

THIRD DIVISION

[CA-G.R. SP NO. 130407, March 30, 2015]

**SIGNET DISTRIBUTORS, INC., REPRESENTED BY ITS PRESIDENT,
JOSE M. BARRETTO, PETITIONER, VVS. REPUBLIC OF THE
PHILIPPINES, REPRESENTED BY THE OFFICER-IN-CHARGE OF
THE DIRECTOR OF THE LANDS MANAGEMENT BUREAU,
RESPONDENT.**

DECISION

BARZA, J.:

Petitioner Signet Distributors, Inc. (Signet), represented by its President Jose M. Barretto, filed this petition for review seeking the reversal of the Decision^[1] dated April 1, 2013, which affirmed with modification the Decision^[2] dated January 31, 2012, of the Metropolitan Trial Court (MTC) Branch 80, Muntinlupa City, and the subsequent Order^[3] dated May 22, 2013, rendered by the Regional Trial Court, Branch 204, Muntinlupa City.

The established facts as found by the MTC and the RTC are, as follows:

Respondent Republic of the Philippines (respondent), represented by the Officer-in-Charge of the Director of the Lands Management Bureau, is the owner of a parcel of land covered by Transfer Certificate of Title No. 48958, with an area of 15,869 square meters, known as Lot No. 1-a-1 (LRC) Psd-1845, situated at Sucat, Muntinlupa City.

On February 18, 1969, respondent, through the then Bureau of Building and Real Property Management, entered into a Contract of Lease with Ford Philippines, Inc. (Ford), for a period of 20 years reckoned from the approval of the lease contract on July 14, 1969. On December 12, 1985, Ford executed an Assignment and Assumption of Contract of Lease in favor of petitioner Signet, whereby it ceded, transferred and conveyed to Signet all the rights, interests, credits, titles and obligations in and/or arising out of Ford's lease contract with the Republic.

In 1989, respondent and Signet entered into a *Renewal of Contract of Lease*, originally entered into by and between the Republic and Ford, for another 20 years from July 16, 1989 until July 16, 2009. The said contract contains a *Sublease, Assignment and Encumbrance* provision under paragraph 3 therein whereby petitioner is prohibited from sub-leasing the property without the prior written consent of respondent. On September 11, 1991, Signet wrote respondent requesting authority to allow its sister corporation to temporarily use a 3,500-square meter portion of the leased area consisting of two buildings and a small office space to be used as warehouses and for minor operations. Respondent granted the said request in a letter dated September 16, 1991,^[4] with the condition, among others, that the prohibition on non-subleasing is not violated and the sub-lease would be

temporary.

Sometime in 2000, Atty. Ricky Arzadon of the Department of Environment and Natural Resources (DENR) made an ocular inspection of the leased area and he discovered that the whole area was idle except for two (2) buildings being used by *Kaka & Sons Touchwood Incorporated/Highland Furniture* and *Exal Industries*. Atty. Arzadon was also informed that Signet leased the front area of the property to *Coron Handicraft* but it closed shop in 1999 due to labor problems. Because there was a violation on the prohibition to sub-lease the property, Atty. Arzadon recommended that the lease contract of Signet be terminated. On September 8, 2000, respondent informed Signet to vacate the premises and to pay the unpaid rentals of P318,035.90, as of September 15, 2000. On February 26, 2002, another demand letter was sent to Signet reiterating the latter to vacate the premises and to pay the unpaid rentals. On March 19, 2002, Signet, through its counsel, wrote respondent seeking reconsideration of the cancellation of the lease contract stating that it did not violate the prohibition of sub-leasing since it was able to obtain a written authority to sublease the portion of its leased premises. Respondent requested Signet to submit documents to prove that *Kaka & Sons Touchwood Incorporated/Highland Furniture* and *Exal Industries* were the sister companies of Signet but it failed to comply with the request.

