

## THIRD DIVISION

[ G.R. No. 176405, August 20, 2008 ]

**LEO WEE, PETITIONER, VS. GEORGE DE CASTRO (ON HIS BEHALF AND AS ATTORNEY-IN-FACT OF ANNIE DE CASTRO AND FELOMINA UBAN) AND MARTINIANA DE CASTRO, RESPONDENTS.**

### D E C I S I O N

**CHICO-NAZARIO, J.:**

Before this Court is a Petition for Review on *Certiorari*<sup>[1]</sup> under Rule 45 of the Revised Rules of Court filed by petitioner Leo Wee, seeking the reversal and setting aside of the Decision<sup>[2]</sup> dated 19 September 2006 and the Resolution<sup>[3]</sup> dated 25 January 2007 of the Court of Appeals in CA-G.R. SP No. 90906. The appellate court, in its assailed Decision, reversed the dismissal of Civil Case. No. 1990, an action for ejectment instituted by respondent George de Castro, on his own behalf and on behalf of Annie de Castro, Felomina de Castro Uban and Jesus de Castro<sup>[4]</sup> against petitioner, by the Municipal Trial Court (MTC) of Alaminos City, which was affirmed by the Regional Trial Court (RTC), Branch 54, Alaminos City, Pangasinan; and, ruling in favor of the respondents, ordered the petitioner to vacate the subject property. In its assailed Resolution dated 25 January 2007, the Court of Appeals refused to reconsider its earlier Decision of 19 September 2006.

In their Complaint<sup>[5]</sup> filed on 1 July 2002 with the MTC of Alaminos City, docketed as Civil Case No. 1990, respondents alleged that they are the registered owners of the subject property, a two-storey building erected on a parcel of land registered under Transfer Certificate of Title (TCT) No. 16193 in the Registry of Deeds of Pangasinan, described and bounded as follows:

A parcel of land (Lot 13033-D-2, Psd-01550-022319, being a portion of Lot 13033-D, Psd-018529, LRC Rec. No.\_\_\_\_) situated in Pob., Alaminos City; bounded on the NW. along line 1-2 by Lot 13035-D-1 of the subdivision plan; on the NE. along line 2-3 by Vericiano St.; on the SE. along line 3-4 by Lot 13033-D-2 of the subdivision plan; on the SW. along line 4-1 by Lot 575, Numeriano Rabago. It is covered by TCT No. 16193 of the Register of Deeds of Pangasinan (Alaminos City) and declared for taxation purposes per T.D. No. 2075, and assessed in the sum of P93,400.00.<sup>[6]</sup>

Respondents rented out the subject property to petitioner on a month to month basis for P9,000.00 per month.<sup>[7]</sup> Both parties agreed that effective 1 October 2001, the rental payment shall be increased from P9,000.00 to P15,000.00. Petitioner, however, failed or refused to pay the corresponding increase on rent when his rental obligation for the month of 1 October 2001 became due. The rental dispute was brought to the *Lupon Tagapagpamayapa* of Poblacion, Alaminos, Pangasinan, in an

attempt to amicably settle the matter but the parties failed to reach an agreement, resulting in the issuance by the *Barangay Lupon* of a Certification to file action in court on 18 January 2002. On 10 June 2002, respondent George de Castro sent a letter to petitioner terminating their lease agreement and demanding that the latter vacate and turn over the subject property to respondents. Since petitioner stubbornly refused to comply with said demand letter, respondent George de Castro, together with his siblings and co-respondents, Annie de Castro, Felomina de Castro Uban and Jesus de Castro, filed the Complaint for ejectment before the MTC.

It must be noted, at this point, that although the Complaint stated that it was being filed by all of the respondents, the Verification and the Certificate of Non-Forum Shopping were signed by respondent George de Castro alone. He would subsequently attach to his position paper filed before the MTC on 28 October 2002 the Special Powers of Attorney (SPAs) executed by his sisters Annie de Castro and Felomina de Castro Uban dated 7 February 2002 and 14 March 2002 respectively, authorizing him to institute the ejectment case against petitioner.

Petitioner, on the other hand, countered that there was no agreement between the parties to increase the monthly rentals and respondents' demand for an increase was exorbitant. The agreed monthly rental was only for the amount of P9,000.00 and he was religiously paying the same every month. Petitioner then argued that respondents failed to comply with the jurisdictional requirement of conciliation before the *Barangay Lupon* prior to the filing of Civil Case No. 1990, meriting the dismissal of their Complaint therein. The Certification to file action issued by the *Barangay Lupon* appended to the respondents' Complaint merely referred to the issue of rental increase and not the matter of ejectment. Petitioner asserted further that the MTC lacked jurisdiction over the ejectment suit, since respondents' Complaint was devoid of any allegation that there was an "unlawful withholding" of the subject property by the petitioner.<sup>[8]</sup>

During the Pre-Trial Conference<sup>[9]</sup> held before the MTC, the parties stipulated that in May 2002, petitioner tendered to respondents the sum of P9,000.00 as rental payment for the month of January 2002; petitioner paid rentals for the months of October 2001 to January 2002 but only in the amount of P9,000.00 per month; respondents, thru counsel, sent a letter to petitioner on 10 June 2002 terminating their lease agreement which petitioner ignored; and the *Barangay Lupon* did issue a Certification to file action after the parties failed to reach an agreement before it.

After the submission of the parties of their respective Position Papers, the MTC, on 21 November 2002, rendered a Decision<sup>[10]</sup> dismissing respondents' Complaint in Civil Case No. 1990 for failure to comply with the prior conciliation requirement before the *Barangay Lupon*. The decretal portion of the MTC Decision reads:

WHEREFORE, premised considered, judgment is hereby rendered ordering the dismissal of this case. Costs against the [herein respondents].

On appeal, docketed as Civil Case No. A-2835, the RTC of Alaminos, Pangasinan, Branch 54, promulgated its Decision<sup>[11]</sup> dated 27 June 2005 affirming the dismissal of respondents' Complaint for ejectment after finding that the appealed MTC Decision was based on facts and law on the matter. The RTC declared that since the original agreement entered into by the parties was for petitioner to pay only the

sum of P9,000.00 per month for the rent of the subject property, and no concession was reached by the parties to increase such amount to P15,000.00, petitioner cannot be faulted for paying only the originally agreed upon monthly rentals. Adopting petitioner's position, the RTC declared that respondents' failure to refer the matter to the *Barangay* court for conciliation process barred the ejectment case, conciliation before the *Lupon* being a condition *sine qua non* in the filing of ejectment suits. The RTC likewise agreed with petitioner in ruling that the allegation in the Complaint was flawed, since respondents failed to allege that there was an "unlawful withholding" of possession of the subject property, taking out Civil Case No. 1990 from the purview of an action for unlawful detainer. Finally, the RTC decreed that respondents' Complaint failed to comply with the rule that a co-owner could not maintain an action without joining all the other co-owners. Thus, according to the dispositive portion of the RTC Decision:

WHEREFORE the appellate Court finds no cogent reason to disturb the findings of the court *a quo*. The Decision dated November 21, 2002 appealed from is hereby AFFIRMED IN TOTO.<sup>[12]</sup>

Undaunted, respondents filed a Petition for Review on *Certiorari*<sup>[13]</sup> with the Court of Appeals where it was docketed as CA-G.R. SP No. 90906. Respondents argued in their Petition that the RTC gravely erred in ruling that their failure to comply with the conciliation process was fatal to their Complaint, since it is only respondent George de Castro who resides in Alaminos City, Pangasinan, while respondent Annie de Castro resides in Pennsylvania, United States of America (USA); respondent Felomina de Castro Uban, in California, USA; and respondent Jesus de Castro, now substituted by his wife, Martiniana, resides in Manila. Respondents further claimed that the RTC was not divested of jurisdiction over their Complaint for ejectment because of the mere absence therein of the term "unlawful withholding" of their subject property, considering that they had sufficiently alleged the same in their Complaint, albeit worded differently. Finally, respondents posited that the fact that only respondent George de Castro signed the Verification and the Certificate of Non-Forum Shopping attached to the Complaint was irrelevant since the other respondents already executed Special Powers of Attorney (SPAs) authorizing him to act as their attorney-in-fact in the institution of the ejectment suit against the petitioner.

On 19 September 2006, the Court of Appeals rendered a Decision granting the respondents' Petition and ordering petitioner to vacate the subject property and turn over the same to respondents. The Court of Appeals decreed:

WHEREFORE, premises considered, the instant petition is GRANTED. The assailed Decision dated June 27, 2005 issued by the RTC of Alaminos City, Pangasinan, Branch 54, is REVERSED and SET ASIDE. A new one is hereby rendered ordering [herein petitioner] Leo Wee to SURRENDER and VACATE the leased premises in question as well as to pay the sum of P15,000.00 per month reckoned from March, 2002 until he shall have actually turned over the possession thereof to petitioners plus the rental arrearages of P30,000.00 representing unpaid increase in rent for the period from October, 2001 to February, 2002, with legal interest at 6% per annum to be computed from June 7, 2002 until finality of this decision and 12% thereafter until full payment thereof. Respondent is

likewise hereby ordered to pay petitioners the amount of P20,000.00 as and for attorney's fees and the costs of suit.<sup>[14]</sup>

In a Resolution dated 25 January 2007, the appellate court denied the Motion for Reconsideration interposed by petitioner for lack of merit.

Petitioner is now before this Court *via* the Petition at bar, making the following assignment of errors:

I.

THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN DECLARING THAT CONCILIATION PROCESS IS NOT A JURISDICTIONAL REQUIREMENT THAT NON-COMPLIANCE THEREWITH DOES NOT AFFECT THE JURISDICTION IN EJECTMENT CASE;

II.

THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN UPHOLDING THE SUFFICIENCY OF THE ALLEGATIONS IN THE COMPLAINT FOR EJECTMENT DESPITE THE WANT OF ALLEGATION OF "UNLAWFUL WITHOLDING PREMISES" (sic) QUESTIONED BY PETITIONER;

III.

THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN RULING THAT THE FILING OF THE COMPLAINT OF RESPONDENT GEORGE DE CASTRO WITHOUT JOINING ALL HIS OTHER CO-OWNERS OVER THE SUBJECT PROPERTY IS PROPER;

IV.

THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN NOT APPLYING SUPREME COURT CIRCULAR NO. 10 WHICH DIRECTS A PLEADER TO INDICATE IN HIS PLEADINGS HIS OFFICIAL RECEIPT OF HIS PAYMENT OF HIS IBP DUES.<sup>[15]</sup>

Petitioner avers that respondents failed to go through the conciliation process before the *Barangay Lupon*, a jurisdictional defect that bars the legal action for ejectment. The Certification to file action dated 18 January 2002 issued by the *Barangay Lupon*, appended by the respondents to their Complaint in Civil Case No. 1990, is of no moment, for it attested only that there was confrontation between the parties on the matter of rental increase but not on unlawful detainer of the subject property by the petitioner. If it was the intention of the respondents from the very beginning to eject petitioner from the subject property, they should have brought up the alleged unlawful stay of the petitioner on the subject property for conciliation before the *Barangay Lupon*.

The *barangay* justice system was established primarily as a means of easing up the congestion of cases in the judicial courts. This could be accomplished through a proceeding before the *barangay* courts which, according to the one who conceived of the system, the late Chief Justice Fred Ruiz Castro, is essentially arbitration in

character; and to make it truly effective, it should also be compulsory. With this primary objective of the *barangay* justice system in mind, it would be wholly in keeping with the underlying philosophy of Presidential Decree No. 1508 (*Katarungang Pambarangay Law*), which would be better served if an out-of-court settlement of the case is reached voluntarily by the parties.<sup>[16]</sup> To ensure this objective, Section 6 of Presidential Decree No. 1508 requires the parties to undergo a conciliation process before the *Lupon Chairman* or the *Pangkat ng Tagapagkasundo* as a precondition to filing a complaint in court subject to certain exceptions. The said section has been declared compulsory in nature.<sup>[17]</sup>

Presidential Decree No. 1508 is now incorporated in Republic Act No. 7160 (The Local Government Code), which took effect on 1 January 1992.

The pertinent provisions of the Local Government Code making conciliation a precondition to the filing of complaints in court are reproduced below:

SEC. 412. *Conciliation.*- (a) *Pre-condition to filing of complaint in court.* - No complaint, petition, action, or proceeding involving any matter within the authority of the lupon shall be filed or instituted directly in court or any other government office for adjudication, unless there has been a confrontation between the parties before the lupon chairman or the pangkat, and that no conciliation or settlement has been reached as certified by the lupon secretary or pangkat secretary as attested to by the lupon or pangkat chairman or unless the settlement has been repudiated by the parties thereto.

(b) *Where parties may go directly to court.* - The parties may go directly to court in the following instances:

(1) Where the accused is under detention;

(2) Where a person has otherwise been deprived of personal liberty calling for *habeas corpus* proceedings;

(3) Where actions are coupled with provisional remedies such as preliminary injunction, attachment, delivery of personal property, and support *pendente lite*; and

(4) Where the action may otherwise be barred by the statute of limitations.

(c) *Conciliation among members of indigenous cultural communities.* - The customs and traditions of indigenous cultural communities shall be applied in settling disputes between members of the cultural communities.

SEC. 408. *Subject Matter for Amicable Settlement; Exception Thereto.* - The lupon of each barangay shall have authority to bring together the parties actually residing in the same city or municipality for amicable settlement of all disputes except:

(a) Where one party is the government or any subdivision or