

THIRD DIVISION

[G.R. No. 123479, April 14, 1999]

SOLANDA ENTERPRISES, INC., PETITIONER, VS. COURT OF APPEALS AND LUIS MANLUTAC, RESPONDENTS.

DECISION

PANGANIBAN, J.:

Ejectment suits settle only the issue of physical possession. They are not barred by the pendency of an action for the annulment of the sale and for the reconveyance of the disputed land. Furthermore, for the exercise of the right of first refusal granted by PD 1517, Proclamation No. 1967 requires the tenant to show that the disputed land is located within both an "urban land reform zone" and an "area of priority development." Finally, an ordinance of the City of Manila expressing an intent to expropriate the subject land will not by itself abate an illegal detainer suit.

The Case

Before us is a Petition for Review on *Certiorari* seeking the reversal of the December 20, 1995^[1] Decision and January 23, 1996^[2] Resolution of the Court of Appeals^[3] in CA-GR SP No. 33777. The CA set aside the Decision^[4] of the Regional Trial Court (RTC) of Manila in Civil Case No. 93-64768, affirming that of the Metropolitan Trial Court, which granted the Complaint of petitioner and ordered the ejectment of herein private respondent.

The Facts

The respondent court narrated the factual antecedents of this case as follows:^[5]

"The record shows that [Private Respondent Manlutac] who has built a residential house [o]n a 135-square meter portion of the land at 1588-B Rivera St., Tondo, Manila, is among the numerous tenants/lessees of the Quijano estate with a land area of 6,000 square meters, more or less, situated at Tondo, Manila for a period of more than 40 years now. On April 7, 1986, the original owners of the subject estate and at the same time the lessors of [private respondent], Sps. Juan and Ceferina Quijano sold thru a Deed of Absolute Sale, the realty in favor of petitioner for Thirty Million Pesos without giving the [private respondent] and the other tenants the chance to exercise their preemptive rights as accorded to them by PD No. 1517, subject lots being declared as urbanized lands.

"Later on, in a letter dated June 24, 1989, after the sale to Solanda Enterprises, Inc. was consummated, Ceferina Quijano made an offer to the [private respondent] and the other tenants for the sale of the subject estate to them. On November 25, 1989, the tenants including [private

respondent], thru a letter addressed to Ceferina Quijano, signified their acceptance of the proposed sale and concurrence [in] the selling price [of] P2,000.00 per square meter.

"Under date of June 25, 1991, Mrs. Quijano sent a letter to [private respondent] informing him that Solanda Enterprises [was] already the owner of the subject property and that the payment of monthly rental should thence be made to Solanda Enterprises starting July 1, 1991.

"On July 2, 1991, Solanda Enterprises registered the land in its name under TCT No. 1988580 of the Register of Deeds of Manila.

"On August 30, 1991, the tenants discovered the sale of the leased lots to Solanda Enterprises upon verification with the Office of the Register of Deeds of Manila.

"On September 13, 1991, the tenants including [private respondent] filed with the RTC a complaint against Solanda Enterprises and Ceferina Quijano for annulment of sale, reconveyance and damages. This was assigned to RTC Branch 41 and docketed as Civil Case No. 91-58568."^[6]

The result of Civil Case No. 91-58568 was duly noted by the Court of Appeals in these words:

"[O]n April 19, 1994, RTC Branch 41 rendered a decision in Civil Case No. 91-58568 annulling the deed of sale dated April 7, 1986 executed by Ceferina Quijano in favor of Solanda Enterprises, canceling TCT no. 198580 issued on July 2, 1991 and directing the parties to comply with the provisions of Sec. 6 and 9 of PD 1517."^[7]

Meanwhile, the course of the succeeding litigation in the present case was narrated by the respondent court thus:^[8]

"On November 6, 1992, [herein petitioner] Solanda Enterprises, Inc., (Solanda, for brevity) filed with the Metropolitan Trial Court of Manila a complaint for ejectment against Luis Manlutac (Manlutac, for brevity) on the ground that the oral contract of lease on a parcel of land located at 1588-B Rivera St., Tondo, Manila, on a month to month basis ha[d] expired and that during the period from July to September 1992, Manlutac incurred rental arrearages amounting to P1,368.00.

"On November 23, 1992, [a] summons for summary procedure was received for Manlutac by a certain Emerita Padilla at the given address.

"On January 19, 1993, [private respondent] filed a motion to admit answer averring therein that the person who received the legal processes [was] only a high school graduated and [did] not know the legal implications of the same, and besides, she was of the impression that since the impleaded defendant [was] already deceased, the same [was] no longer important. She only had the opportunity to deliver it to Luis Manlutac's daughter in Bataan on December 23, 1992. Attached to the motion [was] the answer with special affirmative defenses with

counterclaim.

"On January 21, 1993, the MTC rendered a summary judgment in favor of [petitioner]. The dispositive portion reads:

` ACCORDINGLY, judgment is hereby rendered in favor of the [petitioner] and against the [private respondent], ordering the latter and all persons claiming right and title under him to vacate the premises located at No. 1588-B A. Rivera St., Tondo, Manila and to surrender peaceful possession thereof to [petitioner]; to pay [petitioner] the sum of P1,368.00 representing rental arrearages from July, 1992 to September, 1992; to pay [petitioner] the sum of P1,500.00 a month effective November, 1992 for the use of and occupancy of the premises, until the same shall have been fully vacated; to pay the sum of P2,000.00 as and for attorney's fees; and to pay the costs of suit.

` x x x x x x x x x.'