On September 29, 2005, respondent again directed Signet to vacate the leased premises and pay the unpaid rentals. Signet, through counsel, sent a reply in a letter dated October 13, 2005, insisting that it has not violated any prohibition in the lease contract and expressed its intention to pay the unpaid rentals and its desire to purchase the property. On October 16, 2006, respondent sent a final demand letter to Signet to pay and immediately vacate the leased premises. Notwithstanding this last demand, Signet refused to vacate, hence, respondent filed before the court *a quo* a case for Ejectment on October 16, 2007.^[5]

The MTC-Branch 80, to where said case was raffled, rendered its decision dated January 31, 2012, the dispositive portion of which reads:

WHEREFORE, PREMISES CONSIDERED, judgment is hereby rendered in favor of the Republic of the Philippines represented by the officer-in-charge, Director of The Lands Management Bureau against SIGNET DISTRIBUTORS, INC., represented by its President Jose M. Barretto, Sr., ordering the latter to pay unpaid rentals for the use and occupation of the subject premises in the amount of SIX MILLION NINE HUNDRED EIGHTY FIVE THOUSAND SIX HUNDRED NINETY NINE PESOS and EIGHT CENTAVOS (PHP 6,985,699.08).

No pronouncement as to costs.^[6]

Signet appealed to the RTC. On April 1, 2013, the RTC rendered its judgment stating in its *fallo* that:

WHEREFORE, the DECISION appealed from is hereby AFFIRMED with MODIFICATION. SIGNET DISTRIBUTORS, INC. is directed to pay the REPUBLIC OF THE PHILIPPINES represented by the Officer-In-Charge - Director of the Lands Management Bureau, the amount of FOUR MILLION NINE HUNDRED NINETY SEVEN THOUSAND SEVEN HUNDRED SEVEN

PESOS (Php 4,997,707.00) with interest thereon at 6% per annum from October 16, 2007, the date of judicial demand until fully paid.

Defendant SIGNET is further ordered to pay the costs of suit^[7].

A Motion for Reconsideration was filed but this was denied in the Order of the RTC dated May 22, 2013.^[8]

Hence, the instant petition.

Signet (now referred to as petitioner) raises the following errors:

A. THE REGIONAL TRIAL COURT ERRED IN RULING THAT THE COMPLAINT FOR UNLAWFUL DETAINER AGAINST THE PETITIONER HAS NOT YET PRESCRIBED.

B. THE REGIONAL TRIAL COURT ERRED IN RULING THAT PETITIONER VIOLATED THE CONTRACT OF LEASE AND IS LIABLE FOR THE AMOUNT OF UNPAID RENTALS FROM THE TIME OF JUDICIAL DEMAND.

C. THE REGIONAL TRIAL COURT ERRED IN NOT CONSIDERING THE TEMPORARY IMPROVEMENTS CONSTRUCTED ON THE PREMISES TO OFFSET THE BACK RENTALS.^[9]

Petitioner argues that the one-year period to file the complaint for unlawful detainer should be counted from the date of the original demand, or on September 8, 2000, or at the very least on September 27, 2005. The petitioner's appeal to the notice to pay and demand to vacate did not toll the prescriptive period as there was no indication that respondent merely tolerated petitioner's occupation of the property. Since the complaint was filed on October 22, 2007, it was already beyond the one-year period, hence, respondent's cause of action has prescribed. Citing the cases of *Desbarats vs. Vda. De Laureno* and *Racaza vs. Gozum*,^[10] petitioner contends that the subsequent demands on petitioner are merely in the nature of reiterations of the original demand and they do not operate to renew the one-year period within which to commence the ejectment suit. Petitioner also maintains that it did not violate Paragraph 3 of the Contract of Lease on subleasing and respondent's allegation on this matter was not substantiated. According to petitioner, it was respondent who refused to accept rental payments and later unilaterally declared the lease contract null and void. Petitioner also claims that the value of the improvement (Warehouse) constructed in the property worth P4,000,000.00 must be applied to the amount of back rentals considering that said improvement is not permanent and is intended to be removed by petitioner upon the expiration of the lease. Petitioner argues that the kind of improvement contemplated in the provision in the lease contract is permanent in nature.

There is no merit in the petition.

The Court finds that petitioner correctly availed an action for unlawful detainer.

Under the Rules of Court, lessors against whom possession of any land is unlawfully withheld after the expiration of the right to hold possession may — by virtue of any express or implied contract, and within one year after the unlawful deprivation —