

## **THIRD DIVISION**

**[ G.R. No. 123321, March 03, 1997 ]**

**ROMAN CATHOLIC ARCHBISHOP OF MANILA, PETITIONER, VS.  
COURT OF APPEALS AND MANUEL UY & SONS, INC.,  
RESPONDENTS.**

### **D E C I S I O N**

**MELO, J.:**

Before us is a petition praying for the review and consequent reversal of the decision of the Court of Appeals dated December 21, 1995, in its CA-G.R. SP Case No. 32673 which affirmed in toto that of Branch 43 of the Regional Trial Court of the National Capital Judicial Region stationed in Manila, which in-turn reversed the decision of the Metropolitan Trial Court of Manila.

The decision of the regional trial court that was affirmed by the Court of Appeals in all respects was rendered on October 28, 1993 and decreed as follows:

WHEREFORE, the judgment appealed from is hereby reversed and set aside and considering the legal and equitable considerations discussed above which has as their main thrust substantial justice and fundamental principle that no one should be unjustly enriched at the expense of another, a ten-year period is hereby fixed as the remaining life of the lease, the same to start as of the date of this decision. Each party will shoulder its own costs and expenses.

SO ORDERED.

(pp. 119-120, Rollo.)

Petitioner Roman Catholic Archbishop is the absolute owner of a parcel of land, known as Lot 3, Block 829 of the Manila Cadastre. On January 18, 1962, petitioner, as lessor, and private respondent Manuel Uy & Sons, Inc., as lessee, executed a Lease Agreement (Annex C-1, pp. 58-61, Rollo) over a portion of said lot as described in said agreement.

Among the stipulations in said agreement are that the lease shall be for 8 years from the date of the execution of the lease agreement, renewable for 2 successive 8-year periods, at the option of the private respondent, the lessee; that in view of the expenses which private respondent may incur in the ejectment of the then occupants of the premises and the demolition of their tenements, it shall be granted the right to occupy the premises free of rent until June 30, 1962, but shall pay a monthly rental of P2,000.00, starting July 1962, said rental to be paid within the

first 5 days of the month it is due; that the monthly rental shall be P2,300.00, as soon as that part of the premises west of Santiago Street is delivered to the private respondent.

The lessee (private respondent) also undertook to grant the lessor (petitioner) a yearly loan of P50,000.00 for 5 consecutive years, or a total loan of P250,000.00 with interest at the rate of 8% per annum. However, the monthly rentals are to be applied to discharge the loan.

A store and office building worth P200,000.00 was to be constructed by private respondent on the property.

It was also agreed that private respondent shall pay all taxes due on the leased premises, and that upon the termination of the lease, all improvements on the leased premises shall belong to petitioner without need of reimbursing private respondent the value of such improvements.

As part also of the consideration of the Lease Agreement, private respondent Manuel Uy & Sons executed in favor of petitioner a deed of donation whereby 3 parcels of land with a total area of 536.50 square meters located at Molave Street, Manuguit Subdivision, Tondo, Manila were conveyed for free to petitioner who wanted to build a chapel there for the residents in the subdivision (RTC Decision, p. 106, Rollo).

On January 19, 1962, the Lease Agreement was amended so as to reduce its area (Ibid.)

Petitioner, claiming that the period of lease, all of its 24 years, expired on January 18, 1986, and that this notwithstanding, private respondent refused to surrender possession of the premises or to pay the rentals due thereon despite demands, addressed a letter dated November 5, 1991 to respondent Manuel Uy & Sons, demanding, inter alia, that respondent vacate the leased premises and surrender possession thereof to petitioner within 10 days from receipt thereof.

Thereafter, an exchange of correspondence between the parties followed, but still private respondent refused to vacate the subject premises.

Petitioner then filed an ejectment suit with the Metropolitan Trial Court of Manila, praying that respondent Manuel Uy & Sons, Inc. be ordered to: (1) vacate the premises subject matter of the case and to surrender possession thereof to then plaintiff; (2) pay P 10,000.00 per month as the reasonable amount of rent from January 1986 to the date of actual turn-over of the premises; and (3) pay litigation expenses and attorney's fees in the amount of P20,000.00 or in such amount as the trial court may adjudge.

Respondent Manuel Uy & Sons, as defendant, in its Answer, denied liability for the alleged reasonable amount of rent from January 1986, alleging as defense that the lease period has not yet expired, and, that, therefore, the complaint is precipitate and premature. It thus prayed that the complaint be dismissed for lack of merit and that plaintiff be ordered to reimburse then defendant the sum of P20,000.00 as and for attorney's fees.

On June 16, 1993, the Metropolitan Trial Court of Manila (Branch X), rendered

Judgment finding in favor of then plaintiff Roman Catholic Archbishop of Manila and against Manuel Uy & Sons, Inc., ordering:

- 1) the defendant and all other occupants claiming right under him to vacate the aforesaid premises;
- 2) the defendant to pay plaintiff the monthly rent of P 10,000.00 to commence in January 1986 until the above premises shall have been vacated and delivered possession to plaintiff. However, the rental payments made by defendant for the period January 1986 to May 1992 to the plaintiff shall be deducted from the aggregate amount of the monthly rental of P10,000.00;
- 3) the defendant to pay attorney's fees in the amount of P20,000.00; and the cost of the suit; and
- 4) the defendant's counterclaim is hereby dismissed.

(p. 102, Rollo.)

Manuel Uy & Sons thereupon appealed, and as earlier stated, the regional trial court rendered on October 28, 1993 its reversal judgment fixing a 10-year period from said date as the remaining term of the lease contract between the parties.

Thereafter, the Court of Appeals, acting upon a petition for review, affirmed in toto the decision of the regional trial court.

Hence, the instant petition which raises the main issue of whether the regional trial court and the Court of Appeals were justified in extending the term of the lease for 10 years.

Before resolving this central issue, it is necessary for us to determine whether or not there was constructive delivery of the leased premises to private respondent by the petitioner by virtue of the parties' execution of the Lease Agreement (Annex C-1 to Petition) on January 18, 1962.

The Court of Appeals in its decision under review, quoted with approval the regional trial court that there was no delivery of the premises in question to the private respondent, to wit:

"While paragraph 3 of the 'Lease Agreement' speaks of granting 'the appellant the right to occupy the premises free of rent until June 30, 1962' and paragraph 6 thereof states that 'upon delivery of the premises to the LESSEE, the LESSEE will commence the ejectment and removal of the tenants or squatters' there was in fact neither actual nor constructive delivery of the premises to the appellant. For appellee never actually placed appellant in possession and enjoyment of the property. It merely executed the 'Lease Agreement' which, even if embodied in a public instrument, did not effect a symbolic or constructive delivery because, in the premises being then in the possession and control of squatters, as the appellee very well knew, was not within the power of the appellee to deliver. As held by our Supreme Court, if, notwithstanding the execution

of the public instrument, the one to whom possession is intended to be transferred cannot have the enjoyment and material tenancy of the thing and make use of it himself or through another in his name, because such tenancy and enjoyment is opposed by the interposition of another will, the fiction yields to the reality — the delivery has not been effected (Addison v. Felix, 38 Phil. 404; Masallo v. Cesar, 39 Phil. 134)."

(pp. 126- 127, Rollo.)

Petitioner argues that at the time the Lease Agreement was executed, respondent, as lessee, was fully aware that portions of the leased premises were actually occupied by squatters; that private respondent voluntarily took upon itself the burden of ejecting the squatters, hence, petitioner was relieved of the obligation to deliver the entire leased premises to private respondent free of squatters.

Further, it is said that during the entire 24-year duration of the lease, respondent never complained of "delay" or "non-delivery" of the leased property, so respondent Court of Appeals may not invoke the matter to justify its ruling extending the lease to the year 2003.

Petitioner argues that the issue of "delay" or "non-delivery" of the premises was never raised in the Answer filed by private respondent with the metropolitan trial court, the sole and only affirmative defense asserted therein being tacita reconduccion or implied renewal of lease. Petitioner thus concludes that the regional trial court as well as the Court of Appeals to have entertained and appreciated a defense that was never pleaded constitutes grave abuse of discretion.

The Court cannot give its full concurrence to the affirmance decision of the Court of Appeals.

In the first place, in the case of Addison v. Felix cited by the regional trial court and the Court of Appeals, there was no constructive delivery of the land by the vendor to the vendee because one Villafuerte claimed ownership of the parts of the land occupied by him.

In the instant case, the tenants and squatters occupying parts of the leased premises do not claim ownership of the portions occupied by them. Besides, private respondent agreed with petitioner that it (private respondent) would assume the burden of ejecting the tenants or squatters occupying portions of the leased premises.

By the execution of the Lease Agreement, there was constructive transfer of possession of the incorporeal rights of petitioner over the leased premises to private respondent, with or without squatters who do not have claims of ownership over the portions they occupy. This is so because "constructive delivery" is a general term comprehending all those acts which, although not conferring physical possession of the thing, have been held by construction of law equivalent to acts of real delivery, as for example, the giving of the key to the house, as constructive delivery of the house from the vendor to the vendee (Banawa vs. Mirano, 97 SCRA 517 [1980]).