

SECOND DIVISION

[G.R. No. 94516, December 06, 1996]

LUCIO SAN ANDRES, PETITIONER, VS. THE HONORABLE COURT OF APPEALS AND HEIRS OF GO CO, REPRESENTED BY ELIAS ANG, RESPONDENTS.

DECISION

MENDOZA, J.:

Petitioner Lucio San Andres leased a portion of his land, consisting of 5,000 square meters, to Go Co. He brought this suit for ejectment against the heirs of Go Co, alleging violation of the prohibition in the lease contract against subleasing the land. The Metropolitan Trial Court of Valenzuela gave judgment for petitioner. On appeal the Regional Trial Court affirmed with modification, but on further appeal to the Court of Appeals,^[1] the latter court reversed. Hence this petition for review on certiorari on the ground that the appellate court erred (1) in holding that the MeTC did not acquire jurisdiction over the suit for failure of petitioner to demand that private respondents vacate the premises, and (2) in holding that private respondents did not violate the contract which prohibits the lessee from subleasing the land because what they had to a third party was not the land but the building they had constructed on the leased premises.

The facts are as follows:

Petitioner is the owner of a parcel of land in Barangay Canumay, Valenzuela, Metro Manila. On May 27, 1973 he leased a portion of his land, consisting of 5,000 square meters in the northern part, to Go Co, the father of private respondent Elias Ang. The lease is for a period of thirty (30) years starting June 1, 1973 and expiring May 13, 2003. The contract stipulates that the lessee has a right to put up buildings or factories thereon but, at the end of the term of the lease, all structures which the lessee may put up on the land will belong in ownership to the lessor.

Go Co started the construction of a two-storey building on the land, but before he could finish the building, he ran out of funds and was forced to borrow P280,000.00 from Alberto Dy of Land Center Philippines, Inc. (hereinafter called Land Center). Because of Go Co's failure to pay the interest stipulated in his promissory note, Go Co gave Alberto Dy the right to use the building.

On December 19, 1974 Go Co died. His heirs continued paying the monthly rent to petitioner. They also inherited their father's debt to Land Center. Consequently, private respondents represented by Elias Ang, entered into a Memorandum of Agreement with Kookaburra Industrial Corporation (hereinafter called Kookaburra Industrial) pursuant to which the latter undertook to pay private respondents' indebtedness to Land Center. Private respondent Elias Ang later became a stockholder of Kookaburra Industrial by the assignment to him of 20 shares of the

2,000 subscribed shares of stock of the corporation.

In 1980, Kookaburra Industrial occupied the leased property and conducted its business therein. A contract of lease was entered into between Land Center, through Alberto Dy, and Kookaburra Industrial, through its president, Ramon Yu, whereby the former leased to the latter the building. The lease was for a period of three (3) years, from January 1, 1980 up to December 31, 1982, at a monthly rental of P7,000.00. An Addendum to the Contract of Lease, dated January 20, 1983, executed between the same parties extended the lease for two (2) years.

In 1985, petitioner refused to accept further payments of the rentals, as he demanded the execution of a new contract from private respondents. As he failed in his bid, he began a series of actions against private respondents.

First, on November 18, 1987, he wrote private respondent Elias Ang, giving notice of the termination of the lease contract made with Go Co by reason of the death of the latter and charging private respondents with violations of the lease contracts by subleasing the property without the petitioner's consent.

Second, the following year, 1988, petitioner filed a case for ejectment and damages against private respondents.

On September 7, 1989, the Metropolitan Trial Court of Valenzuela gave judgment for petitioner. It found that private respondents violated the lease contract by subleasing the building built on the leased property to Kookaburra Industrial. The court ordered private respondents to vacate the premises and to pay the petitioner monthly rentals for the use and occupation of said premises at the rate of P8,500.00 a month from December 1987 until they vacate the same and the amount of P4,000.00 for attorney's fees and the costs of the suit.

Private respondents appealed to the Regional Trial Court which on November 8, 1989 affirmed the decision of the MeTC, but reduced the monthly rental to be paid by private respondents to P1,200.00 a month from December 1987 until they finally vacate the premises. On further appeal, the Court of Appeals reversed the decision of the RTC and dismissed the petitioner's complaint.

Hence, this petition for review on certiorari by Lucio San Andres.

First. Petitioner contends that the Court of Appeals erred in holding that no demand to vacate had been made by him before bringing this suit for ejectment. He contends that before filing the ejectment suit his attorney sent private respondents a letter, demanding that "a formal contract of lease between you and our client, must be forged or executed immediately," otherwise private respondents would be considered "intruders of the property from which you can be ousted or rejected." Petitioner argues that this sufficiently put private respondents on notice that if they failed to enter into a new lease contract with petitioner, private respondents would be ejected from the land.

This contention of petitioner is without basis. The letter referred to reads:^[2]

18 November 1987

Mr. Elias Ang
809 Zacatero St.,
Sta Cruz, Manila

Dear Mr. Ang:

This letter has reference to your stay, occupation and use of the premises known as Lot 1043, Malinta Estate, situated at Canumay, Valenzuela, Metro Manila, owned by and registered under the name of our client, Lucio San Andres.

You must have been aware that although said property was previously leased to your father, Go Co, by our client, said lease contract has been automatically terminated or abrogated with the death of your father, if it is not so terminated with his death, nonetheless, you have violated the terms and conditions of said lease contract by subleasing the premises leased to a third person or entity, against the will and without the consent of our client. In view of the above-developments, we wish to inform you, as we have already stated in our demand letter of November 11, 1987, which we presumed that you have already received, that said contract is deemed terminated or abrogated motu-proprio. By reason of said termination or abrogation, your continued stay, occupation and use, therefore, of said premises are now only under the tolerance or implied consent of our client, without necessarily meaning the existence of a lease contract.

To legalize therefore, your continued stay, use and occupation of the said premises, we wish to inform you that formal contract of lease, between you and our client, must be forged or executed immediately, otherwise, your said stay, thereat, is without any color of right should our client discontinue his tolerance.

Should you desire to enter into a formal contract of lease with our client, basically, the following are the terms and conditions which our client would want you to agree, to wit;

1. The area to be covered by the lease contract shall be limited to the extent of the area presently occupied by your existing building, unless you negotiate for a bigger area;
2. The monthly rental to be paid shall be computed at P3.00 per square meter;
3. The maximum duration of the contract shall be limited to three (3) years, but it can be renewed by mutual agreement;
4. If the whole area could not be leased by you, then, our client can lease the remaining area to other interested persons;
5. Definitely, sub-leasing is not allowed; and
6. We will not recognize other persons, representing your interest, except