

## SECOND DIVISION

[ G.R. NO. 141941, May 04, 2006 ]

**REPUBLIC OF THE PHILIPPINES, OFFICE OF THE GOVERNMENT  
CORPORATE COUNSEL, AND GOVERNMENT SERVICE INSURANCE  
SYSTEM, PETITIONERS, VS. EMILIO G. LA'O, RESPONDENT.**

### D E C I S I O N

**GARCIA, J.:**

In this petition for review,<sup>[1]</sup> petitioners Republic of the Philippines, the Office of the Government Corporate Counsel and the Government Service Insurance System seek the reversal of the Decision<sup>[2]</sup> and Resolution<sup>[3]</sup> dated September 30, 1998 and February 02, 2000, respectively, of the Court of Appeals (CA) in *CA-G.R. SP No.44348*, affirming an earlier decision<sup>[4]</sup> of the Regional Trial Court of Manila, in its Civil Case No. 95-72874, which in turn affirmed the decision<sup>[5]</sup> dated December 5, 1994 of the Metropolitan Trial Court of Manila in an ejectment suit thereat commenced by herein respondent Emilio G. La'o against the petitioners.

Involved in the controversy are three (3) parcels of land registered in the name of the Government Service Insurance System (GSIS) under Transfer of Certificate of Title (TCT) No. 108252 of the Registry of Deeds of Manila and the five-storey Government Corporate Counsel Centre (Centre, for brevity) standing thereon. The property in question is located at the corner of Mabini/Arquiza Sts., Ermita, Manila. The GSIS originally agreed to sell the land site and the Centre to the Republic of the Philippines (Republic, hereafter), through the Office of the Government Corporate Counsel (OGCC), by way of a lease-purchase agreement<sup>[6]</sup> (RP-GSIS Agreement, hereafter) dated June 22, 1978.

On May 10, 1982, another lease-purchase agreement<sup>[7]</sup> (the second Agreement, hereafter) involving the same property was executed, this time between and among the GSIS, as owner, the Republic and the herein respondent Emilio La'o, as buyer, wherein the Republic waived its rights under the RP-GSIS Agreement. The following are among the salient provisions of the second Agreement:

1. The cancellation of the RP-GSIS Agreement effective upon approval of the second Agreement by the President of the Philippines;
2. GSIS shall sell the Centre to La'o for P2 Million, P200,000.00 down and the balance payable in 15 annual installments with interest and giving La'o the right to take immediate possession of the Centre's ground floor and to sublease the same; and
3. In consideration of the waiver thus given by the Republic, GSIS and La'o would allow the OGCC to lease the second to fifth floors of the Centre and the rear

parking area "at the rental rate of P100,000.00 a year, until the GSIS shall have completed the construction of a new building at the Manila Bay reclaimed area or made available acquired property of GSIS acceptable to the OGCC" (Lease Agreement, Annex "B", *Rollo*, p.65). The term of the lease shall be at least five (5) years from the effectivity of the agreement renewable for another two (2) years at the Republic's option.

Pursuant to the second Agreement, respondent La'o paid the GSIS the 1982 to 1987 installments. For its part, the OGCC, for the Republic, paid La'o the agreed monthly rentals of P8,333.33, the last payment of which was, per records, for the month of January 1, 1987.

As later developments show, the Republic did not manifest its intent to exercise its option to extend the agreed five (5) year lease on the Centre, which was to terminate on May 9, 1987. Thus, in a letter of February 12, 1987, respondent La'o requested the OGCC to vacate the leased premises after May 9, 1987.<sup>[8]</sup> In his reply-letter of March 19, 1987,<sup>[9]</sup> the Deputy Government Corporate Counsel informed La'o that, starting 1987, OGCC would be paying the monthly rental direct to the GSIS since, as claimed, the second Agreement had no force and effect, not having been approved by the President of the Philippines as required therein. It would appear, however, that on April 11, 1982, then President Marcos wrote on the right upper hand corner of the second Agreement the following: "11 April 1982 - Approved - Ferdinand E. Marcos."

Following the OGCC's refusal, despite demand, to pay its monthly rental obligations and to vacate the premises, respondent La'o filed an ejectment suit against the herein petitioners before the Metropolitan Trial Court (MeTC) of Manila, Branch 10. Respondent La'o, as plaintiff in that action, claims that the lease in question is deemed terminated, the five-year period of lease having lapsed without OGCC expressing its intent to renew the same.

For its part, petitioner OGCC asseverates that the second lease-agreement has no force and effect, not having been formally approved by the President of the Philippines. The OGCC also asserted that fraud and undue influence attended the execution of the second Agreement, adding that a complaint to declare the same null and void had in fact been filed and is docketed as **Civil Case No. 89-48662** of the Regional Trial Court (RTC) of Manila.<sup>[10]</sup>

In a Decision dated December 5, 1994, the MeTC, Branch 10, Manila, ruled for respondent La'o, disposing as follows:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff [La'o] ordering:

1. defendants GSIS, Republic thru GSIS and all other occupants claiming right under them to vacate the aforesaid leased premises, and surrender possession thereof to plaintiff [La'o];
2. defendants the Republic thru OGCC to pay the monthly rent of P8,333.33 reckoned from February 1987 until they vacate the leased premises;