"On February 11, 1993, [private respondent] filed with the MTC a Notice of Appeal with Supersedeas Cash Bond.

"On August 25, 1993, the Regional Trial Court rendered the assailed decision. We quote the dispositive portion, as follows:

` WHEREFORE, premises considered, the Court AFFIRMS en toto the judgment dated January 21, 1993 of the MTC of Manila Branch 26.

x x x x x x x x x.'

"On September 23, 1993, [private respondent] filed a motion for reconsideration.

"On March 25, 1994, the Regional Trial Court denied the motion for reconsideration.

x x x x x x x x x"

On appeal, the Court of Appeals (CA)^[9] initially denied, in its Resolution of April 18, 1994, private respondent's motion for extension to file his petition for review.^[10] The CA likewise denied reconsideration in its Resolution of January 23, 1994.^[11] However, upon private respondent's petition, this Court, in its Resolution of January 11, 1995, reversed the appellate court.^[12]

Thereafter, the Court of Appeals rendered its assailed Decision of December 20, 1995, which disposed as follows:^[13]

"WHEREFORE, the instant petition is hereby GRANTED, the decision appealed from REVERSED and SET ASIDE and the complaint in Civil Case No. 140445 dismissed."

The CA denied reconsideration in its Resolution of January 23, 1996.^[14]

Hence, this petition.^[15]

Ruling of the Respondent Court

The Court of Appeals held that private respondent's failure to file his answer on time was excusable. It opined that the strict and rigid application of the rules of procedure, which tends to frustrate rather than to promote substantial justice, should be avoided. It further ruled that, for more than ten years, private respondent had been a legitimate tenant of a parcel of land "which is within the Urban Zone." Hence, he had the right of first refusal to purchase the same at a reasonable price and within a reasonable time.

Moreover, upholding the lower court Decision would have rendered nugatory all the private respondent's reliefs and rights arising from Civil Case No. 91-58568, in which the RTC annulled the sale of the land to petitioner. (This RTC ruling, however, is still on appeal.)

The Issues

In its memorandum,^[16] petitioner raises the following issues:

"1. Does the CA have jurisdiction to review and reverse the appealed RTC decision which has become final?

"2. On the assumption that to disregard technicality in order "xxx to promote substantial justice xxx", [the] CA may review the said decision, does the mere fact that Manlutac was a tenant on the land in issue for more than 10 years entitle him to the statutory right of first refusal under P.D. 1517 absent an allegation, much [less] a finding that the land is included in an Area of Priority Development (APD) and Urban Land Reform Zone as required in Proclamation No. 1967?"^[17]

More simply stated, petitioner's contention is that the respondent court committed reversible errors (1) in reviewing and reversing a Decision which had already become final and executory, and (2) in applying PD 1517 when the land in dispute was not located within an area for priority development (APD) and an urban land reform zone (ULRZ).

The Court's Ruling

Petitioner's contention on the second issue is meritorious. Private respondent has no right of first refusal under PD 1517, because the disputed parcel of land is not within an APD *and* a ULRZ.

First Issue

Timeliness of Appeal

Petitioner alleges that the respondent court disregarded the rules of procedure when

it reversed the RTC Decision which, according to its own July 22, 1994 Resolution, had already become final and executory. Said Resolution states:[18]

"For the reason that the motion for extension of time failed to indicate that said motion was filed on time, the motion was denied per Our Resolution of April 18, 1994. Subsequent to [it], [private respondent] Luis Manlutac filed a motion for reconsideration followed by his petition for review. From the motion for reconsideration and the petition for review can be gathered that xxx said petition was precisely filed out of time. The Decision of the court below was received by the counsel for [private respondent] on September 8, 1993. On September 23, 1993 which [was] the 15th day from September 8 [private respondent] filed a motion for reconsideration. The Order below dated March 25, 1994 which denied private respondent's motion for reconsideration was received by private respondent's counsel on April 8, 1994[;] and it was only on April 11, 1994 that the motion for extension of time to file [a] petition for review [w]as filed [--] when the decision sought to be reviewed had already become final."

Petitioner's contention, however, has already been rejected by this Court in its Resolution of January 11, 1995, worded as follows:[19]

"The final judgement or order of a Regional Trial Court in an appeal from the final judgment or order of a Metropolitan Trial Court, Municipal Trial Court and Municipal Circuit Trial Court may be appealed to the Court of Appeals through a petition for review. The period for filing a petition for review is fifteen (15) days. If a motion for reconsideration is filed with and denied by the Regional Trial Court, the movant has only the remaining period within which to file a petition for review. It may therefore be necessary to file a motion with the Court of Appeals for an extension of time to file such petition for review. The motion for extension of time must, however, be filed and the corresponding docket fee paid within the supplementary period of appeal (Lacsamana, et al. v. The Hon. Second Special Cases Division of the IAC, et al. 143 SCRA 643 [1986]).

"In instances when a motion for reconsideration of the decision of the Regional Trial Court is filed on the last day of the reglementary period to appeal, Section 3 of Rule 41 of the Revised Rules of Court provides the applicable rule:

` Section 3. How appeal is taken. - x x x.

` But where such a motion has been filed during office hours of the last day of the period herein provided, the appeal must be perfected within the day following that [o]n which the party appealing received notice of the denial of said motion.'
(Underscoring supplied)

"In the case at bar, [Private Respondent] Manlutac filed his motion for reconsideration with the Regional Trial Court on the last day of the reglementary period to file a petition for review. Following Section 3 of the Rule 41 of the Revised Rules of Court, upon receipt of the Regional