

FIRST DIVISION

[G.R. No. 145416, September 21, 2001]

GOLDEN HORIZON REALTY CORPORATION, PETITIONER, VS. SY CHUAN, DOING BUSINESS UNDER THE NAME AND STYLE OF SHAMROCK MANUFACTURING ENTERPRISES, RESPONDENTS.

DECISION

YNARES-SANTIAGO, J.:

The instant petition for review on *certiorari* seeks to set aside the June 14, 2000 Decision of the Court of Appeals in CA-G.R. SP No. 52486,^[1] as well as its October 13, 2000 Resolution,^[2] denying petitioner's Motion for Reconsideration.

On May 4, 1978, National Development Corporation leased to petitioner a portion of its parcel of land, known as the NDC Compound, located in Pureza Street, Sta. Mesa, Manila, consisting of 3,222.80 square meters. The lease was to subsist for a period of ten (10) years, or until October 4, 1988, renewable for another ten (10) years upon mutual consent of both parties. Petitioner was also given an option to purchase the property under lease, subject to certain conditions.

After the lease expired on October 4, 1988, National Development Corporation refused to renew the lease for another ten (10) years, prompting petitioner to file a complaint for specific performance before the Regional Trial Court of Makati City, Branch 144.^[3] Meanwhile, on January 6, 1989, while the said case was pending, then President Corazon C. Aquino issued Memorandum Order No. 214, transferring the whole NDC Compound in favor of the Polytechnic University of the Philippines. Nevertheless, such transfer was made "subject to such leases or liens and encumbrances that may be existing thereon."^[4]

While the cases between petitioner and National Development Corporation were pending, the latter continued to accept the rental payments from petitioner,^[5] who continued to occupy the leased premises, pay real estate taxes for the building thereon and take out fire insurance for the same.^[6]

Meanwhile, since the lease agreement allowed petitioner to sublease the premises or portions thereof, petitioner entered into sublease contracts, among which was one with private respondent dated March 20, 1995, pertaining to Units 25, 26 and 27 of the NDC Compound, consisting of a total area of 324 square meters. The term of the sublease stipulated as follows -

3. That, this agreement shall take effect on January 1995 and shall be for a period of either two (2) years or upon promulgation of a decision/order/resolution by the Makati Regional Trial Court in Civil Case

No. 88-2238 entitled "NDC, Polytechnic University vs. Golden Horizon Realty Corporation", whichever comes first. x x x.^[7]

After private respondent's sublease expired on December 31, 1996, negotiations took place between the parties but no renewal was agreed upon. Thus, on April 15, 1997, petitioner's counsel served a written demand on private respondent to vacate the subleased premises within five (5) days from receipt of the same. This was reiterated in another letter dated August 20, 1997.

Still, private respondent failed to vacate the premises, whereupon petitioner filed a case for ejectment on October 1, 1997 before the Metropolitan Trial Court of Manila, Branch 29.^[8] In his Answer with Compulsory Counterclaim, private respondent argued that petitioner had no right to file the ejectment case since its lease over the subject property had long expired before the sublease between them was executed, rendering the latter void. Private respondent also alleged that the increase in rentals that petitioner demanded for the renewal of the sublease was highly unconscionable.

On November 12, 1998, the court *a quo* rendered a decision in favor of petitioner, disposing of the case as follows -

WHEREFORE, judgment is hereby rendered ordering defendant and any and all persons claiming rights under him to vacate and leave the subject premises and surrender the possession thereof to plaintiff and to pay plaintiff the following:

1. the amount of P42,120.00 per month as reasonable compensation for his continued use and enjoyment of the said premises from April 1997 and every month thereafter until he vacates and leaves the premises;
2. the amount of P10,000.00 as attorney's fees; and
3. the costs of suit.

SO ORDERED.^[9]

On appeal, the Regional Trial Court of Manila, Branch 45,^[10] reversed the aforesaid decision and dismissed petitioner's complaint on April 8, 1999.^[11] This notwithstanding, private respondent vacated the subject premises on April 20, 1999.

Petitioner filed a petition for review with the Court of Appeals, which was dismissed in the assailed decision dated June 14, 2000. Petitioner's Motion for Reconsideration was denied on October 13, 2000. Hence, this petition, raising the following errors:

I

THE HONORABLE COURT OF APPEALS ERRED IN ALLOWING THE RESPONDENT TO CONTROVERT THE TITLE OF HIS LANDLORD.

II

THE COURT OF APPEALS ERRED IN HOLDING THAT THE LEASE CONTRACT OF PETITIONER WITH NDC HAD ALREADY EXPIRED.

III

THE COURT OF APPEALS ERRED IN AFFIRMING THE JUDGMENT OF THE RTC REVERSING THE DECISION OF THE MTC AND DISMISSING PETITIONER'S COMPLAINT FOR EJECTMENT.^[12]

The petition is meritorious.

The contention that petitioner had no legal personality to bring the ejectment suit against private respondent lacks merit.

It is beyond dispute that for the entire duration of the sublease from January 1995 to December 1997, private respondent had undisturbed possession of the subject premises as sublessee of the same. **Rule 131, Section 2(b) of the Rules of Court** precludes a tenant from denying the title of his landlord at the time of the commencement of the relation of landlord and tenant between them. Thus:

Section 2. *Conclusive presumptions.* - The following are instances of conclusive presumptions:

x x x x x x x x

(b) The tenant is not permitted to deny the title of his landlord at the time of the commencement of the relation of landlord and tenant between them.

In ***Geminiano v. Court of Appeals***,^[13] we stated:

The private respondents, as lessees who had undisturbed possession for the entire term under the lease, are then estopped to deny their landlord's title, or to assert a better title not only in themselves, but also in some third person while they remain in possession of the leased premises and until they surrender possession to the landlord. **This estoppel applies even though the lessor had no title at the time the relation of lessor and lessee was created**, and may be asserted not only by the original lessor, but also by those who succeed to his title. (Emphasis ours)

Private respondent cannot feign ignorance of the fact that petitioner's lease with National Development Company had expired long before its own sublease with him had been constituted. The very contract of sublease entered into by private respondent with petitioner expressly mentions "Civil Case No. 88-2238 entitled '*NDC, Polytechnic University vs. Golden Horizon Realty Corporation*'." This constituted actual notice to private respondent of the pending litigation between petitioner and the original lessor concerning the subject property.

Moreover, even after the expiration of petitioner's lease contract with National Development Company, petitioner continued to pay rent to National Development Company and the latter continued to accept such rent payments while the case