

SECOND DIVISION

[G.R. No. 135721, May 27, 2004]

**CHUA TEE DEE, DOING BUSINESS UNDER THE NAME AND STYLE
OF PIONEER ENTERPRISES, PETITIONER, VS. COURT OF
APPEALS AND J.C. AGRICOM DEVELOPMENT CORPORATION,
INC., RESPONDENTS.**

DECISION

CALLEJO, SR., J.:

Before us is a special civil action for certiorari under Rule 65 of the Revised Rules of Court assailing the Decision^[1] of the Court of Appeals in CA-G.R. CV No. 50306 which affirmed with modification, the Order^[2] of the Regional Trial Court of Davao City, Branch 9, ordering the petitioner Chua Tee Dee to pay the private respondent back rentals plus interest and attorney's fees.

The antecedent facts are as follows:

J.C. Agricom Development Corporation, Inc. (Agricom, for brevity), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, is the owner of a rubber plantation located at Bayabas, Toril, Davao City, with an area of 132.4012 hectares, more or less. Agricom planned to lease the plantation.

Chua Tee Dee, married to Amado Dee, is a businesswoman doing business under the name and style of Pioneer Enterprises (Pioneer, for brevity).

Manuel G. Alba, the president of Agricom, had a business meeting in Davao City with Amado Dee where they discussed the possibility of leasing the rubber plantation to Chua Tee Dee/Pioneer.^[3] Thereafter, a draft contract of lease was made and delivered to Alba on May 22, 1985.^[4]

The final contract of lease^[5] was signed and acknowledged before a notary public on July 22, 1985. The Agricom, represented by Alba, was referred to as the FIRST PARTY under the contract, while Chua Tee Dee doing business under the style of Pioneer was the SECOND PARTY. Lillian Carriedo, a stockholder of Agricom, also signed the contract. The pertinent portions of the lease contract were as follows:

1. TERM: The lease shall be for a period of fifteen (15) years counted from the date of execution of this contract and may be renewed for another period of five (5) years upon such terms as may be agreed upon by the parties.
2. That the plantation, together with all the inventoried machineries, equipment and improvements found therein shall upon the execution of this contract be turned over to the SECOND PARTY free from any and all liens and/or

encumbrances, provided, however, that the SECOND PARTY shall upon expiration and/or termination of the contract return all the inventoried machineries, equipment and improvements to the FIRST PARTY.

3. RENTAL: The SECOND PARTY shall pay the FIRST PARTY within the first ten (10) days of the current month the following rentals, to wit:

P45,000.00 per month for the first three (3) years of the lease
P60,000.00 per month for the second three (3) years of the lease
P75,000.00 per month for the third four (4) years of the lease
P90,000.00 per month for the last five (5) years of the lease

4. NON-PAYMENT OF RENTALS: Delay in the payment of the monthly rental by the SECOND PARTY shall entitle the FIRST PARTY to charge to the former interest of two (2) percent per month as penalty. Non-payment of rentals for three (3) months shall automatically bring about the termination of the lease. In such an event, the FIRST PARTY shall be entitled to recover from the SECOND PARTY back rentals.

5. DEPOSIT: In addition to the monthly rental stipulated in paragraph 3 of this contract, the SECOND PARTY upon signing of this contract shall deposit to the FIRST PARTY an amount equivalent to ONE HUNDRED THIRTY-FIVE THOUSAND PESOS (P135,000.00) Philippine Currency and on the first day of September of the same year another amount equivalent to ONE HUNDRED THIRTY-FIVE THOUSAND PESOS (P135,000.00) Philippine Currency, both interest-free which the latter shall apply against rentals for the last year of the lease.

6. FARM PERSONNEL: Upon the effectivity of this Contract, the SECOND PARTY has the option to select and screen those farm personnel that the SECOND PARTY shall retain; those not selected shall then be terminated by the FIRST PARTY, whose separation from the FIRST PARTY's employment shall be the concern of the FIRST PARTY.

