

## THIRD DIVISION

**[ G.R. No. 154895, November 18, 2004 ]**

**JOSIE GO TAMIO, PETITIONER, VS. ENCARNACION TICSON,  
RESPONDENT.**

### **DECISION**

**PANGANIBAN, J.:**

In general, a lessee is not allowed to challenge the title of the lessor. Indeed, it is immaterial whether the lessor had any title at all to the property at the time the lease was commenced. However, due to the peculiar circumstances in the present case, the Court makes an exception to this rule. Otherwise, it would sanction unjust enrichment in favor of the respondent and cause unjust poverty to the petitioner.

### **The Case**

The instant Petition for Review on Certiorari<sup>[1]</sup> seeks to set aside the February 28, 2002 Decision<sup>[2]</sup> and the April 30, 2002 Resolution<sup>[3]</sup> of the Court of Appeals (CA) in CA-GR SP No. 62908. The dispositive portion of the challenged Decision reads:

“WHEREFORE, the instant petition is hereby DENIED DUE COURSE and DISMISSED. The Decision, dated March 24, 1999, is hereby AFFIRMED.”  
<sup>[4]</sup>

The assailed Resolution denied reconsideration of the foregoing disposition.

The March 24, 1999 Decision<sup>[5]</sup> of the Regional Trial Court (RTC)<sup>[6]</sup> of Manila, upheld by the CA, disposed as follows:

“WHEREFORE, the appealed judgment is hereby affirmed with modification, to wit:

- 1) Ordering [petitioner] to pay [respondent] the amount of P86,000 as payment for rental arrearages covering the period September, 1996 to June, 1997 and from July, 1997 to December, 1997 at a monthly rate of P5,000 and P6,000 respectively.
- 2) [Petitioner’s] counterclaim is hereby dismissed for lack of merit.”<sup>[7]</sup>

On the other hand, the Decision<sup>[8]</sup> of the Metropolitan Trial Court (MTC)<sup>[9]</sup> of Manila (Branch 5), which was “affirmed with modification” by the RTC, dismissed respondent’s complaint for unlawful detainer against the petitioner.

### **The Facts**

The CA summarized the facts in this manner:

"The Roman Catholic Archbishop of Manila (RCAM) is the owner of an apartment unit originally leased to Mr. Fernando Lopez Lim. After the demise of Mr. Fernando Lim, [his] children became the occupants thereof. One of [them, Valentine Lim] requested respondent Encarnacion Ticson, for financial assistance [in order] to purchase the apartment unit from RCAM. In exchange, Valentine Lim executed a waiver in favor of respondent.

"On June 15, 1996, respondent executed a contract of lease [in favor of petitioner], on the basis of the waiver from Valentine Lim respecting the apartment unit, for a period of three (3) months. After signing the contract and paying the rentals, [petitioner] discovered that the apartment was actually owned by RCAM.

"Meanwhile, after the expiration of the three (3) month lease, respondent demanded petitioner to vacate the premises for the use of the former's family members. Petitioner failed to comply, giving rise to the instant case for unlawful detainer.

"After trial, the Metropolitan Trial Court (MTC) found respondent guilty of concealment [amounting to] fraud when she misrepresented that she was the owner or authorized lessor of the apartment. Consequently, the contract did not produce any legal effect, much less, rights or obligations. Thus, the MTC ordered the dismissal of the complaint for unlawful detainer.

"Unsatisfied therewith, respondent appealed the dismissal with the Regional Trial Court (RTC). After review thereof, the RTC found that the concealment did not amount to fraud, but [was merely due] to respondent's honest belief that she became or will eventually become the owner of the property by reason of the said waiver.

"Moreover, the RTC found that *'if [petitioner] has indeed questioned the [respondent's] title, she should have communicated with RCAM immediately since she came to know of RCAM's ownership over the subject property early on.'*

"On the basis thereof, the RTC ordered petitioner to pay respondent P86,000.00 as rental arrearages from September 1996 to June 1997 and from July 1997 to December 1997 at a monthly rate of P5,000.00 and P6,000.00 respectively, and dismissed petitioner's counterclaim for lack of merit."<sup>[10]</sup>

Meanwhile, on March 3, 1998, petitioner entered into a Contract of Lease<sup>[11]</sup> over the same property with RCAM for a term of one year, commencing from January 1, 1998 to December 31, 1998. In that Contract, petitioner assumed to pay the rent corresponding to her use and occupation of the property prior to its execution; that is, from June 1, 1996 to December 31, 1997.

## **Ruling of the Court of Appeals**

The CA agreed with the RTC that the misrepresentation of respondent as the owner or lessor of the property did not amount to fraud, but was merely an error under Article 1343 of the Civil Code. The appellate court added that she must have acquired legal possession over the apartment unit as an assignee thereof, considering the waiver/assignment executed in her favor by the previous lessees.

The appellate court added that petitioner herself had been negligent in not immediately communicating with the owner of the property --the Roman Catholic Archbishop of Manila (RCAM) -- regarding her discovery, thereby implying her acknowledgment of respondent's right to sublease the property.

Consequently, while holding that, "as found by the lower court, RCAM and petitioner entered into a new Contract of Lease that rendered the instant case moot and academic," the CA ordered petitioner to pay rental arrearages to respondent for the period September 1996 to December 1997.

Hence, this Petition.<sup>[12]</sup>

### **Issue**

The lone issue presented for our consideration is as follows:

"Whether or not petitioner should be held liable to pay respondent the amount of P86,000.00 representing the alleged rental arrearages from September 1996 to December 1997."<sup>[13]</sup>

### **The Court's Ruling**

The Petition has merit.

#### **Lone Issue:**

#### **Entitlement to Rental Arrearages**

Petitioner contends that she is not bound by her lease agreement with respondent, because the latter never acquired legal possession of the property. The assignment/waiver of rights executed by Valentine Lim was null and void, as the lease of her father (Fernando) with RCAM had long been terminated for nonpayment of rentals. With the invalidity of the assignment, respondent acquired no rights that she could transmit. Assuming arguendo that Valentine's lease was still subsisting, petitioner argues that the consent of RCAM should have been obtained.

Petitioner further avers that under her Contract with RCAM, she undertook to pay rentals corresponding to the holdover period. Hence, she would in effect be paying the rental twice, if she were still to pay respondent. The latter would be unjustly enriched at petitioner's expense, which should not be allowed by the Court.

The assignment of a lease by the lessee involves a transfer of rights and obligations pertaining to the contract; hence, the consent of the lessor is necessary.<sup>[14]</sup> Article 1649 of the Civil Code is explicit: