

SECOND DIVISION

[G.R. No. 126233, September 11, 1998]

**VALGOSONS REALTY, INC. PETITIONER, VS. COURT OF APPEALS,
URBAN DEVELOPMENT BANK AND PRUDENTIAL BANK,
RESPONDENTS.**

D E C I S I O N

MARTINEZ, J.:

For failure of petitioner to place respondent Urban Development Bank (UDB) in possession of the leased premises, the latter sued the former for rescission of their lease contract. Petitioner, in turn, alleged that it would have delivered the leased premises had the then lessee, respondent Prudential Bank (PB), vacated the premises upon the termination of its own lease contract. For a better grasp of the case, the facts as found by the Court of Appeals are as follows.^[1]

"On October 2, 1984, a lease contract was executed by and between the plaintiff-appellee Urban Development Bank (UBD) and the defendant-third-party-plaintiff-appellant Valgosons Realty, Inc. (VRI), whereby the former leased from the latter a portion of the ground floor of the Valgosons Realty Building situated at 151 Pasong Tamo, Makati, Metro Manila (now Makati City), consisting of 252.14 square meters, more or less, at an escalating rental rate beginning at P60.00 per square meter per month. The lease was to take effect on December 1, 1984 and expire at midnight on November 30, 1994.

"As stipulated, upon the execution of the contract, UBD paid VRI the sum of P65,779.20, equivalent to six months rentals, as deposit and advance rentals.

"But despite repeated demands, VRI failed to place UBD in possession of the leased premises, thereby constraining the latter to rescind the contract on March 19, 1995, and asked for reimbursement and payment of damages. Thereafter, it commenced judicial action against VRI who x x x disclaimed any actionable fault or negligence on its part for the non-delivery of the leased space to UBD and, instead, heaped the blame on Prudential Bank (PB) against whom it filed a third-party complaint with prior leave of court.

"It appears that before leasing the space to UDB, VRI had leased it to PB for a term beginning October 1, 1981 up to midnight of September 30, 1986. However, the addendum to their contract provided, among others, that 'the LESSEE shall have the right to terminate this contract of lease at anytime before the end of the five-year period by giving notice in writing to the LESSOR at least six months in advance.'

"Under date of May 3, 1984, PB, through William Tioseco, its Vice-President, wrote VRI a letter of the following tenor:

"May 3, 1984
Elmer G. Valencia
President
Valgosons Realty, Incorporated
Makati

Dear Mr. Valencia,

Re: Lease Contract of Makati Branch

This refers to the Addendum of the Lease Contract of our Makati Branch which require the Lessee to give a six-months written notice for the termination of the said contract.

We would like to inform you that since our building in Pasong Tamo Street is almost completed, it is our plan to transfer the said branch to the new building.

Therefore, we would like to request that the said contract to be terminated by October, 1984.

Very truly yours,

(SGD.) WILLIAM TIOSIC

Vice-President

"Purportedly because of the letter, VRI entered into a contract with UDB for the lease to it of a portion of the premises occupied by PB beginning December 1, 1984 or two months after the announced termination of its (VRI's) contract with PB or in October 1984.

"But came October 1984, PB failed to vacate.

"Under date of December 6, 1985, VRI communicated with PB's William Tioseco, thus:

"December 6, 1984

MR. WILLIAM TIOSIC

Vice President

Prudential Bank
Ayala Avenue, Makati
Metro Manila

Dear Mr. Tiosic:

This is with reference to your letter of May 3, 1984 terminating your Contract of Lease with us effective October, 1984.

We have informed Mr. Bernie Lopez that a portion of the place is leased to Urban Development Bank effective December 1, 1984 and said bank will start the renovation on Saturday, December 8, 1984.

For your information.

Very truly yours,

VALGOSONS REALTY, INC.

(SGD.) PELAGIA B. DE GUZMAN

Adm/Finance Manager"

and followed it up on December 17, 1984, January 3, 1985, February 12, 1985 and March 22, 1985 with other letters reading:

"December 17, 1984

MR. WILLIAM TIOSIC

Vice President

Prudential Bank
Ayala Avenue, Makati
Metro Manila

Dear Mr. Tiosic:

On May 3, 1984 you wrote us a letter notifying us that your Contract of Lease will be terminated by October, 1984.

Subsequently, your Mr. Bernie Lopez requested our Mr. Valencia that you are extending the same up to November 30, 1984.

In the meanwhile because of the termination of your contract, we informed you that we entered into a Contract of Lease with Urban Development Bank to be effective December 1, 1984. Because you have no definite date of transfer, your Mr. Lopez assured us that he will make the necessary arrangement with the Urban Bank for the smooth turn over of the premises to the latter.

On December 6, 1984, we informed you that our new Lessee will start renovation on December 8, 1984.

Until now, you have not taken any action regarding the matter.

We urge you therefore to make the necessary arrangement with our new

Lessee the Urban Development Bank regarding the delay of delivery of premises to them. Otherwise, we will hold you responsible for any possible claim against us by our new tenant.

Very truly yours,

VALGOSONS REALTY, INC.

(SGD.) PELAGIA B. DE GUZMAN

Adm./Finance Manager"

"January 3, 1985

PRUDENTIAL BANK
Ayala Avenue, Makati
Metro Manila
Attention: Mr. William Tiosic

Vice President

Gentlemen:

Further to our letter to you dated December 17, 1984. Please be informed that at anytime today, Urban Development Bank will start their renovation of the leased premises.

Because of your inaction despite our several reminders, we have no alternative except to inform you that we and Urban Development Bank are not responsible for any possible damage to you due to the repairs to be undertaken by the latter.

Very truly yours,

VALGOSONS REALTY, INC.

(SGD.) PELAGIA B. DE GUZMAN

Adm./Finance Manager"

"February 12, 1985

PRUDENTIAL BANK
Ayala Avenue, Makati
Metro Manila

Gentlemen:

Further to our letter to you dated December 17, 1984. Please be informed that on February 5, 1985, we are in receipt of a letter from