

## SECOND DIVISION

[ G.R. No. 175554, December 23, 2008 ]

**EDSEL LIGA, PETITIONER, VS. ALLEGRO RESOURCES CORP.,  
RESPONDENT.**

### D E C I S I O N

**TINGA, J.:**

Before the Court is the petition for review<sup>[1]</sup> under Rule 45 of the Rules of Court assailing the Court of Appeals' Decision<sup>[2]</sup> dated 25 January 2006 and Resolution<sup>[3]</sup> dated 22 November 2006 in CA-G.R. SP No. 86331.

The undisputed factual antecedents of the case are as follows:

On 10 October 1975, Ortigas & Company, Limited Partnership (Ortigas) entered into a lease agreement with La Paz Investment & Realty Corporation (La Paz) wherein the former leased to the latter its parcel of land located in San Juan, Metro Manila (now San Juan City) consisting of 5,514 square meters for a period of twenty-five (25) years from 1 January 1976 to 31 December 2000. Under the lease agreement, La Paz undertook to construct a two or three-storey concrete framed commercial building for the establishment of first class stores which would be subdivided into various stalls for subleasing to interested parties.<sup>[4]</sup>

In compliance with its undertaking, La Paz constructed the Greenhills Shopping Arcade (GSA) and divided it into several stalls and subleased them to other people. One of the sub-lessees was Edsel Liga (Liga), who obtained the leasehold right to Unit No. 26, Level A of the GSA.

As the lease of La Paz had expired on 31 December 2000, the stallholders, through the Greenhills Shoppesville Unit Lessees' Association, Inc. (GSULAI), made several attempts to have their leasehold rights extended. Even prior to the expiration of their leaseholds, the sub-lessees made several overtures to Ortigas but these were all denied. These developments notwithstanding, Liga was allowed by Ortigas to remain in possession of her leased property.

On 30 August 2001, Ortigas formally informed the GSULAI of the impending lease of the GSA to respondent Allegro Resources Corporation (Allegro).<sup>[5]</sup> On 3 September 2001, Ortigas and Allegro executed the corresponding Contract of Lease.<sup>[6]</sup> On the same day, the same parties executed the Addendum to Agreement, Section 1 of which provides that "(t)he LESSEE (Allegro) shall take immediate possession and control of the leased premises upon the signing of the Contract of Lease." and "also assist in the collection of back rentals due to the LESSOR (Ortigas) in Shoppesville Arcade from 1 January 2001 up to the 31 August 2001, when it shall commence to pay rentals for its own account."<sup>[7]</sup>

As the new lessee, Allegro offered to sublease Unit No. 26, Level A to Liga. Subsequently they entered into a lease agreement dubbed Rental Information<sup>[8]</sup> in which Liga agreed to pay rental of P40,000.00 monthly starting 1 September 2001. She also agreed to pay the back rentals covering the months of January through August 2001 due Ortigas. Upon signing the agreement, Liga also gave P40,000.00 as one month advance rental and another P40,000.00 as one month security deposit as provided in the agreement.<sup>[9]</sup>

Liga's compliance with the agreement ended as soon as it was executed. Despite repeated demands from Allegro, Liga had failed to pay her rentals for the subleased property, as well as the back rentals from January to August 2001 due Ortigas. Hence, Allegro filed a complaint for ejectment on 15 March 2002 with the Metropolitan Trial Court (MeTC) of San Juan, Metro Manila, Branch 57.<sup>[10]</sup>

The MeTC rendered a decision<sup>[11]</sup> in favor of Allegro, ordering Liga to vacate the subleased stall and to pay back rentals for her continuous possession of the property. The MeTC held that Allegro has rightful possession over the disputed stall since Liga's continued occupancy from 1 January 2001 to 31 August 2001 was by mere tolerance of Ortigas and that ceased upon the execution of a contract of lease between Ortigas and Allegro. The MeTC found that Liga had agreed to sublease the property for P40,000.00 per month. In compliance with the lease agreement with Allegro, Liga even paid the sum of P80,000.00 corresponding to one-month advance rental and one-month security deposit as evidenced by a provisional receipt issued by the former. It thus ordered Liga to pay Allegro P210,000.00 representing back rentals from 1 October 2001 to February 2002 and P20,000.00 per month as reasonable compensation for the use of the premises from the filing of the ejectment suit until it is vacated.

On appeal, the Regional Trial Court (RTC) affirmed the decision of the MeTC but made modifications with respect to its monetary awards.<sup>[12]</sup> It extended the period of lease over the property for two years at a rental rate of P20,000.00 per month, and ordered Liga to pay P80,000.00 as back rentals for the period of September 2001 to February 2002 and P20,000.00 per month as rental from March 2002 until the property is vacated.

Allegro filed a petition for review<sup>[13]</sup> under Rule 42 of the Rules of Court before the Court of Appeals assailing the modified decision of the RTC. The appellate court, in a Decision dated 25 January 2006, granted Allegro's petition and set aside the RTC's decision.<sup>[14]</sup> It held that after the expiration of La Paz's lease with Ortigas on 31 December 2000, Liga occupied the property merely by tolerance of Ortigas and that it was incorrect for the RTC to extend the lease contract for two years since it would infringe on the parties right to contract and Liga herself had never raised as an issue the extension of the lease contract before the MeTC. It found that Liga signed the Rental Information with Allegro and agreed to a monthly rental of P40,000.00 starting 1 September 2001. The appellate court ordered Liga to pay Ortigas back rentals of P20,000.00 per month for the period of 1 January 2001 to 31 August 2001 and P40,000.00 per month as rentals to Allegro starting 1 September 2001 until the property is vacated. In a Resolution dated 22 November 2006, the Court of Appeals denied Liga's motion for reconsideration.<sup>[15]</sup>

Hence, the present petition for review before this Court.

