

THIRD DIVISION

[G.R. No. 174154, October 17, 2008]

**JESUS CUENCO, PETITIONER, VS. TALISAY TOURIST SPORTS
COMPLEX, INCORPORATED AND MATIAS B. AZNAR III,
RESPONDENTS.**

D E C I S I O N

NACHURA, J.:

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court assailing the Decision dated April 18, 2005 and the Resolution dated August 15, 2006 of the Court of Appeals (CA) in CA-G.R. CV No. 65773.

The Facts

The antecedent facts of the case are as follows:

On May 25, 1992, petitioner leased from respondents for a period of two (2) years, from May 8, 1992 to May 8, 1994, the Talisay Tourist Sports Complex, to be operated as a cockpit. The lease was extended for another four (4) years, or until May 8, 1998.

Under the Contract of Lease,^[1] it was stipulated that petitioner shall, like a good father of the family, maintain in good condition the furniture, chattels and all other equipment and shall, at all times, keep the leased premises clean and sanitary. For this purpose, petitioner would allow the respondent's building supervisor or his authorized representative to make a regular spot inspection of the leased premises to see to it that these stipulations are strictly implemented.^[2] Any damage caused to the furniture, chattels, equipment and parts of the leased premises shall be the responsibility of petitioner to repair and compensate.^[3] Furthermore, petitioner would give a deposit equivalent to six (6) months rental to answer for whatever damages may be caused to the premises during the period of the lease.^[4]

Upon expiration of the contract, respondent company conducted a public bidding for the lease of the property. Petitioner participated in the bidding. The lease was eventually awarded to another bidder, Mr. Rex Cuaqui Salud.^[5] Thereafter, petitioner wrote four (4) demand letters to respondents.

The first letter, dated June 8, 1998, reads:

Dear Mr. Aznar:

I was so disheartened that after going through with the supposed public bidding, haggling with the terms and conditions of a new lease agreement and after full compliance of ALL your requirements and the

handshakes signifying the clinching of the deal, the contract was awarded to another party. Though I believe I deserve a renewal, I had to accept your decision with a heavy heart.

It is now my desire to be released quickly from whatever liability or responsibility under our previous contract. Repair works on some damaged portions were already done. **Based on our contract, par. 5 thereof, it is my understanding that I am answerable to all damages caused to furnitures (sic), chattels and other equipments and minor parts of the leased premises. Once cleared, I want the return of my deposit of P500,000.00.**

Kindly send your inspector to determine by actual ocular inspection if the restoration work is to your satisfaction.

Very truly yours,

JESUS C. CUENCO [signed]^[6]

Obviously, the letter was not answered, because on June 17, 1998 petitioner found it necessary to write respondents a second letter reiterating his request for the return of the deposit. The second demand letter reads:

Dear Mr. Aznar:

It has been more than a week since my letter dated 8 June 1998 requesting the return of my deposit of P500,000.00. I would assume your representative had already conducted an ocular inspection and you were satisfied on the restoration works made on the premises. As I've stated in my said letter, I want to be released as soon as possible.

I need to know immediately if I still have other things to comply with as pre-condition for the release of the deposit. As far as I know, I have already done my part.

Very truly yours,

JESUS C. CUENCO [signed]^[7]

With still no response from respondents, petitioner, on August 14, 1998, sent a third demand letter which read:

Dear Mr. Aznar:

I am surprised by the unreasonable delay in the release of my deposit of P500,000.00 in spite of my full compliance as to repair works on minor damage to the premises during my term as lessee. **Twice I requested in writing for the immediate release of my deposit but until now it remains unheeded. And the so-called "inventory" which your lawyer Atty. Algozo^[8] promised to give has *not* been given. Frankly, I am doubtful of the accuracy of said inventory, if any, considering the full blast major renovation now being conducted**

on the complex by the new concessionaire. I think it's about time we close the last chapter of the book, in a manner of speaking, so we can proceed in our separate distinct ways.

I reiterate my request to please release right now my deposit of P500,000.00.

Very truly yours,

JESUS C. CUENCO [signed]^[9]

Finally, on August 18, 1998, petitioner, thru his counsel, wrote respondents a final demand letter as follows:

Dear Mr. Aznar:

For ignoring the two letters of my client Mr. Jesus C. Cuenco, dated June 8 and 17, 1998 regarding his request for the return of his deposit in the sum of P500, 000.00, he has decided to endorse the matter to this office for appropriate action.

It appears that when Mr. Cuenco leased the cockpit complex he was required to put up a deposit to answer for damages that may be caused to furnitures (sic), chattels and other equipments and minor repairs on the leased premises. **When the lease expired and he failed to get a renewal, Mr. Cuenco in fulfillment of his obligation under the contract caused the repair of minor damage to the premises after which your attention was invited to get your reaction to the restoration work. And since he did not receive any objection, it can be safely premised that the restoration was to the lessor's satisfaction.**

Mr. Cuenco informed me that the new concessionaire has undertaken a full blast major renovation of the complex. Under this condition and in the absence of an accurate inventory conducted in the presence of both parties, it would be doubly difficult, if not impossible, to charge Mr. Cuenco of any violation of his undertaking especially as to deficiency in the furnitures (sic), chattels and other equipments in the premises.

In view of all the foregoing, it is consequently demanded that you return to Mr. Cuenco the aforesaid sum of P500,000.00 within THREE (3) DAYS from notice hereof; otherwise, he may be constrained to seek judicial relief for the return of the deposit plus interest, damages and attorney's fees.

Your compliance is enjoined.

Very truly yours, At my instance:

FEDERICO C. CABILAO (signed) JESUS C. CUENCO (signed)

Counsel for Mr. Jesus C. Cuenco^[10]

As all of his demand letters remained unheeded, on October 21, 1998, petitioner filed a Complaint^[11] for sum of money, damages and attorney's fees. He maintained that respondents acted in bad faith in withholding the amount of the deposit without any justifiable reason.^[12]

In their Answer,^[13] respondents countered that petitioner caused physical damage to some portions of the leased premises and the cost of repair and replacement of materials amounted to more than P500,000.00.^[14] They also averred that respondent Matias B. Aznar III (Aznar) cannot be sued personally under the contract of lease since a corporation has a separate and distinct personality from its officers and stockholders, and there was no allegation that Aznar, who is the President of the corporation, signed the contract in his personal capacity.^[15]

On March 8, 1999, the RTC issued a Pre-trial Order,^[16] the pertinent portions of which reads:

The following facts were admitted by the [respondents]:

1. There is no inventory of damages up to this time;
2. [Petitioner] deposited the amount of P500,000.00;
3. [Petitioner] sends (sic) several letters of demand to [respondents] but said letters were not answered.
4. There was a renovation of the Talisay Tourist Sports Complex with a qualification that the renovation is only 10% of the whole amount.

The main issues in this case are as follows:

1. Whether or not [petitioner] is entitled to the return of the deposit of P500,000.00, with interest;
2. Whether or not some portions of the complex sustained physical damage during the operation of the same by the [petitioner].^[17]

On May 24, 1999, the RTC issued an Order^[18] admitting the exhibits of petitioner, consisting of the contract of lease dated May 4, 1994 and the four (4) demand letters.

On July 29, 1999, an Order^[19] was issued by the same court formally admitting the respondents' following exhibits: the lease contract, inventory of the leased property as of June 4, 1998, inventory of the sports complex dated June 24, 1995, ocular inspection report dated January 15, 1998 and various receipts mostly in the name of Southwestern University incurred in different months of 1998.

On August 11, 1999, the RTC rendered a Decision^[20] in favor of petitioner, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered in favor of [petitioner] and against the [respondents], directing the latter jointly and severally to

return to [petitioner] the sum of P500,000.00, representing the deposit mentioned in the Complaint, plus 3% interest per month from August 18, 1998 until full payment thereof.

The latter are, likewise, directed to pay [petitioner] the sum of P15,000.00 as and for litigation expenses.

With costs against the [respondents].

SO ORDERED.^[21]

The RTC ratiocinated that respondents' failure to reply to the letters of petitioner raises a presumption that petitioner has complied with his end of the contract. The lower court gave credence to the testimony of respondents' witness, Ateniso Coronado (Coronado), the property custodian of the respondents, that the sports complex was repaired and renovated by the new lessee. The court also considered the admission of respondents' counsel during the pre-trial that no inventory of the property was conducted on the leased premises. The RTC debunked the inventory presented by the respondents during trial as a mere afterthought to bolster their claim against petitioner.^[22]

Respondents appealed. On April 18, 2005, the CA rendered a Decision^[23] reversing and setting aside the decision of the RTC. The *fallo* of the CA decision reads:

WHEREFORE, with the foregoing, the Decision of the Regional Trial Court, Branch 13, Cebu City, dated August 11, 1999, is **REVERSED** and **SET ASIDE**, and a new one entered finding this case in favor of defendants-appellants Talisay Tourists Sports Complex and Matias Aznar III. Consequently, Civil Case No. CEB-22847 for sum of money, damages, and attorney's fees involving herein parties, as well as all other claims and counterclaims are hereby **DISMISSED** for lack of factual and legal basis.

No pronouncement as to costs.

SO ORDERED.^[24]

The CA ruled in favor of respondents on the basis of: (1) Coronado's testimony that petitioner continued to hold cockfights two months after the expiration of the lease contract which was not refuted by petitioner; (2) the summary of repairs made on the property showing that respondents spent the amount of P573,710.17 immediately prior to the expiration of the lease contract and shortly thereafter; and (3) the new lessor incurred expenses amounting to over P3 million when he shouldered the rest of the repair and renovation of the subject property.^[25]

Hence, the instant petition.

The Issues

Petitioner raised the following issues for resolution of the Court: (1) whether a judicial admission is conclusive and binding upon a party making the admission; and