

SECOND DIVISION

[G.R. No. 174376, September 12, 2012]

**ZOSIMA INCORPORATED, PETITIONER, VS. LILIA SALIMBAGAT
AND ALL PERSONS CLAIMING RIGHTS UNDER HER,
RESPONDENTS.**

D E C I S I O N

BRION, J.:

Before us is the petition for review on *certiorari*,^[1] filed by Zosima Incorporated (*Zosima*) under Rule 45 of the Rules of Court, assailing the decision^[2] dated June 26, 2006 of the Court of Appeals (CA) in CA-G.R. SP No. 92475. The CA reversed and set aside the decision^[3] dated October 5, 2005 of the Regional Trial Court (RTC), Branch 20, Manila. The RTC affirmed the decision^[4] dated May 4, 2005 of the Metropolitan Trial Court premises and to pay Zosima rental arrearages, attorney's fees and costs of suit.

The Antecedent Facts

Zosima, a domestic corporation, has been the registered owner of an office building situated at 2414 Legarda Street, Sampaloc, Manila. Sometime in April 1993, Zosima entered into a contract with Salimbagat for the lease of the office building. The lease was on a yearly basis with the initial monthly rate of P8,000.00 that is subject to an annual increase. In 1999, the monthly rental fee reached P14,621.00. In March 2000, no monthly fee was paid because the contract of lease was allegedly not renewed.

On June 20, 2003, Zosima, through counsel, sent a formal letter of demand to Salimbagat, requiring her to pay her arrears within fifteen (15) days from receipt of the demand letter and to vacate the property. Despite the receipt of the demand letter, Salimbagat refused to vacate the property and to pay her alleged rental obligations.

On November 5, 2003, Zosima filed a case for unlawful detainer against Salimbagat. Zosima alleged that from April 2000 to October 2003, Salimbagat had accumulated arrears in her rental payments amounting to P628,703.00.

On March 26, 2004, Salimbagat filed her answer alleging that she was not occupying the property of Zosima. Salimbagat alleged that although she was occupying a property using the same address denominated as "2414 Legarda Street, Sampaloc, Manila," it was not the same office building that Zosima owned, but a warehouse on a dried *estero* located at the back of the office building. Salimbagat argued that the office building which belonged to Zosima was demolished to pave the way for the construction of the Light Rail Transit (LRT) Line II Project. She further alleged that she bought the warehouse for P300,000.00 as evidenced by a Deed of Conditional

Sale, and she had declared the property for taxation purposes.

On July 6, 2004, after the submission of the parties' position papers, the MeTC set the case for clarificatory hearing. It sought to resolve the following factual issues:

1. Whether the office building subject of the expired contract of lease is still existing vis-à-vis Salimbagat's claim that it had already been demolished;
2. Presuming it still exists, whether Salimbagat is presently occupying the office building; and,
3. Whether the warehouse/factory erected on a dried *estero* that Salimbagat now claims to occupy is part and parcel of the land registered in the name of Zosima under Transfer Certificate of Title No. 262637.

Zosima filed a motion to reset the clarificatory hearing, prompting Salimbagat's counsel to submit the case for decision solely on the basis of the position papers that the parties had submitted.

On May 4, 2005, the MeTC rendered a decision whose dispositive portion reads:

WHEREFORE, judgment is hereby rendered ordering defendant Lilia Salimbagat and all other persons claiming rights under her:

- 1) To vacate the office building subject of the expired Contract of Lease located at No. 2414 Legarda Street, Sampaloc, Manila covered by Transfer Certificate of Title No. 262637 and peacefully surrender possession thereof to the plaintiff;
- 2) To pay plaintiff rental arrearages in the amount of P14,621.00 per month counted from April 2000 until the time the office building was fully vacated by said defendant;
- 3) To pay attorney's fees fixed in the reasonable amount of P7,000.00; and
- 4) To pay the costs of suit.^[5]

Salimbagat appealed the MeTC decision to the RTC. In its decision dated October 5, 2005, the RTC fully affirmed the MeTC decision.

Salimbagat elevated the case to the CA which reversed the RTC's decision on June 26, 2006, and dismissed the case for unlawful detainer.

The CA did not dispute the findings of both lower courts on the existence of a contractual relationship between the parties, nor that the lease had been annually renewed from April 1993 to March 1997. The CA also agreed that upon the termination of the lease contract in March 1997, an implied new lease or *tacita reconduccion* was created by operation of law between the parties,^[6] and that from

March 1997 to March 2000, Salimbagat continued to pay Zosima the monthly rentals. Notwithstanding this finding, the CA was not convinced that Salimbagat had unlawfully possessed the property from April 2000 to June 2003. According to the CA, the records do not support this conclusion and Zosima failed to introduce any evidence to prove its allegations.^[7]

Zosima moved for reconsideration of the CA decision but the CA denied the motion in a resolution^[8] dated August 25, 2006.

The Petition

Zosima now questions the CA's ruling before us. Zosima posits that the CA erred in ruling on factual matters that were not part of the proceedings in the lower courts. Zosima also insists that the subject matter of the unlawful detainer complaint is the office building owned by Zosima, not the warehouse on the dried *estero*.

For her part, Salimbagat argues that the appellate court may review factual matters on appeal, to determine whether these factual findings are just and equitable in accordance with the aim of justice. Salimbagat further argues that Zosima has no cause of action to file the complaint for unlawful detainer, since the office building she had lease had already been demolished and she presently occupies a warehouse that does not belong to Zosima.

The Court's Ruling

We deny the petition for lack of merit.

The complaint for unlawful detainer

The present petition is an action for unlawful detainer governed by Section 1, Rule 70 of the Rules of Court.^[9] As the principal issue in an unlawful detainer case is the right to possess a real property, the subject matter must refer to a particular property. In an unlawful detainer, the defendant's possession of the plaintiff's property is based on the plaintiff's permission expressed through an express or implied contract between them. The defendant's possession becomes illegal only when the plaintiff demands the return of the property, either because of the expiration of the right to possess it or the termination of their contract, and the defendant refuses to heed the demand.^[10]

Zosima's complaint for unlawful detainer referred to the office building located at "2414 Legarda Street, Sampaloc, Manila;" hence, we confine our ruling to the question of whether Salimbagat should be held liable for unlawfully occupying the office building that was the subject of their lease agreement.

It is not disputed that Salimbagat had been in possession of the leased property from April 1993 to March 1997 and had been diligently paying the monthly rentals. There is also no issue that at the time the lease contract expired in March 1997, no new contract of lease was executed between the parties for the period of March 1997 to March 2000. Salimbagat, however, continued to pay Zosima the monthly rentals during that period. Beginning April 2000, Salimbagat stopped the payment of