The petition raised the following issues: whether the Court of Appeals had erred in ordering Liga to pay: (a) to Ortigas back rentals covering the period 1 January 2001 to 31 August 2001 totaling of P160,000.00; (b) to Allegro back rentals in the amount of P40,000.00 a month starting from 1 September 2001 until such time as she vacates the leased property; and (c) to Allegro the amount of P20,000.00 as attorney's fees and the costs of suit.<sup>[16]</sup>

Liga argues that the Court of Appeals erred in ordering her to pay Ortigas back rentals although the latter is not a party in the instant case. The ruling of the appellate court ran counter to the Court's doctrine that judgment cannot bind persons who are not parties to the action.<sup>[17]</sup> She avers that Allegro was already estopped from claiming monthly rentals in the amount of P40,000.00 starting from 1 September 2001 since it filed the Motion to Release Cash Bond in Favor of Plaintiff<sup>[18]</sup> with the MeTC. By filing the motion, Allegro signified its concurrence in the monthly rental of P20,000.00.<sup>[19]</sup> Since Liga is willing and able to pay the appropriate rentals as evidenced by the deposits she made before the RTC, she should not be made liable for attorney's fees in the amount of P20,000.00 and for the costs of suit.<sup>[20]</sup>

The Court will discuss the issues *in seriatim*.

We sustain Liga on the first issue. The Court of Appeals erred in awarding back rentals for the month of 1 January 2001 to 31 August 2001 in favor of Ortigas.

Firstly, Ortigas is not a party to this case, whether as plaintiff or otherwise. It is basic that no relief can be extended in a judgment to a stranger or one who is not a party to a case.<sup>[21]</sup>

Secondly, Allegro cannot justify the award as a legal representative by virtue of a provision in its lease agreement with Ortigas. Although Section 1 of Rule 70 of the Rules of Court<sup>[22]</sup> specifically allows "the legal representatives or assigns of any such lessor, vendor, vendee, or other person" to bring action for restitution of possession with damages and costs against persons who unlawfully withheld or deprived the lawful possessor of possession over any land or building, Allegro did not aver in its complaint that it was acting as Ortigas's legal representative and seeking the back rentals due Ortigas.

Thirdly, there is no allegation or prayer in the complaint that Allegro was seeking the collection of the back rentals due Ortigas. Nor was there evidence to that effect. It is elementary that a judgment must conform to, and be supported by, both the pleadings and the evidence, and be in accordance with the theory of the action on which the pleadings are framed and the case was tried.<sup>[23]</sup> The judgment must be *secundum allegata et probata*.

In *Falcon v. Manzano*,<sup>[24]</sup> the Court set aside the judgment of the trial court in conceding to her a remedy which was not prayed for in the complaint as the trial court rendered judgment allowing plaintiff to recover from the defendant the unpaid

portion of the purchase price of a parcel of land when the plaintiff only asked for the nullification of the contract of sale of the realty and the return of the property to her. We held that courts, in rendering decisions, ought to limit themselves to the issues presented by the parties in their pleadings.

In the analogous case of *Lerma v. De la Cruz*,<sup>[25]</sup> the plaintiff therein brought an action to recover accrued rents and damages for the injury to the land but the trial court extended the relief sought by giving judgment for possession of the land. The Court held that "(t)he plaintiff did not ask for possession, nor is there any prayer to that effect in the complaint, and the judgment must, therefore be reversed insofar as it undertakes to provide for the restitution of the land in question to the plaintiff."

As to the second issue, the Court cannot countenance the obstinate refusal of Liga to pay P40,000.00 a month to Allegro since she had already acquiesced to pay such rental rate when she signed the Rental Information. It is fundamental that a contract is the law between the parties.<sup>[26]</sup> Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.<sup>[27]</sup> Unless the stipulations in a contract are contrary to law, morals, good customs, public order or public policy, the same are binding as between the parties.<sup>[28]</sup> It is a general principle of law that no one may be permitted to change his mind or disavow and go back upon his own acts, or to proceed contrary thereto, to the prejudice of the other party.<sup>[29]</sup> Likewise, it is settled that if the terms of the contract clearly express the intention of the contracting parties, the literal meaning of the stipulations would be controlling.<sup>[30]</sup>

The filing by Allegro of the *Motion to Release Cash Bond in Favor of the Plaintiff* did not operate to estop it from claiming a monthly rental rate of P40,000.00. Estoppel cannot be sustained by mere argument or doubtful inference.<sup>[31]</sup> Allegro did not abandon its stance nor did it represent to Liga that it was doing so. Liga cannot feign ignorance of such fact since Allegro's petition for review before the Court of Appeals puts as an issue the reduction by the RTC of the monthly rentals from P40,000.00 to P20,000.00.<sup>[32]</sup> Allegro never made any deed or representation that could have misled Liga.

Moreover, the Court has previously sanctioned a similar partial execution of the trial court's decision awarding damages in an ejectment suit at the instance of the plaintiff. Not only is such an act procedurally sound, it also serves the ends of justice. As the Court succinctly held in *Sps. Catungal v. Jao*:<sup>[33]</sup>

Finally, respondent questions why petitioners would want to reinstate the RTC decision when in fact they had already applied for a writ of execution of the 8 March 1997 Decision. Respondent is of the view that since petitioners had already moved for the execution of the decision awarding a smaller amount of damages or fair rental value, the same is inconsistent with a petition asking for a greater fair rental value and, therefore, a possible case of unjust enrichment in favor of the petitioners. We are not persuaded.

**In order to avoid further injustice to a lawful possessor, an immediate execution of a judgment is mandated and the court's**