

THIRD DIVISION

[G.R. No. 136409, March 14, 2008]

**SUBHASH C. PASRICHA and JOSEPHINE A. PASRICHA,
Petitioners, vs. DON LUIS DISON REALTY, INC., Respondent.**

D E C I S I O N

NACHURA, J.:

This is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking the reversal of the Decision^[1] of the Court of Appeals (CA) dated May 26, 1998 and its Resolution^[2] dated December 10, 1998 in CA-G.R. SP No. 37739 dismissing the petition filed by petitioners Josephine and Subhash Pasricha.

The facts of the case, as culled from the records, are as follows:

Respondent Don Luis Dison Realty, Inc. and petitioners executed two Contracts of Lease^[3] whereby the former, as lessor, agreed to lease to the latter Units 22, 24, 32, 33, 34, 35, 36, 37 and 38 of the San Luis Building, located at 1006 M.Y. Orosa cor. T.M. Kalaw Streets, Ermita, Manila. Petitioners, in turn, agreed to pay monthly rentals, as follows:

For Rooms 32/35:

From March 1, 1991 to August 31, 1991 – P5,000.00/P10,000.00

From September 1, 1991 to February 29, 1992 – P5,500.00/P11,000.00

From March 1, 1992 to February 28, 1993 – P6,050.00/P12,100.00

From March 1, 1993 to February 28, 1994 – P6,655.00/P13,310.00

From March 1, 1994 to February 28, 1995 – P7,320.50/P14,641.00

From March 1, 1995 to February 28, 1996 – P8,052.55/P16,105.10

From March 1, 1996 to February 29, 1997 – P8,857.81/P17,715.61

From March 1, 1997 to February 28, 1998 – P9,743.59/P19,487.17

From March 1, 1998 to February 28, 1999 – P10,717.95/P21,435.89

From March 1, 1999 to February 28, 2000 – P11,789.75/P23,579.48^[4]

For Rooms 22 and 24:

Effective July 1, 1992 – P10,000.00 with an increment of 10% every two years.^[5]

For Rooms 33 and 34:

Effective April 1, 1992 – P5,000.00 with an increment of 10% every two years.^[6]

For Rooms 36, 37 and 38:

Effective when tenants vacate said premises – P10,000.00 with an increment of 10% every two years.^[7]

Petitioners were, likewise, required to pay for the cost of electric consumption, water bills and the use of telephone cables.^[8]

The lease of Rooms 36, 37 and 38 did not materialize leaving only Rooms 22, 24, 32, 33, 34 and 35 as subjects of the lease contracts.^[9] While the contracts were in effect, petitioners dealt with Francis Pacheco (Pacheco), then General Manager of private respondent. Thereafter, Pacheco was replaced by Roswinda Bautista (Ms. Bautista).^[10] Petitioners religiously paid the monthly rentals until May 1992.^[11] After that, however, despite repeated demands, petitioners continuously refused to pay the stipulated rent. Consequently, respondent was constrained to refer the matter to its lawyer who, in turn, made a final demand on petitioners for the payment of the accrued rentals amounting to P916,585.58.^[12] Because petitioners still refused to comply, a complaint for ejectment was filed by private respondent through its representative, Ms. Bautista, before the Metropolitan Trial Court (MeTC) of Manila.^[13] The case was raffled to Branch XIX and was docketed as Civil Case No. 143058-CV.

Petitioners admitted their failure to pay the stipulated rent for the leased premises starting July until November 1992, but claimed that such refusal was justified because of the internal squabble in respondent company as to the person authorized to receive payment.^[14] To further justify their non-payment of rent, petitioners alleged that they were prevented from using the units (rooms) subject matter of the lease contract, except Room 35. Petitioners eventually paid their monthly rent for December 1992 in the amount of P30,000.00, and claimed that respondent waived its right to collect the rents for the months of July to November 1992 since petitioners were prevented from using Rooms 22, 24, 32, 33, and 34.^[15] However, they again withheld payment of rents starting January 1993 because of respondent's refusal to turn over Rooms 36, 37 and 38.^[16] To show good faith and willingness to pay the rents, petitioners alleged that they prepared the check vouchers for their monthly rentals from January 1993 to January 1994.^[17] Petitioners further averred in their Amended Answer^[18] that the complaint for ejectment was prematurely filed, as the controversy was not referred to the *barangay* for conciliation.

