

THIRD DIVISION

[G.R. No. 120615, January 21, 1997]

**HEIRS OF MANUEL T. SUICO, PETITIONERS, VS. COURT OF
APPEALS, MARLYN A. REYES AND JULIE DURAN, RESPONDENTS.
D E C I S I O N**

DAVIDE, JR., J.:

This is a petition for review of the decision^[1] of the Court of Appeals in CA-G.R. SP No. 31456 annulling the decisions of the Regional Trial Court (RTC) of Cebu, Branch 24, in Civil Case No. CEB-13798,^[2] and of the Municipal Trial Court in Cities (MTCC) of Cebu City, Branch 8, in Civil Case No. R-31419,^[3] for having been rendered without jurisdiction.

Civil Case No. R-31419 was an ejectment case filed by the petitioners.

The factual antecedents of this case were summarized by the Court of Appeals as follows:

The two (2) storey six (6) room residential building subject of the instant petition was originally owned by the late Emilia Suico, grandmother of petitioners, as shown by Tax Declaration No. 00188 (Rollo, p. 7; Exhibit B, p.51, Records). The same was being rented by private respondents from petitioners at the rate of P360.00 per month. (Rollo, pp. 7-8).

Finding this amount to be inadequate, sometime prior to April 1991, petitioners proposed to increase this amount to P1,200 a month. (Rollo, pp. 7-8) This was refused by private respondents.

In a letter dated July 26, 1991 (Rollo, p. 65), private respondents proposed a lease contract for a period of at least twenty five years at a monthly rental of P600.00 subject to an escalation of not more than ten (10%) percent per annum. This in turn was not accepted by petitioners.

The petitioners refused to receive the rentals tendered by private respondents as the latter insisted on paying the previous rate sought to be increased by petitioners. Because of private respondents' failure to remit increased rentals, petitioners served on private respondents a notice to vacate the premises dated August 6, 1991. (p. 53, Records)

The petitioners then brought the case before the barangay for conciliation. After referral of the case to the barangay, private respondents informed petitioners for the first time that they had been depositing their monthly rentals in the amount of P450.00 with a reputable bank since August 1991 through a letter dated May 28, 1992. (Rollo, p. 66) Both parties failed to come to an agreement during the proceedings in the barangay court.

On June 23, 1992 petitioners filed a complaint for unlawful detainer against private respondents in the Municipal Trial Court of Cebu which was docketed therein as MTCC-R-31419. (Rollo, p. 5; Records, p. 1)

After joinder of issues, the MTC issued its preliminary conference order dated August 21, 1992 which defined the issues in this manner:

6. The legal issues: a) have the plaintiffs legal ground to eject the defendants? b) May the Court fix the period or term of lease? Stated otherwise, whether the defendants are entitled to the Court's discretion of fixing the lease extension? c) Is this particular lease covered by the house rental law? [Annex D, Petition; Rollo, p. 72]

On February 12, 1993 the MTC rendered its decision, the decretal portion of which reads as follows:

WHEREFORE, judgment is rendered on preponderance of evidence for the plaintiffs, as against the defendants who are ordered to viz:

- 1) Vacate the leased premises, together with any and all persons who may claim possession of the premises or any portion thereof from or through the defendants and turn over possession of the leased premises to plaintiffs; provided, that defendants are likewise ordered to remove the subject house, and all appurtenances thereto, at their own expense;

- 2) Pay plaintiffs rental arrears at Four Hundred Fifty (P450.00) Pesos a month, starting in April 1991 until the last month/date of occupancy; provided that in compliance herewith, defendants are ordered to turn over the original bank passbook to plaintiffs;

- 3) Pay plaintiffs Two Thousand (P2,000.00) Pesos as attorney's fee; Three Hundred (P300.00) Pesos as litigation expenses inclusive of filing fees and other incidental litigation expenses; and, the cost of suit.

Defendants counterclaims are hereby dismissed for lack of merit.

SO ORDERED. [Annex E, Petition; Rollo, p. 75]

Both parties appealed this decision to the Regional Trial Court of Cebu, and the appeal was raffled to Branch 24 thereof presided over by respondent Judge. On their part, petitioners appealed the portion of the MTC decision which recognized private respondents as the owners of the leased buildings. The private respondents, on the other hand, appealed the entire MTC decision.

