

SECOND DIVISION

[G.R. No. 109840, January 21, 1999]

**JOSE L. CHUA AND CO SIO ENG, PETITIONERS, VS. THE
HONORABLE COURT OF APPEALS AND RAMON IBARRA,
RESPONDENTS.**

D E C I S I O N

MENDOZA, J.:

This is a petition for review on certiorari of the decision,^[1] dated October 8, 1992, of the Court of Appeals affirming the decision of the Regional Trial Court, Branch 59 of Makati, Metro Manila, ordering the ejectment of petitioners from the premises owned by private respondent.

Petitioners were lessees of a commercial unit at No. 3086 Redemptorist Street in Baclaran, Parañaque, Metro Manila. The lease was for a period of five (5) years, from January 1, 1985 to December 31, 1989. The contract expressly provided for the renewal of the lease at the option of the lessees "in accordance with the terms of agreement and conditions set by the lessor." Prior to the expiration of the lease, the parties discussed the possibility of renewing it. They exchanged proposal and counterproposal, but they failed to reach agreement. The dispute was referred to the barangay captain for conciliation but still no settlement was reached by the parties.

On July 24, 1990, private respondent filed a complaint for unlawful detainer against petitioners in the Metropolitan Trial Court of Parañaque, Metro Manila, which on February 4, 1992 rendered a decision, the dispositive portion of which reads:^[2]

WHEREFORE, premises considered, judgment is hereby rendered as follows:

1. The defendants (herein petitioners) are hereby given a period of two (2) years extension of occupancy of the subject premises starting the date of the filing of the instant complaint;
2. The defendants are hereby ordered to pay the plaintiff (herein private respondent) the sum of P188,806.00 representing back rentals as of the year 1991 and a monthly rental of P10,000.00 thereafter until the expiration of the aforesaid extension of their occupancy or until the subject premises is actually vacated.
3. Defendants are hereby ordered to pay the plaintiff the amount of P15,000.00 as attorney's fees; and

4. Defendants are hereby ordered to pay the cost of suit.

SO ORDERED

On appeal by both parties, the Regional Trial Court, Branch 59 of Makati ruled that the lease was for a fixed period of five (5) years and that, upon its expiration on January 1, 1990, petitioners' continued stay in the premises became illegal. As provided in Art. 1687 of the Civil Code, the power of the courts to fix the period of lease is limited only to cases where the period has not been fixed by the parties themselves. The dispositive portion of the decision^[3] states:

Premises considered, judgment is hereby rendered modifying the appealed decision, as follows:

1. Ordering the defendants (herein petitioners) and all persons claiming and/or acting for and in their behalf to vacate the premises known as door No. 3086 Redemptorist, corner G.C. Cruz Streets, Baclaran, Parañaque, Metro Manila and turn over possession thereof to the plaintiff (herein private respondent);
2. Ordering the defendants to pay the plaintiff the following:
 - a) the amount of P42,306.00 representing accrued or back rentals from January 1, 1987 to December 31, 1989;
 - b) a monthly rental of P7,320.50 for the use or occupancy of the premises starting January 1, 1990 until July 24, 1990 and at Ten Thousand (P10,000.00) Pesos from July 24, 1990 until the defendants shall have vacated the same;
 - c) the amount of P10,000.00 representing reasonable attorney's fees;
3. Dismissing defendants' counterclaim for lack of merit; and
4. With costs against the defendants.

Petitioners appealed to the Court of Appeals which affirmed the decision. In its decision, dated October 8, 1992, the Court of Appeals ordered:

WHEREFORE, except for the modification that the monthly rental that petitioners should pay private respondent from July 24, 1990 until the latter finally vacate the premises in question is reduced to P7,320.00, the decision of the respondent court in this case is AFFIRMED in all other respects, with costs against petitioners Jose L. Chua and Ko Sio Eng.^[4]

Petitioners' motion for reconsideration was likewise denied. Hence, this petition for review on certiorari. Petitioners assign several errors as having been allegedly committed by the Court of Appeals.

First. Petitioners allege that the Court of Appeals erred in affirming the lower court's finding that they owe private respondent the amount of P42,306.00 as unpaid rentals from January 1, 1987 to December 31, 1989 because neither the letter of demand nor the complaint for unlawful detainer alleged a claim for unpaid

rentals. As the Court of Appeals pointed out, however, the issue of arrearages was raised at the pre-trial by private respondent and evidence on this question was presented without objection from petitioners:^[5]

First of all, while it is true that there was no express demand in private respondent's complaint for unlawful detainer against petitioners for the latter's payment of rental arrearages, private respondent in a pleading dated December 17, 1990 filed with the MTC (by way of comment to petitioners' motion to admit amended answer) stated:

That moreover the unpaid rentals from January 1987 to December 31, 1989 amounts to FORTY TWO THOUSAND THREE HUNDRED SIX PESOS (P42,306.00), exclusive of rentals from January 1 to December 31, 1990 which would be one hundred eighty thousand pesos (P180,000.00) or a total of TWO HUNDRED TWENTY TWO THOUSAND THREE HUNDRED SIX PESOS (222,306.00)

(p. 75, Orig. Rec).

Then, at the pre-trial of December 17, 1990, among the issues proposed by counsel for plaintiff (now private respondent) was whether:

3. defendants are in arrears for the rentals from Dec. 31, 1987 to January 1989, in accordance with the contract;

(p. 8, tsn Dec. 17, 1990;

p. 87, id.)

Counsel for defendants (herein petitioners) did not object to the statement of issues made by plaintiff's counsel and instead simply stated as their own main issue whether plaintiff had a valid cause of action for ejectment against them as he is not the sole owner of the leased premises, and then averred that "based on this premise, the other issues raised by plaintiff could be dependent on the resolution of the stated issues" (id., p. 88, Orig. Rec.). Later, at the hearing of February 12, 1990, plaintiff Ramon Ibarra testified that although his lease contract (Exh. "A") with petitioners stipulated an annual ten percent (10%) additional rental starting in 1986 (i.e., the monthly rental in 1986 was P5,500, in 1987, it was P6,050; in 1988, it was P6,655.00; and in 1989, it was P7,320.50), petitioners continued to pay only the original monthly rental of P5,000 stipulated in their contract (Exh. "A"), so that petitioners had incurred total rental arrearages at the end of 1989 of P42,306.00 (pp. 6-8, tsn, op. cit.; pp. 113-115, Orig. Rec.). . . .

Obviously, then, petitioners' rental arrearages from 1986 to 1989 was an issue raised at the pre-trial and on which issue private respondent presented evidence without any objection from petitioners. And considering that the petitioners incurred said rental arrearages because they did not pay private respondent the automatic 10% increase in their monthly rental every year for the years 1986 to 1989 as agreed upon and stipulated in their lease contract (Exh. "A"), which contract is the law