

Philippine National Bank v. The Court of First Instance of Rizal, Pasig – Branch XXI, Chung Siong Pek @ Bonifacio Chung Siong Pek, Victoria Ching Geng Ty @ Victoria Cheng Geng Ty, and the Register of Deeds of Rizal, Pasig, Metro Manila and/or His Deputies and Agents

Title:

Philippine National Bank v. Court of First Instance of Rizal, Pasig, et al.

Facts:

1. **Initial Lease Agreement (1954):** On March 1, 1954, Chung Siong Pek and Victoria Ching Geng Ty leased three parcels of land in Pasig, Metro Manila to Philippine Blooming Mills Co., Inc. (PBM) for use as a factory site. PBM's corporate term was set for 25 years from its incorporation on January 19, 1952.
2. **Lease Term Conditions:** The lease was for twenty years, extendable for another twenty years at the lessee's option if PBM's corporate existence was extended according to law.
3. **Improvements by PBM:** PBM constructed buildings and improvements on the leased land. These were registered and noted on the titles of the landowners.
4. **Deed of Assignment (1963):** PBM transferred its leasehold rights to the Philippine National Bank (PNB) as security for loans, annotated on the land titles.
5. **Real Estate Mortgages:** PBM also mortgaged the improvements to PNB for loans totaling P1,690,000.00.
6. **Expiry of Lease and Corporate Term:** PBM's corporate term ended on January 19, 1977, without extension, thus failing to extend the lease term. The lease continued by mutual consent but was terminated when PBM's corporate existence ended.
7. **Motion for Cancellation (1981):** The landowners filed a motion to cancel the annotations on the land titles due to the alleged termination of the lease, resulting in a series of court proceedings (LRC Case No. R-2744) and orders for cancellation by the Court of First Instance of Rizal.

Procedural Posture:

1. **Court Orders:** The Court of First Instance issued orders on April 22, 1982, September 14, 1982, and January 12, 1983, directing the cancellation of entries related to the lease and mortgages on the land titles.
2. **PNB's Motions for Reconsideration:** PNB filed for reconsideration, which was denied. PNB also moved to set aside the entry of judgment, alleging lack of notice, but was again denied.

3. **Petition for Certiorari:** PNB sought review under Rule 65, alleging jurisdictional errors and abuse of discretion by the trial court, particularly regarding notice and the substantive rulings related to the lease and improvements.

Issues:

1. **Jurisdiction and Notice:** Whether the Court of First Instance of Rizal acted within its jurisdiction and whether PNB was adequately notified of the orders.
2. **Expiration of Lease and Corporate Term:** Whether the lease expired due to PBM's failure to extend its corporate existence.
3. **Ownership of Improvements:** Whether PNB retained any rights over the improvements after PBM's lease expired and how the lease contract and law governed these rights.

Court's Decision:

1. **Jurisdiction and Notice:** The Supreme Court found that the trial court had jurisdiction as the case involved the cancellation of land title annotations, a civil matter, not a corporate issue falling under the Securities and Exchange Commission. The court affirmed that notices were sent to PNB's counsel, affirming the presumption that official duties were regularly performed.
2. **Expiration of Lease and Corporate Term:** The Supreme Court concluded that PBM's option to renew the lease required extension of its corporate term, which never happened, causing the lease to expire.
3. **Ownership of Improvements:** The stipulations in the lease contract indicated that improvements should be removed by the lessee before lease termination. PNB's failure to do so, as successor to PBM, meant the improvements accrued to the landowners. Article 1678 of the Civil Code did not apply due to the specific contract stipulation.

Doctrine:

1. **Jurisdictional Principles:** Civil courts can adjudicate matters involving contractual disputes and property rights, even if corporate aspects are incidentally involved.
2. **Contractual Stipulations and Corporate Existence:** Lessee's rights and obligations under a lease predicated on corporate existence cannot extend beyond the company's corporate term unless legitimately renewed. Failure to remove improvements before lease termination results in forfeiture of those improvements to the lessor.

Class Notes:

1. **Jurisdiction:** Civil courts handle property and contractual disputes.

2. **Corporate Term:** Corporate existence set by incorporation documents is finite unless formally extended per Corporation Code, Section 11 (50 years unless extended).
3. **Lease Contract and Improvements:** Specific lease terms can override general legal provisions (Article 1678, Civil Code), obliging lessees to remove improvements on termination.

Historical Background:

The case arose during a period when Philippine economic growth fostered industrial expansion, necessitating intricate lease agreements for factory sites. This era also saw evolving corporate governance and financial practices, prompting judicial clarification of jurisdictional boundaries and property rights within contractual frameworks.