

SECOND DIVISION

[G.R. NO. 140798, September 19, 2006]

**MARCELITO D. QUEVADA, PETITIONER, VS. COURT OF APPEALS
AND JUANITO N. VILLAYERDE, RESPONDENTS.**

DECISION

AZCUNA, J.:

This is a petition for review^[1] by Marcelito D. Quevada, assailing the Decision and Resolution of the Court of Appeals (CA) dated September 16, 1999 and November 11, 1999, respectively, in CA-G.R. SP No. 53209 entitled "Marcelito Quevada v. Juanito Villaverde."

The facts^[2] of the case are as follows:

Before the [Metropolitan Trial Court (MeTC)], the plaintiff/respondent said that he is the lessor of a parcel of land with a residential house in Sampaloc, Manila. Sometime in 1994, he (as a lessor) and defendant/petitioner entered into a Contract of Lease of a portion of the residential house (consisting of 96 square meters) which is located on the subject property for the period from August 15, 1994 to August 15, 1995, at a monthly rental of P2,500.

After expiration of the lease, they entered into another Contract of Lease, which was an extension of the previous date, commencing from August 15, 1995 to April 15, 1996.

After the expiration of the extended Lease, the petitioner continued possessing the premises, but without payment of any reasonable compensation (for the use and occupancy thereof).

[Private respondent] made several demands to the petitioner to vacate the premises but was refused; as a matter of fact, the petitioner refused to vacate without justifiable reason. Because of the [petitioner's] refusal to vacate the premises, [private respondent] referred the matter to the barangay court for conciliation, only for the former to repudiate the "agreement to vacate as of December 31, 1997."

On January 20, 1998, [private respondent] served upon the petitioner a notice to vacate the leased property within a period of fifteen (15) days supposedly counted from receipt thereof, to pay P5,000 rental starting May, 1996, and every month thereafter until the premises shall have been vacated.

It was, on the other hand, the answer of the petitioner that as early as

November, [1985],^[3] he already started building the house on the lot which was finished in [1986],^[4] at which time he occupied the house as his residence.

Sometime in 1994, the [private] respondent negotiated for the purchase of the lot from the previous owner; [petitioner] similarly offered to buy the lot but was not able to raise the amount of P1,000,000 representing the purchase price.

Herein [private] respondent in turn "advised" him that he would go ahead and buy the lot but with an assurance that as soon as [petitioner] would be in a financial position to do payment, [the former] will transfer the title to [the latter.] [T]hus, a Lease Contract, in the meantime, was executed, for him to pay the rentals at P2,500 a month, but only with respect to the land, since the house belonged to him.

On his (petitioner) part, he assured the [private] respondent that if he would not be able to purchase the lot after a reasonable period of time, then, he was willing to deliver possession of the house to the [private] respondent after payment of the cost, or the sum of P500,000.

The [private] respondent did not give him a chance to pay the purchase price by setting a deadline to do the payment; similarly, the [private] respondent refused to accept the monthly rental of the lot for P2,500.

Because of [private respondent's refusal] to accept the rental payments, [petitioner] opened an account "in trust" for the [private respondent] where the monthly rentals could be deposited.

Petitioner added that there was an implied trust by virtue of the "true agreement" whereby the purchase price of the lot would be paid by the [private] respondent and for the latter, later on, to transfer the title after he ([private] respondent) shall have paid the purchase price.

In its Decision dated October 27, 1998, the Metropolitan Trial Court (MeTC) of Manila, Branch 30, ruled in favor of private respondent, thus:

WHEREFORE, in view of the foregoing, judgment is hereby rendered in favor of [private respondent] ordering [petitioner]:

a) and all persons claiming rights under him to immediately vacate and surrender to [private respondent] the leased premises situated at 842 Vicente G. Cruz St., Sampaloc, Manila subject to the right of [petitioner] to remove the improvements existing thereon;

b) to pay reasonable compensation for the continued use and occupancy of subject lot in the amount of P2,500 monthly from May, 1996 until subject premises is finally vacated and surrendered to [private respondent];

c) the costs of suit.

SO ORDERED.^[5]

Petitioner appealed, but the Regional Trial Court (RTC) of Manila, Branch VII, affirmed the MeTC's Decision in the following manner:

WHEREFORE and finding no reversible error in the decision of the lower court, the same is hereby affirmed in toto.

SO ORDERED.^[6]

Petitioner then went on appeal again asking for reversal of the RTC Decision. The CA rendered its assailed Decision, the dispositive portion of which reads:

THE FOREGOING CONSIDERED, the appealed Decision is hereby AFFIRMED

SO ORDERED.^[7]

Petitioner's Motion for Reconsideration of the CA Decision was denied.

Hence, this petition relying upon the following grounds:

I

THE COURT OF APPEALS GRIEVOUSLY ERRED WHEN IT FAILED TO APPRECIATE THE FACT THAT AN IMPLIED TRUST WAS CREATED IN FAVOR OF PETITIONER WHO THEREBY BECOMES THE BENEFICIAL OWNER OF THE LOT IN QUESTION AND, THUS, ENTITLED TO CONTINUED POSSESSION THEREOF.

II.

AT THE VERY LEAST, PETITIONER OUGHT TO BE REIMBURSED FOR THE VALUE OF THE HOUSE STANDING ON THE LOT.

III.

THE COURT OF APPEALS ERRED IN SUSTAINING THE JURISDICTION OF THE [MeTC] TO HEAR THE INSTANT CASE CONSIDERING THAT THE ALLEGED UNLAWFUL WITHHOLDING OCCURRED MORE THAN ONE YEAR BEFORE THE FILING OF THE EJECTMENT SUIT.

