

THIRD DIVISION

[G.R. No. 132051, June 25, 2001]

**TALA REALTY SERVICES CORP., PETITIONER, VS. BANCO
FILIPINO SAVINGS AND MORTGAGE BANK, RESPONDENT.**

DECISION

SANDOVAL-GUTIERREZ, J.:

Stare decisis et non quieta movere. This principle of adherence to precedents has not lost its luster and continues to guide the bench in keeping with the need to maintain stability in the law.

The principle finds application to the case now before us.

This is a petition for review on certiorari under Rule 45 of the 1997 Rules of Civil Procedure, as amended, assailing the Resolution dated December 23, 1997 of the Court of Appeals in C.A.-G.R. SP No. 44257.

Under Republic Act No. 337 (General Banking Act), commercial banks are allowed to invest in real property subject to the limitation that:

"Sec. 25. Any commercial bank may purchase, hold and convey real estate for the following purposes:

"(a) such as shall be necessary for its immediate accommodation in the transaction of its business: Provided, however, that the total investment in such real estate and improvements thereof, including bank equipment, *shall not exceed fifty percent (50%) of net worth* x x x x x x x ." (Emphasis Ours)

Investments in real estate made by savings and mortgage banks are likewise subject to the same limitation imposed by the aforequoted provision.^[1]

Bound by such limitation, the management of Banco Filipino Savings and Mortgage Bank (Banco Filipino for brevity) devised means to pursue its endeavor to expand its banking operations. To this end, Tala Realty Services Corporation (Tala for brevity) was organized by Banco Filipino's four (4) major stockholders namely, Antonio Tiu, Tomas B. Aguirre, Nancy Lim Ty and Pedro B. Aguirre. Tala and Banco Filipino agreed on this scheme - Tala would acquire the existing branch sites and new branch sites which it would lease out to Banco Filipino.

On August 25, 1981, pursuant to their agreement, Banco Filipino sold its eleven (11) branch sites all over the country to Tala. In turn Tala leased those sites to Banco Filipino under contracts of lease executed by both parties on the same day.

Years after, dissension between Tala and Banco Filipino arose in connection with their lease contracts resulting in a chain of lawsuits for illegal detainer. Some of these cases are still pending in courts. At present, three of the illegal detainer cases have been passed upon by the Supreme Court.

The case at bar, involving Banco Filipino's Iloilo City branch site, is one of those cases for illegal detainer filed by Tala against Banco Filipino based on these grounds: (a) expiration of the period of lease and (b) non-payment of rentals.

The facts of the present controversy may be summed up as follows:

In its complaint in Civil Case No. 51(95) filed with the Municipal Trial Court (MTC) of Iloilo City on March 29, 1995, Tala alleged that on the basis of a contract of lease executed on August 25, 1981 which provides in part:

"1. That the term of this LEASE shall be for a period of eleven (11) years, renewable for another period of nine (9) years at the option of the LESSEE under terms and conditions mutually agreeable to both parties."

[2],

its contract with Banco Filipino expired on August 31, 1992. However, Banco Filipino has continued to occupy the premises even after the expiration of the lease.

On June 2, 1993, Tala imposed upon Banco Filipino the following terms and conditions: that the bank should pay P70,050.00 as monthly rental retroactive as of September 1, 1992, with rental escalation of 10% per year; and advance deposit equivalent to rents for four months, plus a goodwill of P500,000.00.

Banco Filipino did not comply and in April 1994, it stopped paying rents.

In its letter dated April 14, 1994, Tala notified Banco Filipino that the lease contract would no longer be renewed; that it should pay its back rentals, including goodwill, deposit and adjusted rentals in the amount of P2,059, 540.00 and vacate the premises on or before April 30, 1994.^[3] In its second letter dated May 2, 1994, Tala demanded upon Banco Filipino to pay the rents and vacate the premises.^[4]

In answer to Tala's complaint, Banco Filipino denied having executed the lease contract providing for a term of eleven (11) years; claiming that its contract with Tala is for twenty (20) years, citing the Contract of Lease executed on August 25, 1981 providing:

"That the term of this LEASE shall be for a period of twenty (20) years, renewable for another period of twenty (20) years at the option of the LESSEE under terms and conditions mutually agreeable to both parties."