On June 30, 1993 petitioners received the assailed decision of respondent RTC Judge dated May 25, 1993 the decretal portion of which reads as follows:

THE FOREGOING PREMISES CONSIDERED, judgment is hereby rendered, modifying

the contested decision by fixing the period of the defendant's lease for another five (5) years from date of this decision or until May, 1998, but during the lease period, the defendants shall continue paying a P450.00 monthly rental, subject to increase as may be allowed by law. After the expiration of [sic] aforementioned period, then, the property should be vacated by the defendants and the residential building together with all its permanent improvements on the leased property shall become the property of the plaintiffs.

SO ORDERED. [Annex A, Petition; Rollo, p.38]

On July 9, 1993, petitioners filed the instant Petition for Review, raising the following assignments of error:

THE RESPONDENT COURT ERRED IN SUSTAINING THE FINDINGS OF THE MUNICIPAL TRIAL COURT (MTC) THAT PRIVATE RESPONDENTS ARE THE OWNERS OF THE LEASED PREMISES WHICH DECLARATION AMOUNTS TO A DEPRIVATION OF PETITIONERS' PROPERTY WITHOUT DUE PROCESS OF LAW.

WITH THE UNCOMMON ZEAL AND HASTE TO PROCLAIM THE PRIVATE RESPONDENTS AS THE OWNERS OF THE LEASED PROPERTY, RESPONDENT COURT ACTED ARBITRARILY IN FIXING THE PERIOD OF LEASE FOR FIVE (5) YEARS.

IN THE GUISE OF FIXING A PERIOD, THE RESPONDENT COURT NOT ONLY MODIFIED BUT COMPLETELY REVERSED THE DECISION OF THE MUNICIPAL TRIAL COURT WHICH UPHOLD [sic] THE RIGHT OF PETITIONERS TO EVICT PRIVATE RESPONDENTS. [Rollo, p. 9]^[4]

The Court of Appeals ruled that the MTCC had no jurisdiction over Civil Case No. R-31419, hence it nullified the decisions in Civil Case No. CEB-13798 and Civil Case No. R-31419, and ordered the dismissal of the complaint in Civil Case No. R-31419. In support of its disposition, the Court of Appeals ratiocinated as follows:

In so doing, both the trial court and respondent Judge were in error for the following reasons:

FIRST. The trial court had no jurisdiction whatsoever to award ownership of the disputed residential building since the only thing in issue in an unlawful detainer case is possession de facto and not ownership or possession de jure;

SECOND. The absurdity of the situation is readily apparent when we take into consideration the fact that private respondents are paying rent for the residential building over which they claim ownership. Why should they be paying rent for something which they own? And;

THIRD. Both parties claim ownership over the disputed residential building, and not merely a claim of better right to its possession.

In reiteration: the trial court had no jurisdiction to decide the issue of ownership of the house and to award the same in favor of any of the parties because as already stated above, under Section 33(2) of BP 129, in connection with Section 4, Rule 70 of the Revised Rules of Court, the trial court could only decide the issue of who as between the parties, had a better right to the possession of the disputed premises.

It could not have validly made a determination and award of ownership to one of the parties as it had no jurisdiction to do so in the first place. Jurisdiction is conferred by law and cannot be conferred by the parties (*Allied Developer and Steel Industries Inc. vs. Sarmiento Enterprises, Inc.* G.R. No. 64735, 184 SCRA 153 [1990]; *Philippine International Trading Corporation vs. M.V. Zileena* G.R. No. 102904, 215 SCRA 309 [1992]); and all decisions rendered by a court without the requisite jurisdiction is a patent nullity. Respondent Judge could not therefore have validly modified the decision of the trial court on appeal, because in an appeal from an inferior court in an ejectment case the issue of ownership should not be delved into, for an ejectment action lies even against the owner of the property. The fact of possession in itself has a positive value and is endowed with the distinct standing of its own in the law of property. (*Manuel vs. Court of Appeals*, G.R. No. 95469, 199 SCRA 603 [1991]).

In the Manuel case, *supra.*, the Supreme Court further stated that:

Proceedings in forcible entry and detainer are wholly summary in nature. The fact of lease and the expiration of its terms are the only elements of its kind of action. The question of ownership is unessential and should be raised by the defendant on an appropriate action. Any controversy over ownership rights could and should be settled after the party who had the prior, peaceful and actual possession is returned to the property.

In the present case, and assuming the new factual milieu posited by petitioner, he should file a separate action wherein his alleged rights as owner of the land vis-a-vis the rights of private respondents as builders or owners of the structure standing thereon can be properly ventilated. There can be no such adjudication here for when the relationship of lessor and lessee is established in an unlawful detainer case, any attempt of the defendant to inject the question of ownership into the case is inutile except insofar as it might throw light on the right of possession. [At 608].

Since the issues in the trial court do not only raise the question of possession of the lot but also the ownership of the building constructed thereon and for its recovery, jurisdiction over the action is clearly vested in the Regional Trial Courts under Section 19, BP 129, the subject of the litigation being one "incapable of pecuniary estimation," and not with the Municipal Trial Court.^[5]

Their motion to reconsider the above decision having been denied by the Court of Appeals in its resolution of 29 May 1995,^[6] the petitioners filed this petition for review. They pray we set aside the decision of the Court of Appeals and affirm the decision of the MTCC in Civil Case No. R-31419 as the Court of Appeals erred:

IN RULING THAT MTCC LOST THE JURISDICTION OVER THE UNLAWFUL DETAINER CASE FILED BY THE PETITIONERS WHEN THE ISSUE OF OWNERSHIP WAS RAISED BY PRIVATE RESPONDENTS IN THEIR PLEADINGS.

WHEN IT ANNULLED THE DECISION OF THE MTCC DATED 12 FEBRUARY 1993.

WHEN IT RULED TO DISMISS THE COMPLAINT FILED BY PETITIONERS FOR ALLEGED LACK OF JURISDICTION.^[7]

The private respondents maintain otherwise in their Comment and assert that the MTCC had, indeed, lost jurisdiction over the case when the petitioners themselves raised the issue of ownership. Nevertheless, they pray we uphold the decision of the RTC in Civil Case No. CEB-13798 should the challenged decision of the Court of Appeals be reversed.[8]

After the petitioners filed the required Reply to the private respondents' Comment, we resolved to give due course to the petition and required the parties to submit their respective memoranda, which they complied with.

The core issue is whether the Court of Appeals committed reversible error in holding that the MTCC had no jurisdiction over the case because the issue of ownership of the building was raised.

We find for the petitioners. The Court of Appeals failed to fully appreciate the subject matter of the lease and the purpose of the private respondents' claim of ownership over the building. The initiatory pleadings of the parties filed with the MTCC, together with the annexes thereto, disclose that the subject of the lease between the petitioners' grandparents, as lessors, and the private respondents' parents, as lessees, was a portion of the land and a small house with nipa roof, bamboo floors, and "amakan" walls. Parenthetically, it is settled that the lease of and rentals for a building include that of the lot on which it stands.[9] The building was destroyed sometime in 1950 by typhoon "Amy" and the private respondents' parents (the lessees) constructed a larger house of permanent materials. That the lease was principally over a portion of the lessors' lot is admitted by the private respondents in paragraph 4 of the Affirmative Allegations in their Answer, to wit:

4. When the defendants' family started to occupy the premises, there was only a tiny hut made of nipa roof, "amakan" walls, bamboo floor and "tugas" posts. This hut was completely destroyed by typhoon Amy. Defendants' parents, thereafter, constructed a larger dwelling of permanent materials which has a present value of not less than P500,000.[10]

Likewise in the 26 July 1991 letter of private respondent Marlyn A. Reyes to Manuel Suico's surviving spouse (one of the petitioners herein). Marlyn asserted:

This is in connection with your refusal to accept our rental payment and your demand to increase the land rental of our residential house ...

Let it be recalled that we had been occupying and in possession of the land as tenants since 1949, while your mother-in-law (Lola Meliang) and beloved husband (Tiyo Maning) were still landlords. Also, please be reminded that said house was destroyed by typhoon Amy in the early 1950s and that the reconstruction of the building was undertaken by our family (with Tiyo Maning's approval) at no cost to the Suico landlords.... (emphasis supplied)

A copy of the letter was attached as Annex "2" of the Answer in Civil Case No. R-31419.[11] In their reply[12] to this letter of Marlyn, the petitioners did not deny Marlyn's claim that the old house was destroyed and a new one was built by the private respondents' parents.

By their prayer in this petition that we annul the decision of the Court of Appeals