

FIRST DIVISION

[G.R. No. 134972, March 22, 2001]

SPS. ERNESTO AND MINA CATUNGAL, PETITIONERS, VS. DORIS HAO, RESPONDENT.

DECISION

KAPUNAN, J.:

This is a petition for review of the Decision of the Court of Appeals dated 10 March 1998 and Resolution dated 30 July 1998 in the case entitled *Doris Hao vs. Sps. Ernesto and Mina Catungal* docketed as CA-G.R. SP No. 46158. Said decision affirmed with modification the judgment rendered by the Regional Trial Court.

The antecedents of this case are as follows:

On December 28, 1972, the original owner, Aniana Galang, leased a three-storey building situated at Quirino Avenue, Baclaran, Parañaque, Metro Manila, to the Bank of the Philippine Islands (BPI) for a period of about fifteen (15) years, to expire on June 20, 1986. During the existence of the lease, BPI subleased the ground floor of said building to respondent Doris Hao.

On August 24, 1984, Galang and respondent executed a contract of lease on the second and third floors of the building. The lease was for a term of four (4) years commencing on August 15, 1984 and ending on August 15, 1988. On August 15, 1986, petitioner spouses Ernesto and Mina Catungal bought the property from Aniana Galang.

Invoking her "right of first refusal" purportedly based on the lease contract between her and Aniana Galang, respondent filed a complaint for Annulment of Sale with Damages docketed as Civil Case No. 88-491 of the Regional Trial Court (RTC) of Makati, Metro Manila.

Meanwhile, the lease agreement between BPI and Galang expired.

Upon expiration of the lease agreements, petitioner spouses sent demand letters to respondent for her to vacate the building. The demand letters were unheeded by respondent causing petitioners to file two complaints for ejectment, docketed as Civil Cases Nos. 7666 and 7667 of the Metropolitan Trial Court (MeTC) of Parañaque, Metro Manila.

The institution of the ejectment cases prompted respondent to file an action for injunction docketed as Civil Case No. 90-758 of the RTC of Makati, to stop the MeTC of Parañaque from proceeding therewith pending the settlement of the issue of ownership raised in Civil Case No. 88-491. These two cases for annulment of sale and for injunction were also consolidated before Branch 63 of the RTC of Makati

which rendered a Decision dated September 19, 1991, granting the injunction and annulling the contract of sale between Aniana Galang and petitioners.

On appeal,^[1] the Court of Appeals reversed and set aside the decision of the RTC and the complaints in Civil Cases Nos. 88-491 and 90-758 were accordingly dismissed.

Not satisfied, respondent elevated the above decision of the CA before this Court. We, however, denied respondent's petition on April 10, 1996.^[2]

The MeTC of Parañaque, after the reversal of the decision in Civil Case No. 90-758 for injunction, proceeded with the trial of the ejectment cases.

On January 22, 1997, the MeTC of Parañaque rendered a Decision, the dispositive portion of which reads:

IN VIEW OF THE FOREGOING, judgment is hereby rendered ordering the defendant Doris T. Hao who is in actual possession of the property and all persons claiming rights under her to vacate the premises in question and to pay the plaintiffs the amount of P20,000.00 a month from June 28, 1988, until she finally vacates the premises and to pay attorney's fees of P20,000.00. With costs against the defendant.^[3]

Petitioners filed a motion for clarificatory or amended judgment on the ground that although MeTC "ordered the defendant to vacate the entire subject property, it only awarded rent or compensation for the use of said property and attorney's fees for said ground floor and not the entire subject property. Compensation for the use of the subject property's second and third floors and attorney's fees as prayed for in Civil Case No. 7767 were not awarded."^[4] In response to said motion, the MeTC issued an Order dated March 3, 1997, the dispositive portion of which reads:

IN VIEW OF THE FOREGOING, the Decision of this Court is hereby clarified in such a way that the dispositive portion would read as follows: "in view of the foregoing, judgment is hereby rendered ordering the defendant Doris T. Hao who is in actual possession of the property and all persons claiming rights under her to vacate the premises and to pay the plaintiffs the amount of P8,000.00 a month in Civil Case No. 7666 for the use and occupancy of the first floor of the premises in question from June 28, 1998 until she finally vacates the premises and to pay the plaintiff a rental of P5,000.00 a month in Civil Case No. 7667 from June 28, 1988, until she finally vacates the premises and to pay attorney's fees of P20,000.00. With costs against defendant.

