

FIRST DIVISION

[G.R. No. 131726, May 07, 2002]

**YOLANDA PALATTAO, PETITIONER, VS. THE COURT OF APPEALS,
HON. ANTONIO J. FINEZA, AS PRESIDING JUDGE OF THE
REGIONAL TRIAL COURT OF CALOOCAN CITY, BRANCH 131 AND
MARCELO CO, RESPONDENTS.**

D E C I S I O N

YNARES-SANTIAGO, J.:

This is a petition for review under Rule 45 of the Rules of Court seeking to set aside the August 29, 1997 decision^[1] and the November 28, 1997 resolution^[2] of the Court of Appeals^[3] in CA-G.R. SP No. 40031, affirming the decision^[4] of the Regional Trial Court of Caloocan City, Branch 131, in Civil Case No. C-17033 which reversed the Decision^[5] of the Metropolitan Trial Court of Caloocan, Branch 53, in an ejectment suit docketed as Civil Case No. 21755.

The antecedent facts are as follows: Petitioner Yolanda Palattao entered into a lease contract whereby she leased to private respondent a house and a 490-square-meter lot located in 101 Caimito Road, Caloocan City, covered by Transfer Certificate of Title No. 247536 and registered in the name of petitioner. The duration of the lease contract was for three years, commencing from January 1, 1991, to December 31, 1993, renewable at the option of the parties. The agreed monthly rental was P7,500.00 for the first year; P8,000.00 for the second year; and P8,500.00 for the third year. The contract gave respondent lessee the first option to purchase the leased property.^[6]

During the last year of the contract, the parties began negotiations for the sale of the leased premises to private respondent. In a letter dated April 2, 1993, petitioner offered to sell to private respondent 413.28 square meters of the leased lot at P7,800.00 per square meter, or for the total amount of P3,223,548.00.^[7] Private respondent replied on April 15, 1993 wherein he informed petitioner that he "shall definitely exercise [his] option [to buy]" the leased property.^[8] Private respondent, however, manifested his desire to buy the whole 490-square-meter leased premises and inquired from petitioner the reason why only 413.28 square meters of the leased lot were being offered for sale. In a letter dated November 6, 1993, petitioner made a final offer to sell the lot at P7,500.00 per square meter with a downpayment of 50% upon the signing of the contract of conditional sale, the balance payable in one year with a monthly lease/interest payment of P14,000.00 which must be paid on or before the fifth day of every month that the balance is still outstanding.^[9] On November 7, 1993, private respondent accepted petitioner's offer and reiterated his request for clarification as to the size of the lot for sale.^[10] Petitioner acknowledged private respondent's acceptance of the offer in his letter dated November 10, 1993.

Petitioner gave private respondent on or before November 24, 1993, within which to pay the 50% downpayment in cash or manager's check. Petitioner stressed that failure to pay the downpayment on the stipulated period will enable petitioner to freely sell her property to others. Petitioner likewise notified private respondent that she is no longer renewing the lease agreement upon its expiration on December 31, 1993.^[11]

Private respondent did not accept the terms proposed by petitioner. Neither was there any documents of sale nor payment by private respondent of the required downpayment. Private respondent wrote a letter to petitioner on November 29, 1993 manifesting his intention to exercise his option to renew their lease contract for another three years, starting January 1, 1994 to December 31, 1996.^[12] This was rejected by petitioner, reiterating that she was no longer renewing the lease. Petitioner demanded that private respondent vacate the premises, but the latter refused.

Hence, private respondent filed with the Regional Trial Court of Caloocan, Branch 127, a case for specific performance, docketed as Civil Case No. 16287,^[13] seeking to compel petitioner to sell to him the leased property. Private respondent further prayed for the issuance of a writ of preliminary injunction to prevent petitioner from filing an ejectment case upon the expiration of the lease contract on December 31, 1993.

