

FIRST DIVISION

[G.R. No. 161589, November 24, 2014]

**PENTA PACIFIC REALTY CORPORATION, PETITIONER, VS. LEY
CONSTRUCTION AND DEVELOPMENT CORPORATION,
RESPONDENTS.**

D E C I S I O N

BERSAMIN, J.:

Jurisdiction over the subject matter of an action is determined from the allegations of the initiatory pleading.

The Case

Under review is the decision promulgated on October 9, 2003,^[1] whereby the Court of Appeals (CA) affirmed the judgment rendered on June 10, 2002 by the Regional Trial Court (RTC), Branch 58, in Makati City^[2] nullifying for lack of jurisdiction the decision rendered on January 12, 2000 by the Metropolitan Trial Court (MeTC), Branch 64, in Makati City.^[3]

Antecedents

The petitioner owned the 25th floor of the Pacific Star Building located in Makati City with an area of 1,068.67 square meters. The respondent leased 444.03 square meters of the premises (subject property) through the petitioner's authorized agent, Century Properties Management, Inc. (Century Properties). Under the terms of the contract of lease dated January 31, 1997, the petitioner gave the respondent possession of the subject property under a stipulation to the effect that in case of the respondent's default in its monthly rentals, the petitioner could immediately repossess the subject property.

On March 19, 1997, the respondent expressed the intention to purchase the entire 1,068.67 square meters, including the subject property. The parties executed a contract to sell, denominated as a reservation agreement, in which they set the purchase price at US\$3,420,540.00, with the following terms of payment: 20% down payment equivalent of US\$684,108.00 payable within eight months; and US\$85,513.00/monthly for eight months with interest of 9.75%, commencing on the 6th month. The 80% balance was to be paid in 13 installments beginning on March 1, 1997 until March 1, 1998. The reservation agreement contained the following cancellation or forfeiture provision, viz:

Any failure on [the respondent's] part to pay the full downpayment, or deliver the post-dated checks or pay the monthly amortization on the due date, shall entitle [the petitioner], at its option, to impose a penalty interest at the rate of three percent (3%) per month on the outstanding

balance or to cancel this agreement without need of any court action and to forfeit, in its favor, any reservation deposits or payments already made on the unit, without prior notice.^[4]

After paying US\$538,735.00, the respondent stopped paying the stipulated monthly amortizations. An exchange of letters ensued between Janet C. Ley, President of the respondent, or Efren Yap, Assistant to the President of the respondent, on one hand, and Jose B.E. Antonio, Vice-Chairman of the petitioner, and the petitioner's counsel, Atty. Reynaldo Dizon, on the other.

In the September 23, 1997 letter,^[5] the respondent asked the petitioner to modify the terms of the reservation agreement to allow it to purchase only the subject property. In the February 5, 1998 letter,^[6] the petitioner's counsel reminded the respondent of its US\$961,546.50 liability to the petitioner under the terms of the reservation agreement. In another letter dated February 5, 1998,^[7] the petitioner's counsel informed the respondent of its failure to pay its amortizations since August 1997, and demanded the payment of US\$961,564.50.

Through its letter of February 17, 1998,^[8] the respondent submitted the following proposals, namely: (1) that the US\$538,735.00 paid under the reservation agreement be applied as rental payments for the use and occupation of the subject property in the period from March 1997 to February 28, 1998; (2) that the balance of US\$417,355.45 after deducting the rental payments from March 1997 to February 28, 1998 should be returned to it; and (3) that the respondent be allowed to lease the subject property beginning March 1998.

The petitioner, through its counsel's letter of March 9, 1998,^[9] rejected the respondent's proposals, and demanded the payment of US\$3,310,568.00, representing the respondent's unpaid balance (as of March 2, 1998) under the reservation agreement. The petitioner further evinced its intention to cancel the contract to sell, and to charge the respondent for the rentals of the subject property corresponding to the period from August 1997 to March 1998, during which no amortization payments were made.

In the letter dated February 4, 1999,^[10] the petitioner's counsel informed the respondent of the cancellation of the reservation agreement and the forfeiture of the respondent's payments; and demanded that respondent pay the rentals of P9,782,226.50 and vacate the subject property.

In its letter of May 25, 1999,^[11] the petitioner's counsel wrote to the respondent thuswise:

We write in behalf of our client, Penta Pacific Realty Corporation, regarding the Reservation Agreement and/or sale between you and our client over the latter's unit located at the 25th Floor, Pacific Star Building, Sen. Gil Puyat Avenue corner Makati Avenue, Makati City.

We regret to inform you that in view of your continued refusal and/or failure to pay to our client the balance of the agreed-upon purchase price of the office unit you are currently occupying, our client is constrained to make a notarial cancellation of the Reservation Agreement and/or sale of

the above-mentioned unit and to forfeit the payments you made in favor of our client.

In this connection, there is no more valid reason for you to continue occupying the subject premises. Hence, final and formal demand is hereby made upon you to peacefully and quietly vacate the same within ten (10) days from receipt hereof. Otherwise, we shall be constrained to file the appropriate legal action to protect our client's interests.

Lastly, we would like to inform you that our client will also be constrained to charge you the amount of P9,782,226.50 corresponding to reasonable rentals and other charges as of January 22, 1999.

Trusting that you are guided accordingly.

On July 9, 1999, the petitioner filed the complaint for ejectment in the MeTC following the respondent's failure to comply with the demands to pay and vacate.

The respondent resisted the complaint,^[12] arguing that the contract of lease dated January 31, 1997 had been simulated or, in the alternative, had been repealed, negated, extinguished and/or novated by the reservation agreement; that the petitioner had failed to observe its undertaking to allow the respondent to collect rentals from the other lessees of the subject property; that the petitioner had unjustifiably refused to renegotiate or to amend the reservation agreement; and that the petitioner had violated the rule on non-forum shopping considering the pendency of another case between the parties in Branch 57 of the RTC in Makati City.^[13]

Decision of the MeTC

On January 12, 2000, the MeTC, ruling in favor of the petitioner, found that the respondent's lawful possession of the property had been by virtue of the contract of lease, but had become unlawful when the respondent had failed to comply with its obligation to pay the monthly rentals for the subject property; and that, in any event, the reservation agreement proved that the petitioner had held the better right to possess the subject property as the owner thereof. The MeTC disposed:

WHEREFORE, judgment is rendered ordering defendant Ley Construction and Development Corporation and all persons claiming rights under it to vacate and surrender the possession of the Property to the plaintiff; to pay the sum of P32,456,953.06 representing unpaid rentals and other charges as of June 23, 1999; the further amount of P443,741.38 starting July, 1999, and the same amount every month thereafter as reasonable compensation for the continued and illegal use and occupancy of the Property, until finally restituted to the plaintiff; the sum of P100,000.00 for as (sic) attorney's fees plus cost of suit.^[14]

The respondent appealed to the RTC.

In the meantime, on November 6, 2001, the respondent turned over the possession of the leased premises to the petitioner.

Judgment of the RTC

On June 10, 2002, the RTC rendered its judgment nullifying the MeTC's decision on the ground of lack of jurisdiction, holding that the appropriate action was either *accion publiciana* or *accion reivindicatoria* over which the MeTC had no jurisdiction. It found that the basis of recovery of possession by the petitioner was the respondent's failure to pay the amortizations arising from the violations of the reservation agreement; that the complaint did not specifically aver facts constitutive of unlawful detainer, *i.e.*, it did not show how entry had been effected and how the dispossession had started; and that the requirement of formal demand had not been complied with by the petitioner.

Decision of the CA

The petitioner appealed to the CA.

By its decision promulgated on October 9, 2003, the CA affirmed the judgment of the RTC,^[15] declaring that the respondent's possession was not by virtue of the contract of lease but pursuant to the reservation agreement, which was more of a "contract of sale."^[16] It concluded that the petitioner's action was not unlawful detainer, but another kind of action for the recovery of possession.^[17]

Not in agreement with the decision of the CA, the petitioner filed the present petition.

Issue

The decisive question is whether the complaint was for unlawful detainer, or *accion publiciana*, or *accion reivindicatoria*.

The petitioner submits that the MeTC had jurisdiction because its complaint made out a clear case of unlawful detainer, emphasizing that the basis of the complaint was the failure of the respondent to pay the stipulated monthly rentals under the revived contract of lease; that even if the cause of action was upon the nonpayment of the purchase price under the reservation agreement, the MeTC still had jurisdiction over the action because an unlawful detainer case could also arise from a vendor-vendee relationship; and that, accordingly, the nonpayment of rentals or of the purchase price sufficiently established its better right to possess the subject property.

In contrast, the respondent maintains that it had not violated any existing contract of lease with the petitioner because the contract of lease dated January 31, 1997 was based on the agreement between the respondent and Century Properties; that it had entered into the possession of the subject property as the buyer-owner pursuant to the reservation agreement; and that the recovery of possession should have been by *accion publiciana* or *accion reivindicatoria*, not unlawful detainer.

Ruling

The appeal has merit.

1.

Kinds of Possessory Actions

There are three kinds of real actions affecting title to or possession of real property, or interest therein, namely: *accion de reivindicacion*, *accion publiciana* and *accion interdictal*. The first seeks the recovery of ownership as well as possession of realty.

[18] The second proposes to recover the right to possess and is a plenary action in an ordinary civil proceeding. [19] The third refers to the recovery of physical or actual possession only (through a special civil action either for forcible entry or unlawful detainer).

If the dispossession is not alleged to take place by any of the means provided by Section 1, [20] Rule 70, *Rules of Court*, or, if the dispossession allegedly took place by any of such means but the action is not brought within one year from deprivation of possession, the action is properly a plenary action of *accion publiciana* or *accion de reivindicacion*. The explanation is simply that the disturbance of the peace and quiet of the local community due to the dispossession did not materialize; hence, the possessor thus deprived has no need for the summary proceeding of *accion interdictal* under Rule 70.

The Municipal Trial Court (MTC) has exclusive original jurisdiction over *accion interdictal*. Until April 15, 1994, the MTC had no original jurisdiction over the other possessory actions. By such date, its jurisdiction was expanded to vest it with exclusive original jurisdiction over the other possessory actions of *accion publiciana* and *accion de reivindicacion* where the assessed value of the realty involved did not exceed P20,000.00, or, if the realty involved was in Metro Manila, such value did not exceed P50,000.00. The expansion of jurisdiction was by virtue of the amendment by Section 1 of Republic Act No. 7691 [21] to make Section 19 of *Batas Pambansa Blg. 129* pertinently provide thusly:

Section 19. *Jurisdiction in civil cases.* — Regional Trial Courts shall exercise exclusive original jurisdiction:

x x x x

(2) In all civil actions which involve the title to, or possession of, real property, or any interest therein, where the assessed value of the property involved exceeds Twenty thousand pesos (P20,000.00) or, for civil actions in Metro Manila, where such value exceeds Fifty thousand pesos (P50,000.00) except actions for forcible entry into and unlawful detainer of lands or buildings, original jurisdiction over which is conferred upon the Metropolitan Trial Courts, Municipal Trial Courts, and Municipal Circuit Trial Courts;

x x x x

Section 3 of Republic Act No. 7691 similarly revised Section 33 of *Batas Pambansa Blg. 129* (the provision defining the exclusive original jurisdiction of the MTC over civil actions) to make the latter provision state, pertinently, thus: