

FIRST DIVISION

[G.R. No. 152303, September 01, 2010]

**UNIVERSITY PHYSICIANS' SERVICES, INCORPORATED,
PETITIONER, VS. MARIAN CLINICS, INC. AND DR. LOURDES
MABANTA, RESPONDENTS.**

D E C I S I O N

LEONARDO-DE CASTRO, J.:

What happens when personal properties inside leased premises are stipulated as included in the contract of lease? Does a judgment on a suit for unlawful detainer ejecting the lessees from the subject property carry with it the return of these personal properties as well? Finally, the trickier part which is the crux of this petition: what if some of these personal properties are lost, destroyed or sold by the lessor? May the ejected lessees still be ordered to pay for their value?

This is a Petition for Review under Rule 45^[1] of the Rules of Court assailing the October 18, 2001 Decision^[2] of the Court of Appeals in CA-G.R. CV No. 34971, which in turn affirmed the Order^[3] in Execution dated November 5, 1990 of the Regional Trial Court (RTC) of Manila.

The factual and procedural antecedents of this case are as follows:

On May 31, 1973, Marian Clinics, Inc. (MCI) and University Physicians' Services, Incorporated (UPSI) entered into a Lease Agreement whereby the former leased to the latter the Marian General Hospital (MGH) and four schools for a period of ten (10) years, from June 1, 1973 to May 31, 1983. The land, buildings, facilities, fixtures and equipment appurtenant thereto, including the Soledad Building, were included in the lease, for which a monthly rental of P70,000 was agreed upon.

On October 7, 1975, UPSI filed a complaint for specific performance against MCI, alleging that (1) MCI failed to deliver Certificates of Occupancy on certain buildings, and (2) there were some defective electrical installations that caused the issuance of a Condemned Installation Notice by the Office of the City Electrician of the City of Manila. UPSI prayed for the delivery of the Certificates of Occupancy of the buildings leased, for the correction of the defects in the electrical installations thereon, and damages. The complaint was docketed as Civil Case No. 99934 in the Court of First Instance^[4] (CFI) of Manila, Branch 34.

On October 30, 1975, UPSI sent a letter to MCI, informing it of the filing of the complaint and the suspension of payment of the monthly rentals until the resolution of the case. On November 7, 1975, MCI sent a demand letter to UPSI for the payment of the rent.^[5]

On December 18, 1975, MCI and Dr. Lourdes F. Mabanta (Dr. Mabanta) filed a Complaint for Unlawful Detainer against UPSI with the then City Court of Manila (now the Metropolitan Trial Court of Manila [MeTC]). The Complaint^[6] was docketed as Civil Case No. 006665-CV.

In the meantime, UPSI filed with the CFI a Motion availing of its right to suspend payment of rentals under Article 1658^[7] of the Civil Code. In an Order dated January 29, 1976, the CFI ordered that all payments shall be made to said court pending the resolution of the case.

On August 10, 1980, the City Court rendered its Decision in Civil Case No. 006665-CV, dismissing the unlawful detainer case on the finding that (1) UPSI's suspension of rental payments was justified; and (2) there was no ground to cause the rescission of the lease and warrant the ejectment of UPSI. MCI and Dr. Mabanta appealed to the RTC of Manila, where the case was raffled to Branch 35 and was docketed as Civil Case No. 135396.

During the pendency of these cases, on September 1, 1980, MCI ceded to the Development Bank of the Philippines (DBP) some of the leased buildings, including certain facilities, furniture, fixtures and equipment found therein, in full settlement of MCI's debt to DBP. The Deed of Cession of Properties in Payment of Debt (*Dacion en Pago*) contained an annex (Annex A) which listed the properties ceded to DBP.^[8] Upon the execution of the *dacion en pago*, UPSI paid P60,000 of the monthly rental to DBP as the new owner of the properties subject of the *dacion en pago*.

On April 21, 1983, the RTC of Manila affirmed the City Court Decision dismissing MCI's unlawful detainer case. This case was appealed to the Intermediate Appellate Court^[9] (IAC), where it was docketed as CA-G.R. SP No. 00994.