...

10. RIGHT TO ENTER PREMISES: The FIRST PARTY or its duly-authorized representative shall have the right to enter the leased premises at any reasonable time during business days, with due notice to the SECOND PARTY, to verify compliance with the terms and conditions of this contract. In addition, the FIRST PARTY may use the "REST HOUSE" located in the leased premises with at least two (2) days advanced notice to the SECOND PARTY.
11. LESSEE'S OPTION TO BUY: The FIRST PARTY shall maintain the SECOND PARTY in the quiet peaceful possession and enjoyment of the leased premises during the effectivity of the lease.

If at any time during the lease or renewal thereof, the first party shall opt to sell, assign, transfer or convey the leased premises for a valuable consideration, the SECOND PARTY shall be given written notice thereof, and the latter shall have first option to buy the leased premises upon such terms and conditions as may be mutually agreed by the parties. In the event [that] this FIRST PARTY receives an offer to buy from a THIRD PARTY, the SECOND PARTY shall be advised thereof in writing and shall have the option to match

said offer within a period of thirty (30) days from receipt of said advice.

If the SECOND PARTY or his nominees fail to exercise the option granted under this aforementioned paragraph, and there is a sale, assignment, transfer or conveyance of the leased premises to a third party, it shall be a condition thereof that this contract of lease shall be respected and shall continue under the terms and conditions herein stipulated.

13. (*sic*) VENUE: UPON the expiration of this lease contract or its earlier termination for violation of its terms and conditions, the SECOND PARTY binds himself to peacefully turn over the possession of and surrender the leased premises to the FIRST PARTY is compelled, to resort to the courts to protect its rights under this contract, the parties agree that venue thereof shall be in the courts at Davao City. In such an event, the SECOND PARTY shall be answerable for all damages that the FIRST PARTY may suffer or be entitled to plus attorney's fees equivalent to twenty-five (25%) percent thereof and costs of suit.

On May 27, 1985, Alba met with the employees of the rubber plantation^[6] and updated them on the impending termination of their employment due to the company's contract of lease with Chua Tee Dee. The employees were told that they would be given separation pay.

On June 3, 1985, Amado Dee delivered the amount of two hundred seventy thousand pesos (P270,000.00) to the Spouses Manuel and Suzanne Alba in compliance with paragraph 5 of the lease contract. The corresponding receipt was issued.^[7]

In the meantime, Azarinas P. Liguiz of Agricom sent letters to the said employees, confirming the termination of their employment and informing them that their separation pay shall be computed at one-half (1/2) month's salary for every year of service rendered, and that a fraction of at least six (6) months service shall be considered as one year. Thereafter, the corresponding vouchers were prepared.^[8]

Sometime thereafter, the severed employees filed a complaint for illegal dismissal and unfair labor practice against Agricom, Amado Dee and Pioneer, docketed as NLRC Case No. 1815-LR-XI-85. The labor arbiter rendered his decision on August 22, 1986, holding that the termination of the complainants' employment was illegal. The respondents were ordered to pay its employees' separation pay and backwages, but the complaint for unfair labor practice was dismissed for lack of merit.^[9] The dispositive portion of the decision reads:

WHEREFORE, PREMISES CONSIDERED, judgment is hereby rendered:

(1) Declaring the termination of complainants as illegal, thereby ordering respondents J.C. Agricom Development Company and/or Pioneer Enterprises and Amado Dee to pay all complainants herein, jointly and severally, the following, to wit:

(a) Separation pay – at one (1) month salary per year of service, from date of hiring to date this Decision becomes final

and executory;

(b) Backwages – from date employment stopped up to the date this Decision becomes final and executory.

(2) Dismissing the charge of unfair labor practice for lack of merit.

SO ORDERED.^[10]

The respondents appealed the decision. Amado Dee and Pioneer posted a supersedeas bond of P21,415.58, as well as P142,770.54 covered by Check No. 610489625,^[11] and P142,770.54 covered by Check No. 610489624^[12] to stave off execution pending appeal.

Because Pioneer was dragged into labor disputes not of its own making, it wrote Agricom, through its counsel, on October 20, 1987 suggesting a conference to settle the labor case, otherwise, it would consider the contract of lease as rescinded.^[13]

Aside from the labor case, Pioneer, through Amado Dee, complained of being pestered by some individuals who claimed portions of the plantation as their own property. Some of them went to its office and even presented tax declarations to prove their claims.^[14] Pioneer claimed that the foregoing circumstances prevented it from operating fully the agreed area stated in the lease contract. It also complained that the death of Pioneer's foreman sometime in 1990 even exacerbated the unresolved labor problem.

On May 24, 1990, the counsel of the Carriedo heirs, the stockholders-owners of Agricom, sent a telegraphic note to Amado Dee demanding payment of long overdue rentals.^[15] On June 21, 1990, Pioneer sent a letter to Agricom complaining of facts and events which disrupted its operations in the plantation. In a Letter dated August 2, 1990, Agricom informed Pioneer that, after due investigation, it concluded that the latter's complaints were unfounded. It also demanded the payment of back rentals for June, July and August 1990.^[16]

As Pioneer was unable to pay its monthly rentals, Agricom filed, on September 4, 1990, a civil complaint for sum of money, damages and attorney's fees against Chua Tee Dee before the Regional Trial Court of Davao City, Branch 9. The case was docketed as Civil Case No. 20,312-90. The plaintiff Agricom alleged, *inter alia*, in the said complaint, thus:

2.02 That defendant regularly paid the monthly rentals for the years 1985 to 1989. The payment of the monthly rentals for the first six (6) months of 1990 in the amount of Sixty Thousand (P60,000.00), however, was occasioned by delay and those for July and August 1990, unpaid;

2.03 That as of August 1990, defendant has an outstanding arrearage of One Hundred Twenty Thousand (P120,000.00) Pesos in favor of plaintiff, exclusive of penalty thereon at the rate of two (2%) percent per month;

2.04 That several demands, both verbally and in writing, had been made by plaintiff upon defendants to make her payment of the monthly rentals current, but said demands, notwithstanding, defendant failed and refused and still continues to fail and refuse to do so;

2.05 That by reason of defendant's unjustified and wanton refusal to pay plaintiff its plainly, valid, and demandable claims, the latter has been compelled to engage the services of counsel to enforce and protect its interest at an agreed fee of twenty-five (25%) percent of the amount due and collectible, as provided for in said Contract of Lease (Annex "A") and has, otherwise, been placed into unnecessary expenses of litigation in an amount which could not be less than Ten Thousand (P10,000.00) Pesos;^[17]

It prayed that after due proceedings, judgment be rendered in its favor, as follows:

WHEREFORE, it is most respectfully prayed of this Honorable Court that judgment be rendered in favor of plaintiff and against the defendant ordering the latter

a.) to pay plaintiff the sum of P120,000.00 as of August 1990, with penalty thereon at the rate of two (2%) percent per month, plus the sum of P60,000.00 a month thereafter;

b.) to pay plaintiff the sum equivalent to twenty-five (25%) of the amount due and collectible, as and for attorney's fees;

c.) to reimburse the litigation expenses of plaintiff in the amount of not less than P10,000.00 or such amount which will be proven during the trial;

d.) to pay the cost of suit;

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PLAINTIFF further prays for such other reliefs and remedies, just and equitable under the premises.^[18]

On October 16, 1990, the defendant filed her Answer with Damages where she asserted that the plaintiff had no cause of action against her. She claimed that it was the plaintiff which failed to comply with the terms and conditions of the contract of lease when it failed to settle the labor dispute with its former employees, thus,