During the proceedings in the specific performance case, the parties agreed to maintain the *status quo*. After they failed to reach an amicable settlement, petitioner filed the instant ejectment case before the Metropolitan Trial Court of Caloocan City, Branch 53.^[14] In his answer,^[15] private respondent alleged that he refused to vacate the leased premises because there was a perfected contract of sale of the leased property between him and petitioner. Private respondent argued that he did not abandon his option to buy the leased property and that his proposal to renew the lease was but an alternative proposal to the sale. He further contended that the filing of the ejectment case violated their agreement to maintain the *status quo*.

On July 28, 1995, the Metropolitan Trial Court rendered a decision in favor of petitioner. The dispositive portion thereof states:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant, ordering the defendant and all persons claiming right under him to pay the plaintiff as follows:

1. P12,000.00 per month representing reasonable monthly rental from January 1, 1994 and months thereafter until defendants shall vacate the subject premises;
2. P10,000.00 representing attorney's fee;
3. To pay the cost of suit.

SO ORDERED.^[16]

On appeal, the Regional Trial Court reversed the assailed decision, disposing as follows:

WHEREFORE, in view of all the foregoing, the assailed decision of the Metropolitan Trial Court, Branch 53, this City, rendered on July 28, 1995, is hereby REVERSED and SET ASIDE, with costs de officio.

SO ORDERED.^[17]

Aggrieved, petitioner filed a petition for review with the Court of Appeals, which dismissed the petition. Likewise, the motion for reconsideration was denied on August 29, 1997. Hence, the instant petition anchored upon the following grounds:

I

THE COURT OF APPEALS AND RTC, CALOOCAN CITY, BRANCH 131, ERRED IN DECLARING THAT PETITIONER IS GUILTY OF ESTOPPEL IN FILING AN EJECTMENT CASE AGAINST RESPONDENT CO.

II

THE COURT OF APPEALS AND RTC, CALOOCAN CITY, BRANCH 131, ERRED IN FINDING THAT AN INJUNCTIVE SUIT WILL BAR THE FILING OF EJECTMENT CASE AGAINST RESPONDENT CO.

III

THE RTC, CALOOCAN CITY, BRANCH 131, ERRED IN DECLARING THAT THERE WAS A PERFECTED CONTRACT OF SALE BETWEEN THE PARTIES OVER THE LEASED PROPERTY.^[18]

The petition is impressed with merit.

The Court of Appeals ruled that petitioner was estopped from filing the instant ejectment suit against private respondent by the alleged *status quo* agreement reached in the specific performance case filed by private respondent against petitioner. A reading, however, of the transcript of stenographic notes taken during the January 21, 1994 hearing discloses that the agreement to maintain the status quo pertained only to the duration of the negotiation for an amicable settlement and was not intended to be operative until the final disposition of the specific performance case. Thus:

x x x

x x x

x x x

Court

Before we go into the prayer for preliminary injunction and of the merit of the case I want to see if I can make the parties settle their differences.

Atty. Siapan

We will in the meantime maintain the status quo on the matter pending further negotiation.

Court

As a matter of injunction, are you willing to maintain a *status quo muna* [?]

Atty. Mendez

Yes, your Honor.

Court

How about Atty. Uy are you willing?

Atty. Uy

Yes, your Honor.

Court

I will not issue any injunction but there will be a status quo and we will concentrate our efforts on letting the parties to (*sic*) negotiate and enter into an agreement.^[19]

x x x

x x x

x x x

I will give you the same facts of the case. I want to settle this and not go into trial because in due time I will not finish the case, my stay here is only Acting Presiding Judge and there are other judges nominated for this sala and once the judge will be (*sic*) appointed then I go, let us get advantage of settling the matter. I will have your gentleman's agreement that there will be no adversarial attitude among you will (*sic*) never arrive at any agreement.

Atty. Siapan

In the meantime, we will move for a resetting of this case your Honor.