On February 24, 1984, while the RTC Decision in the unlawful detainer case was under review with the IAC, UPSI bought from DBP the leased properties ceded to the latter by MCI under the *dacion en pago*.^[10]

On February 28, 1985, the IAC rendered its Decision^[11] reversing the rulings of the lower courts. According to the IAC, the absence of the certificates of occupancy for two of the leased buildings, being a matter between the owner of the building and the city government, did not impair the peaceful and adequate enjoyment by UPSI of the premises.^[12] The IAC further held that the alleged defective electrical installations on the premises leased is no justification for the refusal to pay rentals, as, under Article 1663 of the Civil Code, the lessee may have said installations properly reinstalled at the expense of the lessor.^[13] The dispositive portion of the IAC Decision reads:

Upon all the foregoing considerations, the decision of respondent court, under review, is hereby REVERSED. [UPSI] is hereby ordered to pay to [MCI and Dr. Mabanta] the agreed rental of Php70,000.00 a month from November 1975 to May 31, 1983, deducting therefrom the amount already withdrawn by [MCI and Dr. Mabanta] from the rentals deposited with respondent court in Civil Case No. 99934; crediting to [UPSI] the

amount of Php60,000.00 monthly from September 24, 1980 to May 31, 1983, said amount having been paid the DBP for the properties ceded by [MCI and Dr. Mabanta] in the "dacion en pago"; and to pay interests on the amounts still due, at the legal rate, from the time that said amounts became due until they are fully paid.

[UPSI's] motion for reconsideration of the resolution of the Court dated October 1, 1984 is hereby GRANTED and the issue of compensation for the continued occupancy of the remaining leased premises as well as the renewal of the lease and the return of the hospital equipment, fixtures, and supplies prayed for, are hereby left to the decision in Civil Case No. 83-21275 in the Regional Trial Court in Manila. Costs against [UPSI].^[14]

Both MCI and UPSI filed Motions for Reconsideration of the above Decision. MCI assailed the IAC's failure to include in its order the ejectment of UPSI from the premises and the return of the same. UPSI, however, insists that there was no violation of the lease agreement, raising the same arguments it presented before the February 28, 1985 Decision.

On July 18, 1985, the IAC issued a Resolution^[15] granting MCI's Motion for Reconsideration and denying that of UPSI. Noting the finding that UPSI violated the lease agreement by failing to pay the stipulated rentals, the IAC ruled that MCI may now require UPSI to vacate the leased premises. As regards UPSI's Motion, the IAC held that the issues concerning the alleged defective electrical installations and failure to deliver certificates of occupancy had already been sufficiently passed upon. The IAC thus amended the dispositive portion of the February 28, 1985 Decision to read as follows:

Upon all the foregoing considerations, the decision of respondent court, under review, is hereby REVERSED. [UPSI] is hereby ordered to pay to the [MCI and Dr. Mabanta] the agreed rentals of P70,000.00 a month from November 1975 to May 31, 1983, deducting therefrom the amount already withdrawn by [MCI and Dr. Mabanta] from the rentals deposited with respondent court in Civil Case No. 99934; crediting to [UPSI] the amount of P60,000.00 monthly from September 24, 1980 to May 31, 1983, said amount having been paid the DBP for the properties ceded by [MCI and Dr. Mabanta] in the "dacion en pago"; and to pay interests on the amounts still due, at the legal rate, from the time that said amounts became due until they are fully paid, and [UPSI] or anyone occupying the premises under it, is hereby ordered to vacate the leased properties including the fixtures, supplies and equipment, listed in Exhibit A (other than the property ceded to the Development Bank of the Philippines in the "dacion en pago"), more particularly, what is now occupied by Juanchito's Restaurant and the passageway of the premises still owned by [MCI and Dr. Mabanta].

[UPSI's] motion for reconsideration of the resolution of this court dated October 1, 1984 is hereby granted, and said resolution is hereby set aside.^[16]

The aforementioned Resolution was appealed to this Court, where the petition was docketed as G.R. No. 71579. This Court dismissed the same. Thus, the IAC judgment attained finality.

During execution, the RTC of Manila, Branch 33, acting on MCI's "Motion for the Delivery of Leased Facilities/Equipment/Supplies and/or the Payment of their Value if Defendant cannot Deliver Them," issued an Order dated November 5, 1990, the dispositive portion of which reads:

Accordingly, Defendant University Physician Services, Inc. is hereby directed to replace the equipment, facilities, supplies, etc. as reflected in the inventories. Annexes "A" to "A-8" and "B" to "B-8". If the same could not be substituted or replaced within the period of thirty days from receipt of this order, said defendant has to pay the value in the amount of P450,932.50 and P387,212.05 indicated in the aforesaid annexes. Defendant is likewise directed to return and deliver the leased facilities, equipments, supplies, etc., listed in the Summary of Inventory with Annex "A" or pay the plaintiff their value in the amount of P5,534,818.50 within the period of two months from receipt of this order.^[17]

On November 29, 1990, UPSI appealed the above Order to the Court of Appeals, claiming that said Order varies the term of the IAC judgment, arguing that said judgment did not order the replacement of the leased properties lost or deteriorated and/or to pay their value if replacement cannot be made. UPSI further claims that the Court erred in giving MCI the discretion to determine the circumstances when replacement or payment of value shall be made. The appeal was docketed as CA-G.R. CV No. 34971.

On October 18, 2001, the Court of Appeals rendered the assailed Decision affirming the November 5, 1990 RTC Order. Thus, this Petition, in which UPSI submits the following issues for the resolution of this Court:

A. WHETHER OR NOT THE ORDER IN EXECUTION DATED NOVEMBER 5, 1990 OF THE REGIONAL TRIAL COURT, BR. 33, NCJR, MANILA IS NULL AND VOID FOR IT TOTALLY CHANGED THE FINAL JUDGMENT SOUGHT TO BE EXECUTED;

B. WHETHER OR NOT THE REGIONAL TRIAL COURT, BR. 33, NCJR, MANILA, HAS JURISDICTION IN ISSUING THE ORDER IN EXECUTION DATED NOVEMBER 5, 1990;

C. WHETHER OR NOT THE ORDER IN EXECUTION DATED NOVEMBER 5, 1990 OF THE REGIONAL TRIAL COURT CHANGED THE ORIGINAL CAUSE OF ACTION OF PRIVATE RESPONDENT FROM UNLAWFUL DETAINER TO RECOVERY OF PERSONAL PROPERTIES AND/OR REPLEVIN THUS VIOLATING PETITIONER'S RIGHT TO DUE PROCESS;

D. WHETHER OR NOT ARTICLE 1667 OF THE NEW CIVIL CODE IS

SQUARELY APPLICABLE TO THE CASE AT BENCH; AND

E. WHETHER OR NOT THE OBLIGATION OF THE PETITIONER UNDER THE ORDER IN EXECUTION DATED NOVEMBER 5, 1990 FOR THE REPLACEMENT/RETURN AND/OR PAYMENT OF SUBJECT FIXTURES HAS BEEN RENDERED MOOT AND ACADEMIC FOR IT WAS EXTINGUISHED FIRST BY "DACION EN PAGO" DATED SEPTEMBER 1, 1980 EXECUTED BY PRIVATE RESPONDENT WITH THE DBP AND SECOND BY THE DEED OF CONDITIONAL SALE EXECUTED BY THE DBP IN FAVOR OF PETITIONER UPSI AND THIRD BY WAY OF PAYMENT IN FULL SATISFACTION OF THE JUDGMENT CREDIT IN CIVIL CASE NO. 52978.^[18]

UPSI explains that the judgment sought to be executed enjoined it to do only the following:

1. to pay the back rentals with interest less the rentals consigned in court and the subject of the *dacion en pago*; and
2. to vacate the Juanchito's Restaurant and passageway as well as the fixtures appurtenant to the subject leased premises, excluding those ceded in the *dacion en pago*.

UPSI points out that the Order in Execution dated November 5, 1990 of the RTC affirmed by the Court of Appeals varied the judgment sought to be executed as it instead mandated the following:

1. to replace and/or pay the value of the equipment, facilities, supplies, etc., as reflected in Annexes "A" to "A-8" and "B" to "B-8"; and
2. to return and deliver and/or pay the value of the leased facilities, equipment, supplies, etc., listed in the Summary of Inventory with Annex "A."

The Court of Appeals ruled that the judgment sought to be executed reveals the intent of the court to have all of the leased properties returned upon the execution of the judgment. Indeed, the original Writ of Execution issued on April 10, 1987 included these personal properties. As some of the leased properties were not returned, causing only a partial execution of the judgment, the November 5, 1990 Order was necessitated. Said Order, according to the appellate court, did not vary the terms of the judgment but merely implemented the IAC's Decision. The Court of Appeals added that a contrary ruling would result in unjust enrichment on the part of UPSI.^[19]

UPSI counters that the remedy of MCI is to file an action for recovery of personal properties or collection of the value thereof, as these actions have totally different and distinct cause of actions from that of ejectment.^[20] UPSI points out that the only issue to be resolved in an unlawful detainer case is possession *de facto*, i.e., who between the party litigants has a better right of possession, and therefore an order to replace or pay the value of a leased property has no place in such action.