

SECOND DIVISION

[G.R. No. 193684, March 05, 2014]

ONE NETWORK RURAL BANK, INC., * PETITIONER, VS. DANILO G. BARIC, RESPONDENT.

D E C I S I O N

DEL CASTILLO, J.:

A third party who did not commit a violation or invasion of the plaintiff or aggrieved party's rights may not be held liable for nominal damages.

This Petition for Review on *Certiorari*^[1] seeks to set aside the January 29, 2009 Decision^[2] of the Court of Appeals (CA) in CA-G.R. SP No. 73713, entitled "*Danilo G. Baric, Petitioner, versus James S. Palado and Network Rural Bank, Inc., Respondents*," as well as its August 23, 2010 Resolution^[3] denying reconsideration of the assailed judgment.

Factual Antecedents

Jaime Palado (Palado) was the registered owner of real property with a building containing commercial spaces for lease (subject property), located in Barangay Piapi, Davao City and covered by Transfer Certificate of Title No. 231531 (TCT 231531). Respondent Danilo G. Baric (Baric) was a lessee therein, operating a barber shop on one of the commercial spaces. The lease was governed by a written agreement, or "*Kasabutan*."^[4]

In December 2000, Baric received a written notice^[5] from Palado demanding the return of the leased commercial space within 40 days from December 15, 2000.

Baric took the matter to the office of the *barangay Lupong Tagapamayapa (Lupon)*. However, on the scheduled dates of conciliation/mediation hearing held on January 19 and 24, 2001, Baric failed to attend, which prompted the Barangay Chairman to issue a Certificate to Bar Action.

In the meantime, it appears that the building was demolished.

In February 2001, Baric filed a case for forcible entry with prayer for injunctive relief against Palado and herein petitioner One Network Rural Bank, Inc. (Network Bank), which was docketed as Civil Case No. 9955-F-2001 and ultimately assigned to Branch 6^[6] of the Municipal Trial Court in Cities (MTCC), 11th Judicial Region, Davao City. In his Amended Complaint,^[7] Baric alleged that he had been occupying the leased space since 1994; that in 2000, he renovated the leased space with Palado's consent and knowledge, and the renovation cost him P27,000.00; that in December

2000, Palado sent him a notice to vacate the premises; that he filed a Complaint with the Barangay Chairman of Piapi; that on January 29, 2001, Palado enclosed and fenced the premises and thus prevented him from entering and using the same; that he reported the incident to the police and caused the same to be recorded in the police blotter;^[8] that he was thus excluded from the leased premises by means of strategy, violence, force and threat. Baric thus prayed that injunctive relief be granted to restrain Palado and Network Bank from depriving him of possession; that he be restored in his possession of the commercial space, and that any structure built thereon in the meantime be demolished; that he be indemnified attorney's fees in the amount of P30,000.00, and appearance fees, as well as litigation costs.

Baric's Amended Complaint was prompted by Network Bank's subsequent purchase on April 25, 2001 of the subject property from Palado, whereupon TCT 231531 was cancelled and TCT T-338511 was issued in the bank's name. It then constructed a new building on the lot.

In its Answer (With Counterclaim and Crossclaim),^[9] Network Bank essentially claimed that as a buyer in good faith and new owner of the subject property, it should not be made liable; that Baric resorted to forum shopping in filing the Amended Complaint; and that it had no participation in the dispute between Baric and Palado. It prayed that the Amended Complaint be dismissed for lack of merit; that the prayer for injunctive relief be denied; that Baric be ordered to pay the bank exemplary damages and attorney's fees; and that its co-defendant Palado be ordered to reimburse the bank for such liabilities as may be adjudged against it.

Palado, on the other hand, claimed in his Answer with Counterclaim^[10] that Baric had no cause of action against him; that Baric's lease was merely on a month-to-month basis; that Baric voluntarily vacated the leased premises and posted a signboard informing the public that his barber shop had transferred to the Agdao Public Market; that the premises were fenced and enclosed for security and safety reasons after Baric had left; that Baric and the other lessees were given until January 25, 2001 to vacate the premises; that on January 18, 2001, Baric complained before the *Lupon*, but on the scheduled January 19 and 24, 2001 conciliation hearings, he failed to attend; that the *Lupon* thus issued a certification barring Baric from filing a court action; and that after Baric voluntarily vacated the premises, he demolished the barber shop. Palado sought damages and attorney's fees, and likewise moved to cancel a notice of *lis pendens* which Baric previously caused to be annotated on TCT 231531.

On April 20, 2001, the MTCC issued an Order^[11] cancelling the notice of *lis pendens* annotated on TCT 231531.

Ruling of the Municipal Trial Court in Cities

On February 8, 2002, the MTCC rendered its Decision^[12] dismissing Baric's Complaint for forcible entry, thus:

WHEREFORE, premises considered, judgment is hereby rendered in favor of defendant and against the plaintiff by ordering the dismissal of the complaint.

SO ORDERED.^[13]

The MTCC held that Baric's voluntary departure from the premises, and his subsequent posting of a signboard informing the public that his barber shop had transferred to a new address within the Agdao Public Market, constituted clear and categorical evidence of his intention to voluntarily vacate the premises. For this reason, it cannot be said that Palado forcibly evicted Baric. It held further that although the Barangay Chairman of Agdao District certified in writing that Baric did not operate his barber shop within the Agdao Public Market after he vacated Palado's building, the evidence would suggest that Baric nonetheless withdrew seven of his 12 barber's chairs from the vacated premises. Finally, the MTCC decried Baric's abandonment of his complaint in the *barangay* level and his undue resort to court action; it held that Baric's pretense of including a prayer for injunctive relief in his Amended Complaint for forcible entry in order to skirt Sections 408 and 412 of Republic Act No. 7160^[14] cannot be tolerated.

Ruling of the Regional Trial Court

Baric filed an appeal with the Regional Trial Court (RTC) of Davao City which, in a June 28, 2002 Decision,^[15] sustained the MTCC Decision in its totality, as follows:

WHEREFORE, finding no serious irreversible error committed by the court-a-quo in its decision, dated February 8, 2002, said decision is AFFIRMED-IN-TOTO, for lack of sufficient evidence of defendant for an award of his prayer for attorney's fees and litigation expenses, are denied but this case is ordered dismissed.

SO ORDERED.^[16]

Apart from echoing the MTCC's findings, the RTC added that Palado had the right, as owner, to dispose of the subject property even while Baric's lease was outstanding; Baric's lease is irrelevant to the subsequent sale to Network Bank by Palado.

Baric moved to reconsider, but the RTC stood its ground. Thus, he filed a Petition for Review with the CA.

Ruling of the Court of Appeals

On January 29, 2009, the CA issued the assailed Decision which contains the following decretal portion:

WHEREFORE, the appeal is granted and the challenged decision is hereby reversed. Petitioner is hereby awarded P50,000.00 in nominal damages for which respondents are solidarily liable.

SO ORDERED.^[17]

Reversing the lower courts, the CA held that Palado was guilty of forcible entry in that while Palado's notice to vacate required Baric to vacate the premises within 40 days, the latter was granted, under the "*Kasabutan*," the right to at least four months advance notice. It held further that there was no basis to believe that Baric voluntarily vacated the premises and posted a signboard notifying the public that he has transferred to the Agdao Public Market. On the contrary, Baric complained to the police on January 29, 2001 as evidenced by the written entry in the police blotter, to the effect that Palado was destroying the leased premises without his consent as the occupant thereof. Besides, it cannot be said that Baric had transferred to another business address when his equipment – consisting of five barber's chairs, seven fluorescent light sets, one ceiling fan, one airconditioning unit, a typewriting table, and four plastic stools – remained in the leased premises, as shown by photographs taken of the premises while the old building was being demolished.^[18] Moreover, it held that the Agdao District Barangay Chairman's certification in writing to the effect that Baric did not transfer his barber shop to the Agdao Public Market – which remained uncontroverted – suggested that it was Palado, and not Baric, who posted the signboard in order to make it appear that Baric "voluntarily" vacated the premises. The CA added that it is inconceivable that Baric should renovate the premises and simply vacate the premises without insisting on his right to four months advance notice under the "*Kasabutan*"; besides, it can be said that the four months advance notice granted by Palado to Baric was in consideration of the latter's renovations introduced on the premises.

On Baric's failure to exhaust his remedies at the *barangay* level, the CA held that the inclusion of a prayer for injunctive relief in Baric's Complaint did away with the need to refer the case to the *Lupon*; the lower courts' respective findings that Baric's inclusion of injunctive relief in his Complaint was a mere ploy to circumvent the Local Government Code could not find support from the record. And regarding Network Bank, the CA declared that the issue of its being a purchaser in good or bad faith was not material, since Network Bank's purchase of the property was subject to all liens and encumbrances found thereon, and the bank merely stepped into the shoes of the former owner.

Finally, the CA concluded that since ownership has been transferred to Network Bank and a new building built on the property, it has become impracticable to restore Baric in his possession. Instead, his case has become one for vindication of right; thus, the CA opted to award Baric nominal damages in the amount of P50,000.00.

Network Bank filed its Motion for Reconsideration,^[19] but in an August 23, 2010 Resolution, the CA stood its ground. Hence, Network Bank filed the present Petition.

Issues

Network Bank raises the following issues in its Petition:

- A. WHETHER X X X A BUYER OF X X X REAL PROPERTY AFTER THE CANCELLATION OF NOTICE OF LIS PENDENS IS CONSIDERED A TRANSFEREE PENDENTE LITE;