For failure of the parties to reach an amicable settlement, the pre-trial conference was terminated. Thereafter, they submitted their respective position papers.

On November 24, 1994, the MeTC rendered a Decision dismissing the complaint for ejectment.^[19] It considered petitioners' non-payment of rentals as unjustified. The court held that mere willingness to pay the rent did not amount to payment of the obligation; petitioners should have deposited their payment in the name of respondent company. On the matter of possession of the subject premises, the court did not give credence to petitioners' claim that private respondent failed to turn over possession of the premises. The court, however, dismissed the complaint because of Ms. Bautista's alleged lack of authority to sue on behalf of the corporation.

Deciding the case on appeal, the Regional Trial Court (RTC) of Manila, Branch 1, in Civil Case No. 94-72515, reversed and set aside the MeTC Decision in this wise:

WHEREFORE, the appealed decision is hereby reversed and set aside and another one is rendered ordering defendants-appellees and all persons claiming rights under them, as follows:

(1) to vacate the leased premises (sic) and restore possession thereof to plaintiff-appellant;

(2) to pay plaintiff-appellant the sum of P967,915.80 representing the accrued rents in arrears as of November 1993, and the rents on the leased premises for the succeeding months in the amounts stated in paragraph 5 of the complaint until fully paid; and

(3) to pay an additional sum equivalent to 25% of the rent accounts as and for attorney's fees plus the costs of this suit.

SO ORDERED.^[20]

The court adopted the MeTC's finding on petitioners' unjustified refusal to pay the rent, which is a valid ground for ejectment. It, however, faulted the MeTC in dismissing the case on the ground of lack of capacity to sue. Instead, it upheld Ms. Bautista's authority to represent respondent notwithstanding the absence of a board resolution to that effect, since her authority was implied from her power as a general manager/treasurer of the company.^[21]

Aggrieved, petitioners elevated the matter to the Court of Appeals in a petition for review on *certiorari*.^[22] On March 18, 1998, petitioners filed an Omnibus Motion^[23] to cite Ms. Bautista for contempt; to strike down the MeTC and RTC Decisions as legal nullities; and to conduct hearings and ocular inspections or delegate the reception of evidence. Without resolving the aforesaid motion, on May 26, 1998, the CA affirmed^[24] the RTC Decision but deleted the award of attorney's fees.^[25]

Petitioners moved for the reconsideration of the aforesaid decision.^[26] Thereafter, they filed several motions asking the Honorable Justice Ruben T. Reyes to inhibit from further proceeding with the case allegedly because of his close association with Ms. Bautista's uncle-in-law.^[27]

In a Resolution^[28] dated December 10, 1998, the CA denied the motions for lack of merit. The appellate court considered said motions as repetitive of their previous arguments, irrelevant and obviously dilatory.^[29] As to the motion for inhibition of

the Honorable Justice Reyes, the same was denied, as the appellate court justice stressed that the decision and the resolution were not affected by extraneous matters.^[30] Lastly, the appellate court granted respondent's motion for execution and directed the RTC to issue a new writ of execution of its decision, with the exception of the award of attorney's fees which the CA deleted.^[31]

Petitioners now come before this Court in this petition for review on *certiorari* raising the following issues:

I.

Whether this ejectment suit should be dismissed and whether petitioners are entitled to damages for the unauthorized and malicious filing by Rosario (sic) Bautista of this ejectment case, it being clear that [Roswinda] – whether as general manager or by virtue of her subsequent designation by the Board of Directors as the corporation's attorney-in-fact – had **no legal capacity to institute the ejectment suit**, independently of whether Director Pacana's Order setting aside the SEC revocation Order is a mere scrap of paper.

II.

Whether the RTC's and the Honorable Court of Appeals' failure and refusal to resolve the most fundamental factual issues in the instant ejectment case render said decisions **void on their face by reason of the complete abdication** by the RTC and the Honorable Justice Ruben Reyes of their **constitutional duty not only to** clearly and distinctly state the facts and the law on which a decision is based **but also to** resolve the decisive factual issues in any given case.

III.

Whether the (1) failure and refusal of Honorable Justice Ruben Reyes to inhibit himself, despite his admission – by reason of his silence – of petitioners' accusation that the said Justice enjoyed a \$7,000.00 scholarship grant courtesy of the uncle-in-law of respondent "corporation's" purported general manager and (2), worse, his act of ruling against the petitioners and in favor of the respondent "corporation" constitute an unconstitutional deprivation of petitioners' property without due process of law.^[32]

In addition to Ms. Bautista's lack of capacity to sue, petitioners insist that respondent company has no standing to sue as a juridical person in view of the suspension and eventual revocation of its certificate of registration.^[33] They likewise question the factual findings of the court on the bases of their ejectment from the subject premises. Specifically, they fault the appellate court for not finding that: 1) their non-payment of rentals was justified; 2) they were deprived of possession of all the units subject of the lease contract except Room 35; and 3) respondent violated the terms of the contract by its continued refusal to turn over possession of Rooms 36, 37 and 38. Petitioners further prayed that a Temporary Restraining Order (TRO) be issued enjoining the CA from enforcing its Resolution directing the

issuance of a Writ of Execution. Thus, in a Resolution^[34] dated January 18, 1999, this Court directed the parties to maintain the *status quo* effective immediately until further orders.

The petition lacks merit.

We uphold the capacity of respondent company to institute the ejectment case. Although the Securities and Exchange Commission (SEC) suspended and eventually revoked respondent's certificate of registration on February 16, 1995, records show that it instituted the action for ejectment on December 15, 1993. Accordingly, when the case was commenced, its registration was not yet revoked.^[35] Besides, as correctly held by the appellate court, the SEC later set aside its earlier orders of suspension and revocation of respondent's certificate, rendering the issue moot and academic.^[36]

We likewise affirm Ms. Bautista's capacity to sue on behalf of the company despite lack of proof of authority to so represent it. A corporation has no powers except those expressly conferred on it by the Corporation Code and those that are implied from or are incidental to its existence. In turn, a corporation exercises said powers through its board of directors and/or its duly authorized officers and agents. Physical acts, like the signing of documents, can be performed only by natural persons duly authorized for the purpose by corporate by-laws or by a specific act of the board of directors.^[37] Thus, any person suing on behalf of the corporation should present proof of such authority. Although Ms. Bautista initially failed to show that she had the capacity to sign the verification and institute the ejectment case on behalf of the company, when confronted with such question, she immediately presented the Secretary's Certificate^[38] confirming her authority to represent the company.

There is ample jurisprudence holding that subsequent and substantial compliance may call for the relaxation of the rules of procedure in the interest of justice.^[39] In *Novelty Phils., Inc. v. Court of Appeals*,^[40] the Court faulted the appellate court for dismissing a petition solely on petitioner's failure to timely submit proof of authority to sue on behalf of the corporation. In *Pfizer, Inc. v. Galan*,^[41] we upheld the sufficiency of a petition verified by an employment specialist despite the total absence of a board resolution authorizing her to act for and on behalf of the corporation. Lastly, in *China Banking Corporation v. Mondragon International Philippines, Inc.*,^[42] we relaxed the rules of procedure because the corporation ratified the manager's status as an authorized signatory. In all of the above cases, we brushed aside technicalities in the interest of justice. This is not to say that we disregard the requirement of prior authority to act in the name of a corporation. The relaxation of the rules applies only to highly meritorious cases, and when there is substantial compliance. While it is true that rules of procedure are intended to promote rather than frustrate the ends of justice, and while the swift unclogging of court dockets is a laudable objective, we should not insist on strict adherence to the rules at the expense of substantial justice.^[43] Technical and procedural rules are intended to help secure, not suppress, the cause of justice; and a deviation from the rigid enforcement of the rules may be allowed to attain that prime objective, for, after all, the dispensation of justice is the core reason for the existence of courts.

^[44]