Court

Anyway, this is a gentleman's agreement that there will be no new movement but the status quo will be maintained.

Atty. Siapan, Atty. Mendez & Atty. Uy.

Yes, your Honor. (simultaneously (*sic*) in saying)^[20]

The foregoing agreement to maintain the *status quo* pending negotiations was noted by the trial court in its January 21, 1994 Order postponing the hearing to enable the parties to arrive at an amicable settlement, to wit:

Upon agreement of the parties herein for postponement of today's schedule as there might be some possibility of settling the claims herein, let the hearing today be cancelled.

In the meantime this case is set for hearing on February 28, 1994 at 8:30 a.m., should the parties not arrive at any amicable settlement.^[21]

It is beyond cavil therefore that the preservation of the *status quo* agreed upon by the parties applied only during the period of negotiations for an amicable settlement and cannot be construed to be effective for the duration of the pendency of the specific performance case. It is a settled rule that injunction suits and specific performance cases, *inter alia*, will not preclude the filing of, or abate, an ejectment

case. Unlawful detainer and forcible entry suits under Rule 70 are designed to summarily restore physical possession of a piece of land or building to one who has been illegally or forcibly deprived thereof, without prejudice to the settlement of the parties' opposing claims of juridical possession in appropriate proceedings. It has been held that these actions "are intended to avoid disruption of public order by those who would take the law in their hands purportedly to enforce their claimed right of possession." In these cases, the issue is pure physical or *de facto* possession, and pronouncements made on questions of ownership are provisional in nature.^[22]

In *Wilmon Auto Supply Corporation, et al., v. Court of Appeals, et al.*,^[23] the issue of whether or not an ejectment case based on expiration of lease contract should be abated by an action to enforce the right of preemption or prior purchase of the leased premises was resolved in the negative. The Court outlined the following precedents:

1. Injunction suits instituted in the RTC by defendants in ejectment actions in the municipal trial courts or other courts of the first level (*Nacorda v. Yatco*, 17 SCRA 920 [1966]) do not abate the latter; and neither do proceedings on consignment of rentals (*Lim Si v. Lim*, 98 Phil. 868 [1956], citing *Pue, et al. v. Gonzales*, 87 Phil. 81 [1950]).
2. An "accion publiciana" does not suspend an ejectment suit against the plaintiff in the former (*Ramirez v. Bleza*, 106 SCRA 187 [1981]).
3. A "writ of possession case" where ownership is concededly the principal issue before the Regional Trial Court does not preclude nor bar the execution of the judgment in an unlawful detainer suit where the only issue involved is the material possession or possession *de facto* of the premises (*Heirs of F. Guballa, Sr. v. C.A., et al.; etc.*, 168 SCRA 518 [1988]).
4. An action for quieting of title to property is not a bar to an ejectment suit involving the same property (*Quimpo v. de la Victoria*, 46 SCRA 139 [1972]).
5. Suits for specific performance with damages do not affect ejectment actions (e.g., to compel renewal of a lease contract) (*Desamito v. Cuyegkeng*, 18 SCRA 1184 [1966]; *Rosales v. CFI*, 154 SCRA 153 [1987]; *Commander Realty, Inc. v. C.A.*, 161 SCRA 264 [1988]).
6. An action for reformation of instrument (e.g., from deed of absolute sale to one of sale with pacto de retro) does not suspend an ejectment suit between the same parties (*Judith v. Abragan*, 66 SCRA 600 [1975]).
7. An action for reconveyance of property or "accion reivindicatoria" also has no effect on ejectment suits regarding the same property (*Del Rosario v. Jimenez*, 8 SCRA 549 [1963]; *Salinas v. Navarro*, 126 SCRA 167; *De la Cruz v. C.A.*, 133 SCRA 520 [1984]); *Drilon v. Gaurana*, 149 SCRA 352 [1987]; *Ching v. Malaya*, 153 SCRA 412