate it and release parties from further obligations to each other but to abrogate it from the beginning and restore the parties to relative positions which they would have occupied had no contract ever been made.[68]

Termination of a contract is congruent with an action for unlawful detainer. The termination or cancellation of a contract would necessarily entail enforcement of its terms prior to the declaration of its cancellation in the same way that before a lessee is ejected under a lease contract, he has to fulfill his obligations thereunder that had accrued prior to his ejectment. However, termination of a contract need not undergo judicial intervention. The parties themselves may exercise such option. Only upon disagreement between the parties as to how it should be undertaken may the parties resort to courts. Hence, notwithstanding the allegations in the complaint that are extraneous or not essential in an action for unlawful detainer, the Metropolitan Trial Court correctly assumed jurisdiction over Civil Case No. 90-54557.

The Court finds sustainable basis for the observation of the Court of Appeals that execution of the judgment ejecting Huibonhoa would cause complications that are anathema to a peaceful resolution of the controversy between the parties. Thus, while Huibonhoa would be ejected from the lots owned by Severino Gojocco and Loreta Gojocco Chua, she would be bound by her agreement with Rufina G. Lim to continue with the lease. The result would be disadvantageous to both Huibonhoa and Severino Gojocco and Loreta G. Chua. The said owners would be unable to exercise rights of ownership over their lots upon which the building was constructed unless they remove or buy two-thirds of the building.

However, an action for unlawful detainer does not preclude the lessee or ejected party from availing of other remedies provided by law. The prevailing doctrine is that suits or actions for the annulment of sale, title or document do not abate any ejectment action respecting the same property.[69] In fact, in this case, the lessee, as it was, "jumped the gun" over the lessors in filing the action for reformation of the lease contract. That it proved unfavorable to her does not detract from the fact that the controversy between her and the lessors has been resolved in accordance with law albeit not in consonance with the wishes of all the parties.

Be that as it may, the problem of ejecting Huibonhoa has been rendered moot and academic by the expiration of the lease contract litigated upon in June 1998. The parties might have availed of the provision of paragraph 1 of the lease contract whereby the parties agreed to renew it "for a similar or shorter period upon terms and conditions mutually agreeable" to them. If they opted to brush aside that provision, with more reason, Huibonhoa's eviction should ensue as a matter of enforcement of the lease contract.

WHEREFORE, judgment is hereby rendered as follows:

> a.) In G.R. No. 95897, the decision of the Court of Appeals in CA-G.R. CV No. 16575, dismissing petitioner's complaint for reformation of contract, is AFFIRMED with the modifications that:
> 1] Private respondent Loreta Gojocco Chua is adjudged entitled to legal interest of 6% per annum from March, 1984, the time the rents became due;
>
> 2] Private respondent Severino Gojocco shall receive 6% legal interest only from the time Florencia T. Huibonhoa defaulted in the payment of her monthly rents; and
>
> 3] Legal interest of 12% per annum shall accrue from the finality of this decision until the amount due is fully paid.

b) In G.R. No. 102604, the decision of the Court of Appeals in CA-G.R. SP No. 24654, affirming the decision of the Regional Trial Court of origin which dismissed the ejectment case instituted by the petitioners against the private respondent is SET ASIDE; the order of ejectment issued by the Metropolitan Trial Court a quo on July 30, 1980 is UPHELD; and the private respondent and all persons claiming authority under her are ordered to vacate the land and portion of the building corresponding to Lot No. 26-B covered by TCT No. 80728 of petitioner Severino Gojocco, and the portion corresponding to Lot No. 26-C covered by TCT No. 155450 of petitioner Loreta Chua. No pronouncement as to costs.

**SO ORDERED.**

Melo, (Chairman), Panganiban, and Gonzaga-Reyes, JJ., concur.
Vitug, J., in the result.

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[1] Rollo of G.R. No. 95897, p. 72.

[2] Ibid., pp. 67-68.

[3] Ibid., pp. 69-71.

[4] Exhs. G & G-3.

[5] Rollo of G.R. No. 95897, p. 52.

[6] Record of Civil Case No. 9402, pp. 1-6.

[7] Record of Civil Case No. 106097, pp. 2-8.

[8] Record of Civil Case No. 9402, pp. 13-19.

[9] Rollo of G.R. No. 95897, pp. 73-75.

[10] Record of Civil Case No. 9402, p. 93.

[11] Presided by Judge Jesus F. Guerrero.

[12] Record of Civil Case No. 106097, p. 25.

[13] Ibid., pp. 80-81.

[14] Rollo of G.R. No. 95897, pp. 73-74.

[15] Ibid., p. 106.

[16] Ibid., pp. 158-169.

[17] Presided by Judge Escolastico U. Cruz, Jr.

[18] Presided by Judge Hermogenes R. Liwag.

[19] Penned by Associate Justice Bonifacio A. Cacdac, Jr. and concurred in by Associate Justices Gloria C. Paras and Serafin V.C. Guingona.

[20] Penned by Associate Justice Vicente V. Mendoza and concurred in by Associate Justices Oscar M. Herrera and Alicia V. Sempio Diy.

[21] Rollo of G.R. No. 102604, p. 244.

[22] Petitioner's Memorandum, p. 11; Rollo, p. 172.

[23] Sec. 9, Rule 130, Revised Rules on Evidence.

[24] National Irrigation Administration v. Gamit, G.R. No. 85869, November 6, 1992, 215 SCRA 436, 450.

[25] Ibid., p. 454 citing Conde v. Cuenca, 99 Phil. 1056 .

[26] G.R. No. 102881, December 7, 1992, 216 SCRA 236, 248.

[27] National Irrigation Administration v. Gamit, supra at p. 451.

[28] TSN, May 9, 1985, pp. 1-49.

[29] Rollo in G.R. No. 95897, pp. 41-44.

[30] Mata v. Court of Appeals, G.R. No. 87880, April 7, 1992, 207 SCRA 753, 758.

[31] Petition in G.R. No. 95897, p. 4.

[32] Power Commercial & Industrial Corporation v. Court of Appeals, G.R. No. 119745, June 20, 1997, 274 SCRA 597, 607.

[33] Petition in G.R. No. 95897, p. 5; Complaint for Reformation of Contract, pp. 2-3.

[34] Supra, at pp. 453-454.

[35] Naga Telephone Co., Inc. v. Court of Appeals, G.R. No. 107112, February 24, 1994, 230 SCRA 351, 368.

[36] Tanguilig v. Court of Appeals, 334 Phil. 68, 75 (1997) citing Nakpil v. Court of Appeals, L-47851, October


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3, 1986, 144 SCRA 596.

[37] PARAS, CIVIL CODE OF THE PHILIPPINES, ANNOTATED, 13th ed. (1994), Vol. IV, p. 394.

[38] WEBTER'S THIRD NEW INTERNATIONAL DICTIONARY, p. 1159.

[39] Filipino Pipe and Foundry Corporation v. NAWASA, L-43446, May 3, 1988, 161 SCRA 32, 36.

[40] L-44349, October 29, 1976, 73 SCRA 637, 640.

[41] Art. 1250 of the Civil Code provides that "(i)n case an extraordinary inflation or deflation of the currency stipulated should supervene, the value of the currency at the time of the establishment of the obligation shall be the basis of the payment, unless there is an agreement to the contrary."

[42] Supra, at pp. 35-36.

[43] Sangrador v. Valderama, G.R. No. 79552, November 29, 1988, 168 SCRA 215, 229.

[44] Taguilig v. Court of Appeals, supra.

[45] ART. 1266. The debtor in obligations to do shall also be released when the presentation becomes legally or physically impossible without the fault of the obligor.

[46] ART. 1267. When the service has become so difficult as to be manifestly beyond the contemplation of the parties, the obligor may also be released therefrom, in whole or in part.

[47] Petitioner's Memorandum in G.R. No. 95897, pp. 23-24.

[48] Garcia, Jr. v. Court of Appeals, G.R. No. 80201, November 30, 1990, 191 SCRA 493, 500.

[49] Art. 1648 of the Civil Code provides as follows: "Every lease of real estate may be recorded in the Registry of Property. Unless a lease is recorded, it shall not be binding upon third persons."

[50] Rillo v. Court of Appeals, G.R. No. 125347, June 19, 1997, 274 SCRA 461, 469 citing Pacific Mills, Inc. v. Court of Appeals, G.R. no. 87182, February 17, 1992, 206 SCRA 317 and Ajax Marketing & Development Corporation v.Court of Appeals, G.R. No. 118585, September 14, 1995, 248 SCRA 222.

[51] Rillo v. Court of Appeals, supra.

[52] Ibid, where the Court held that a compromise agreement clarifying the total sum owned by a buyer with a view that he would find it easier to comply with his obligations under the contract to sell does not novate the contract.

[53] Cochingyan, Jr. v. R & B Surety and Insurance Co., Inc., L-47369, June 30, 1987, 151 SCRA 339, 350.

[54] Decision in Ca-G.R. CV No. 16575, p. 6.

[55] Rollo of G.R. No. 95897, pp. 120-121.

[56] Comment on the Petition, p. 9.

[57] This article provides: "if the obligation consists in the payment of a sum of money, and the debtor incurs in delay, the indemnity for damages, there being no stipulation to the contrary, shall be the payment of the interest agreed upon, and in the absence of stipulation, the legal interest, which is six per cent per annum."

[58] Food Terminal, Inc. v. Court of Appeals, 330 Phil. 903, 908 (1996) citing Eastern Shipping Lines, Inc. vs. Court of Appeals, G.R. No. 97412, July 12, 1994, 234 SCRA 78.

[59] Esguerra v. Court of Appeals, 335 Phil. 58, 69 (1997) quoting Republic vs. Sandiganbayan, G.R. No. 108292, September 10, 1993, 226 SCRA 314, 328; Tanda vs. Aldaya, 89 Phil. 497 (1951); and Villacorte vs. Mariano, 89 Phil. 342 (1951).

[60] Petition in G.R. NO. 102604, p. 16.

[61] Del Mundo v. Court of Appeals, 322 Phil. 463, 473 (1996).

[62] 332 Phil. 429, 432-433 (1996).

[63] Vencilao v. Camarenta, 140 Phil. 99, 105 (1069) citing Mediran v. Villanueva, 37 Phil. 752 (1918).

[64] Del Bros. Hotel Corporation v. Court of Appeals, G.R. No. 87678, June 16, 1992, 210 SCRA 33, 38.

[65] Cañiza v. Court of Appeals, 335 Phil. 1107, 1115 (1997) citing Sumulong v. Court of Appeals, G.R. No. 108817, May 10, 1994, 232 SCRA 372.

[66] Ibid., citing also Co Tiamco v. Diaz, 75 Phil. 672 (1946); Valderama Lumber Manufacturer's Co., Inc., v. L.S. Sarmiento Co., Inc., 115 Phil. 274 (1962) and Pangilinan v. Aguilar, 150 Phil. 166 (1972).

[67] Ibid., at p. 1113 citing Sarmiento v. Court of Appeals, 320 Phil. 146 (1995).

[68] Ocampo v. Court of Appeals, G.R. No. 97442, June 30, 1994, 233 SCRA 551, 561.

[69] Corpuz v. Court of Appeals, G.R. No. 117005, June 19, 1997, 274 SCRA 275, 280.


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