

TWENTY-THIRD DIVISION

[CA-G.R. CV NO. 03212, January 29, 2014]

BELLA FOODS, INC. REPRESENTED BY ITS PRESIDENT, ANGEL M. NATIVIDAD, PLAINTIFF-APPELLEE, VS. PHILIPPINE INTERNATIONAL DEVELOPMENT CO., INC., REPRESENTED BY ITS PRESIDENT, EFREN WEE, DEFENDANT-APPELLANT.

D E C I S I O N

LLOREN, J.:

This is an appeal from the Decision^[1] dated May 21, 2012 of the Regional Trial Court, 9th Judicial Region, Branch 12, Zamboanga City, in Civil Case No. 5760.

The Philippine International Development Co., Inc. (defendant-appellant) is the owner of a three-storey building (property) located at Zamboanga City.^[2]

On July 14, 2004, defendant-appellant entered into a Contract of Lease^[3] involving the property with Bella Foods, Inc. (plaintiff-appellee) for a period of 10 years starting June 1, 2004 until May 31, 2014.^[4] At the commencement of the lease contract, plaintiff-appellee paid defendant-appellant P250,000.00 as advance rental and P750,000.00 as security deposit, equivalent to three months rental.^[5] Plaintiff-appellee used the ground floor as Chow King restaurant and the second and third floors as pension house.^[6] On August 10, 2005, however, an explosion occurred in the property rendering the same untenable.^[7]

Meanwhile, plaintiff-appellee agreed to shoulder the cost of the repair of the property up to the maximum amount of P200,000.00. In the course of the repair, however, other defects were discovered thereby increasing the cost to P800,000.00.^[8]

Defendant-appellant notified plaintiff-appellee of the whole cost of the repair. On December 9, 2005, however, the latter informed the former that it could no longer afford to continue with the lease since the former was not amenable to a lower rental of P150,000.00 or the same rental of P250,000.00 with permission to sublease. The latter also demanded the return of the security deposit in the amount of P750,000.00.^[9]

Contending that plaintiff-appellee pre-terminated the lease contract, defendant-appellant refused to return the security deposit.^[10] This prompted plaintiff-appellee to file a Complaint,^[11] which was later amended,^[12] for Breach of Contract with Damages.

After trial on the merits, the trial court rendered the assailed judgment with the following dispositive portion:

WHEREFORE, in view of the foregoing, judgment is hereby rendered ordering defendant Philippine International Development Co., Inc., through its President, Efren Y. Wee, to return to plaintiff the sum of P750,000.00 representing the security deposit of plaintiff pursuant to that Contract of Lease dated July 14, 2004 with legal interest of 12% per annum to be reckoned from August 10, 2005 until the same is fully paid and to pay the costs of this suit.

Plaintiff's claim for payment of unrecovered improvements as well as attorney's fees and exemplary damages are hereby denied for insufficient evidence. Defendant's counterclaim is likewise denied.

SO ORDERED.

Defendant-appellant moved for reconsideration^[13] but the trial court denied the motion.^[14]

Defendant-appellant now comes before this Court with the following assigned errors:

I

THE COURT A *QUO* ERRED IN FINDING THAT THE LEASE CONTRACT BETWEEN THE PARTIES AUTOMATICALLY TERMINATED AFTER A BOMB EXPLOSION DAMAGED THE BUILDING RENDERING IT UNTENANTABLE;

II

THE COURT A *QUO* GRAVELY ERRED IN FINDING THE PLAINTIFF-APPELLEE WITHOUT ANY NEGLIGENCE WHATSOEVER IN CONNECTION WITH THE BOMB THAT EXPLODED INSIDE ITS LEASED PREMISES; and

III

THE COURT A *QUO* ERRED IN FINDING THAT THE PLAINTIFF-APPELLEE IS ENTITLED TO THE RETURN OF ITS SECURITY DEPOSIT.^[15]

The pivotal issue is whether the damage to the property is attributable to plaintiff-appellee's negligence.

The concept of negligence has been clarified as follows:

x x x Negligence, as commonly understood, is conduct which naturally or reasonably creates undue risk or harm to others. It may be the failure to observe that degree of care, precaution, and vigilance which the circumstances just(l)y demand, or the omission to do something which a prudent and reasonable man, guided by considerations which ordinarily regulate the conduct of human affairs, would do. x x x

Article 1667 of the Civil Code pertinently reads:

ART. 1667. The lessee is responsible for the deterioration or loss of the thing leased, unless he proves that it took place without his fault. x x x

The foregoing imposes upon the lessee the responsibility for the deterioration or loss of the thing leased. To avoid responsibility, he must prove that the deterioration or