So ordered.^[5]

Petitioners sought reconsideration of the above order, praying that respondent be ordered to pay P20,000.00 monthly for the use and occupancy of the ground floor and P10,000.00 each monthly for the second and third floors.

Respondent, on the other hand, filed a notice of appeal.

Instead of resolving the motion for reconsideration, on May 7, 1997, the MeTC of Parañaque issued an Order, elevating the case to the Regional Trial Court:

Considering the Motion for Reconsideration of the Order of this Court dated March 3, 1997 and the Comment and Opposition thereto of the counsel for the defendant, the Court finds that the said Motion for Reconsideration should already be addressed to the Regional Trial Court considering that whatever disposition that this Court will award will still be subject to the appeal taken by the defendant and considering further that the supersedeas bond posted by the defendant covered the increased rental.^[6]

On September 30, 1997, the RTC of Parañaque, Branch 259, rendered a Decision modifying that of the MeTC, the dispositive portion of which reads:

IN THE LIGHT OF THE FOREGOING, the appealed decision, being in accordance with law, is hereby affirmed as to the order to vacate the property in question and modified as to the amount of rentals which is hereby increased to P20,000.00 a month for the ground floor starting June 28, 1988 and P10,000.00 a month for the second floor and also P10,000.00 a month for the third floor (or) a total of P40,000.00 monthly rentals commencing June 28, 1988 until the subject property has been vacated and possession thereof turned [sic] over to the plaintiffs-appellees; to pay attorney's fees in the amount of P20,000.00; and with costs.^[7]

In her Motion dated October 6, 1997, respondent sought a reconsideration of the above ruling of the RTC. The same was denied on November 25, 1997.

Respondent elevated her case to the Court of Appeals. The CA rendered the Decision subject of this petition the dispositive portion thereof reads:

Wherefore, the decision appealed from is hereby modified by reducing the amount of rentals for both the second and third floors from P20,000.00 to P10,000.00 monthly. With this modification, the judgment below is AFFIRMED in all other respects.^[8]

The parties filed their respective motions for reconsideration to the Court of Appeals. Petitioners asked that the decision of the Regional Trial Court fixing the total monthly rentals at P40,000.00 be sustained. On the other hand, respondent sought a revival of the decision of the MeTC on the ground that since petitioners did not interpose an appeal from the amended judgment of the MeTC, the RTC could not validly increase the amount of rentals awarded by the former.

In its Resolution dated 30 July 1998, the Court of Appeals resolved the parties' motions for reconsideration in favor of the respondent. It ruled that the motion for reconsideration filed by the petitioners before the MeTC was a prohibited pleading under the Rules of Summary Procedure. Such being the case, said motion for reconsideration did not produce any legal effect and thus the amended judgment of the MeTC had become final and executory insofar as the petitioners are concerned. The dispositive portion of the CA's resolution reads as follows:

WHEREFORE, the decision appealed from is hereby MODIFIED by reducing the monthly rentals for the first/ground floor from P20,000.00 to P8,000.00 and for the second and third floors from P10,000.00 each to P5,000.00 for both floors. With this modification the judgment below is AFFIRMED in all other respects.

No pronouncement as to costs.

So ordered.^[9]

Petitioners now come before this Court assigning the following errors:

A.

IN THE ASSAILED DECISION, THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN REVERSING THE FINDINGS OF THE REGIONAL TRIAL COURT BY USING AS BASIS FOR REDUCING THE RENTAL ONLY THE EVIDENCE SUBMITTED BY THE PARTIES AND IGNORING CIRCUMSTANCES OF WHICH THE REGIONAL TRIAL COURT PROPERLY TOOK JUDICIAL NOTICE.

B.