IV.

THE COURT OF APPEALS ERRED IN UPHOLDING THE RIGHT OF THE RESPONDENT TO BRING THE ACTION FOR EJECTMENT ALTHOUGH HE IS NOT THE TITLED OWNER THEREOF.

Simply restated, the issues to be resolved are: 1) whether the action for ejectment is proper; 2) whether such action can be brought by private respondent who is not the titled owner of the property; 3) whether petitioner can be reimbursed for the value of the house on the property; and 4) whether there is an implied trust.

A discussion of these issues shows that the petition is partly meritorious.

First, the action for ejectment or, more specifically, unlawful detainer or *desahucio* is under the proper jurisdiction of the MeTC.

Section 1, Rule 70 of the Rules of Court provides:

SECTION 1. *Who may institute proceedings, and when.* - Subject to the provisions of the next succeeding section, a person deprived of the possession of any land or building by force, intimidation, threat, strategy, or stealth, or a lessor, vendor, vendee, or other person against whom the possession of any land or building is unlawfully withheld after the expiration or termination of the right to hold possession, by virtue of any contract, express or implied, or the legal representatives or assigns of any such lessor, vendor, vendee, or other person, may, at any time within one (1) year after such unlawful deprivation or withholding of possession, bring an action in the proper Municipal Trial Court against the person or persons unlawfully withholding or depriving of possession, or any person or persons claiming under them, for the restitution of such possession, together with damages and costs. [Underscoring supplied.]

The necessary allegations in private respondent's complaint clearly meet the requirements of the above-cited provision in filing an action for unlawful detainer.^[8] Moreover, in accordance with the 1991 Revised Rule on Summary Procedure, such action is within the jurisdiction of the MeTC^[9] and must be filed within one year.^[10]

As a lessor, private respondent was unlawfully deprived possession of the residential house after petitioner's right to its possession as lessee had expired on April 15, 1996. Despite several demands given by the former to vacate the premises, the latter refused and even repudiated the agreement to vacate, which was entered into on December 31, 1997 before the *barangay* court.

Under Section 2, Rule 70, such action by the lessor shall be commenced after demand to pay or comply with the conditions of the lease and to vacate is made upon the lessee, thus:

SEC. 2. *Lessor to proceed against lessee only after demand.* - Unless otherwise stipulated, such action by the lessor shall be commenced only after demand to pay or comply with the conditions of the lease and to vacate is made upon the lessee, or by serving written notice of such demand upon the person found on the premises, or by posting such notice on the premises if no person be found thereon, and the lessee fails to comply therewith after fifteen (15) days in the case of land or five (5) days in the case of buildings. [Underscoring supplied.]

The lease contract was not extended again after its expiration on April 15, 1996. Petitioner's continued use and occupancy of the premises without any contract between him and private respondent was by mere tolerance or permission of the latter. "Acts of a possessory character performed by one who holds by mere tolerance of the owner [or lessor as in this case] are clearly not *en concepto de dueño*, and such possessory acts, no matter how long so continued, do not start the

running of the period of prescription."^[11]

"[P]ossession by tolerance is lawful, but such possession becomes unlawful when the possessor by tolerance refuses to vacate upon demand made by the owner. A person who occupies the land of another at the latter's tolerance or permission, without any contract between them, is necessarily bound by an implied promise to vacate upon demand, failing which, a summary action for ejectment is the proper remedy."^[12] "The situation is not much different from that of a tenant whose lease expires but who continues in occupancy by tolerance of the owner, in which case there is deemed to be an unlawful deprivation or withholding of possession as of the date of the demand to vacate."^[13]

Aside from the fact that the lease contract had expired, petitioner also did not honor the agreement to vacate as of December 31, 1997 before the *barangay* court. Consequently, private respondent had to serve upon him on January 20, 1998 a written notice to vacate the leased property within fifteen (15) days from its receipt.^[14] This notice was not complied with. Thus, the action for ejectment filed on March 9, 1998 was properly commenced in the MeTC, following its referral for conciliation.^[15] Its filing was within the one-year period after private respondent had been unlawfully deprived or withheld of its possession. The unlawful deprivation or withholding of possession started not from the date the lease contract expired, but from the date the written notice to vacate was served.^[16]

Besides, while the dispute is under conciliation, the prescriptive period for the cause of action was interrupted upon filing of the complaint with the *punong barangay* and resumed to run upon receipt by private respondent of the certificate to file action dated January 10, 1998,^[17] in accordance with Section 410(c) of the Local Government Code, which provides:

SECTION 410. *Procedure for Amicable Settlement.* - x x x

(c) Suspension of prescriptive period of offenses. - While the dispute is under mediation, conciliation, or arbitration, the prescriptive periods for offenses and cause of action under existing laws shall be interrupted upon filing the complaint with the *punong barangay*. The prescriptive periods shall resume upon receipt by the complainant of the certificate of repudiation or of the certification to file action issued by the *lupon* or *pangkat* secretary: Provided, however, That such interruption shall not exceed sixty (60) days from the filing of the complaint with the *punong barangay*.

x x x

Necessarily, the prescriptive period was suspended while the case was pending before the *barangay* authorities. The 60-day period under the above provision shall be deducted from the one-year period within which to file the action for ejectment.

Even assuming that there was an agreement to pay monthly rent after April 15, 1996,^[18] the implied renewal of the expired lease contract was still for a definite period.^[19] "A month-to-month lease under Article 1687 x x x expires after the last day of any given thirty-day period, upon proper demand and notice by the lessor to