[5]

On July 1, 1996, the MTC rendered judgment holding that the eleven (11)-year lease contract superseded the twenty (20)-year lease contract. Thus, the court ordered the ejectment of Banco Filipino from the premises on these grounds: expiration of the eleven (11)-year lease contract and non-payment of the adjusted rental. Banco Filipino was likewise ordered to pay back rentals in the amount of P79,050.00 corresponding to the period from May 1994 up to the time that it shall have surrendered to Tala possession of the premises.^[6]

On appeal, the Regional Trial Court, Branch 26, Iloilo City affirmed the MTC decision.^[7]

Banco Filipino elevated the RTC decision to the Court of Appeals which affirmed the challenged decision.^[8]

Banco Filipino sought for a reconsideration of the Court of Appeals Decision, invoking in its Supplemental Motion for Reconsideration the Decisions of the same court in two of the other illegal detainer cases initiated by Tala against Banco Filipino, docketed as CA-G.R. SP Nos. 39104 and 40524. In these cases, the Court of Appeals upheld the validity of the lease contract providing for a period of twenty (20) years. Finding Banco Filipino's motions for reconsideration meritorious, the Court of Appeals issued the herein assailed Resolution, thus:

"This Court agrees with petitioner that its Decision of August 30, 1996 in CA-G.R. SP No. 39104, having been declared final and executory by no less than the Supreme Court in G.R. No. 127586, now constitutes the law of the case between the parties in the present case. Accordingly, this Court is not at liberty to disregard or abandon the same at will without wreaking havoc on said legal principle.

"WHEREFORE, petitioner's motion for reconsideration and supplemental motion for reconsideration are hereby GRANTED. Accordingly, the Court's Decision of August 25, 1997 is hereby SET ASIDE and, in lieu thereof, a new one is rendered REVERSING and SETTING ASIDE the appealed decision and DISMISSING the complaint for ejectment filed against herein petitioner in the Municipal Trial Court of Iloilo City."^[9]

Tala now comes to this Court on the lone ground that:

"The Honorable Court of Appeals erred in considering that principle of 'the law of the case' finds application in the instant case."^[10]

Petitioner Tala contends that its complaint for illegal detainer should not have been dismissed by the Court of Appeals on the basis of its decision in CA-G.R. SP No. 39104. Petitioner claims that this decision is not a precedent.

The first in the series of illegal detainer cases filed by Tala against the bank which reached the Supreme Court is CA-G.R. SP No. 39104. This involves the site in Malabon. The Court of Appeals held that Banco Filipino cannot be ejected from the

subject premises considering that the twenty (20)-year lease contract has not expired. Tala elevated this Court of Appeals decision to the Supreme Court in G.R. No. 127586. In a Resolution dated March 12, 1997, the Supreme Court dismissed Tala's petition as the "appeal" was not timely perfected, thus:

"Considering the manifestation dated January 31, 1997 filed by petitioner that it is no longer pursuing or holding in abeyance recourse to the Supreme Court for reasons stated therein, the Court Resolved to *DECLARE THIS CASE TERMINATED* and *DIRECT* the Clerk of Court to *INFORM* the parties that the judgment sought to be reviewed has become final and executory, no appeal therefrom having been timely perfected."

[11]

We agree with petitioner Tala that the decision of the Court of Appeals in CA-G.R. SP No. 39104 holding that the twenty (20)-year contract of lease governs the contractual relationship between the parties is not a precedent considering that the Supreme Court in G.R. No. 127586 did not decide the case on the merits. The petition was dismissed on mere technicality. It is significant to note, however, that the Supreme Court in G.R. No. 129887, [12] through Mr. Justice Sabino R. de Leon, resolved the identical issue raised in the present petition, i.e., whether the period of the lease between the parties is twenty (20) or eleven (11) years, thus:

"Second. Petitioner Tala Realty insists that its eleven (11)-year lease contract controls. We agree with the MTC and the RTC, however, that the eleven (11)-year contract is a forgery because (1) Teodoro O. Arcenas, then Executive Vice-President of private respondent Banco Filipino, denied having signed the contract; (2) the records of the notary public who notarized the said contract, Atty. Generoso S. Fulgencio, Jr., do not include the said document; and (3) the said contract was never submitted to the Central Bank as required by the latter's rules and regulations (Rollo, pp. 383-384.).

"Clearly, the foregoing circumstances are badges of fraud and simulation that rightly make any court suspicious and wary of imputing any legitimacy and validity to the said lease contract.

"Executive Vice-President Arcenas of private respondent Banco Filipino testified that he was responsible for the daily operations of said bank. He denied having signed the eleven (11)-year contract and reasoned that it was not in the interest of Banco Filipino to do so (Rollo, p. 384). The fact was corroborated by Josefina C. Salvador, typist of Banco Filipino's Legal Department, who allegedly witnessed the said contract and whose initials allegedly appear in all the pages thereof. She disowned the said marginal initials (*id.*, p. 385).

"The Executive Judge of the RTC supervises a notary public by requiring submission to the Office of the Clerk of Court of his monthly notarial report with copies of acknowledged documents thereto attached. Under this procedure and requirement of the Notarial Law, failure to submit