IN THE ASSAILED DECISION, THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN ITS FINDINGS THAT THE REGIONAL TRIAL COURT HAD NO JURISDICTION TO MODIFY THE APPEALED JUDGMENT BY INCREASING THE AWARD OF MONTHLY RENTALS FROM P13,000.00 TO P40,000.00.^[10]

We required respondent to comment on the petition.^[11] In her *Comment/Compliance*, respondent contends that the petition should be dismissed and the resolution of the case should be based on the following issues:

1. DID THE RESPONDENT APPELLATE COURT COMMITTED [*sic*] ANY REVERSIBLE ERROR WHEN IT CONSIDERED PETITIONERS' "MOTION FOR RECONSIDERATION" (ANNEX "I" - PETITION) FILED WITH THE MTC-COURT AS A PROHIBITIVE [*sic*] PLEADING IN A SUMMARY PROCEDURE CASE SUCH AS THE ONE AT BAR[?]
2. DID THE RESPONDENT APPELLATE COURT COMMITTED [*sic*] ANY REVERSIBLE ERROR WHEN IT RESOLVED TO RESTORE, REINSTATE, AFFIRM AND UPHOLD THE MTC - AMENDED JUDGMENT OF MARCH 3, 1997 FIXING THE TOTAL AWARD OF P13,000.00 GROUNDED ON A PROHIBITIVE [*sic*] PLEADING AND FAILURE TO FILE A NOTICE OF APPEAL[?]
3. DID THE APPELLATE COURT COMMITTED [*sic*] ANY REVERSIBLE ERROR WHEN IT RESOLVED TO SUSTAIN RESPONDENT'S POSITION CONSISTENT WITH THE LAW AND JURISPRUDENCE THAT FOR PETITIONERS' FAILURE TO APPEAL AND HAVING FILED A PROHIBITIVE [*sic*] PLEADING, THEY CANNOT ASK FOR AFFIRMATIVE RELIEF SUCH AS INCREASE IN RENTAL[?]^[12]

There is no question that after the expiration of the lease contracts which respondent contracted with Aniana Galang and BPI, she lost her right to possess the property since, as early as the actual expiration date of the lease contract, petitioners were not negligent in enforcing their right of ownership over the property.

While respondent was finally evicted from the leased premises, the amount of monthly rentals which respondent should pay the petitioners as forced lessors of said property from 20 June 1988 (for the ground floor) and 15 August 1988 until 6 January 1998 (for the second and third floors), or a period of almost ten years remains to be resolved.

Petitioners, in the main, posit that there should be a reinstatement of the decision of the regional trial court which fixed the monthly rentals to be paid by herein respondent at the total of P40,000.00, P20,000.00 for the occupancy of the first floor, and P10,000.00 each for the occupancy of the second and third floors of the building, effective after the lapse of the original lease contract between respondent and the original owner of the building.

On the other hand, respondent insists on the ruling of the Metropolitan Trial Court, which was thereafter reinstated by the Court of Appeals in its 30 July 1998 Resolution, that the monthly rental rates of only P8,000.00 for the first floor and P5,000.00 for each of the second and third floors should prevail.

At the outset, it should be recalled that there existed no consensual lessor-lessee relationship between the parties. At most, what we have is a forced lessor-lessee relationship inasmuch as the respondent, by way of detaining the property without the consent of herein petitioners, was in unlawful possession of the property belonging to petitioner spouses.

We cannot allow the respondent to insist on the payment of a measly sum of P8,000 for the rentals of the first floor of the property in question and P5,000.00 for each of the second and the third floors of the leased premises. The plaintiff in an ejectment case is entitled to damages caused by his loss of the use and possession of the premises.^[13] Damages in the context of Section 17, Rule 70 of the 1997 Rules of Civil Procedure is limited to "rent" or fair rental value or the reasonable compensation for the use and occupation of the property.^[14] What therefore constitutes the fair rental value in the case at bench?

In ruling that the increased rental rates of P40,000.00 should be awarded the petitioners, the regional trial court based its decision on the doctrine of judicial notice. The RTC held, thus:

While this Court is fully in agreement with the Court of Origin that plaintiffs-appellees have the better right to the possession of the premises in question being the present owners and the contract of lease between the former owner and herein defendant-appellant had already expired, the amount of rentals as laid down in the Clarificatory Order dated 3 March 1997 is inadequate, if not unreasonable.

The Court a quo misappreciated the nature of the property, its location and the business practice in the vicinity and indeed committed an error in