

## TENTH DIVISION

[ CA-G.R. CV No. 101018, November 28, 2014 ]

**NIEVES PROPERTY VENTURES, INC., PLAINTIFF-APPELLEE, VS.  
STI SAN JOSE-NUEVA ECIJA REPRESENTED BY ITS PRESIDENT,  
RAFAEL VENTURINA, DEFENDANT-APPELLANT.**

### D E C I S I O N

**LANTION, J.A.C., J.:**

This is an appeal from the *Decision*<sup>[1]</sup> dated 22 May 2013 of the Regional Trial Court of San Jose City, Branch 39, in Civil Case No. (2010)-267-SJC, the dispositive portion of which reads:

**"WHEREFORE**, premises considered, the plaintiff having proved its case by mere preponderance of evidence, this Court hereby renders **JUDGMENT** ordering defendant:

- a) to pay the due rent under the lease contract which as of March 04, 2010 amounted to Php810,000.00 and to pay interest thereon at the rate of six (6) percent per annum;
- b) to pay attorney's fee in the amount of Php30,000.00; and
- c) to pay cost of the suit.

**SO ORDERED."**<sup>[2]</sup>

### THE FACTS (As culled from the Records)

Plaintiff-Appellee Nieves Property Ventures, Inc., (hereafter Appellee) is the owner of a multi-storey building (Nieves building) situated at Bonifacio Street, San Jose City, Nueva Ecija.

On 5 June 2002, Appellee leased to Defendant-Appellant Systems Technology Institute (STI) San Jose Nueva Ecija, Inc., (Appellant), for a period of 10 years (from 16 June 2002 to 15 June 2012), the second floor and one commercial unit stall of the Nieves building for a monthly rent of Php50,000.000.<sup>[3]</sup>

On 18 October 2003, another lease agreement was executed by Appellee and Appellant amending the previous lease contract to include the third floor of the

Nieves building for an additional monthly rental of Php25,000.00.<sup>[4]</sup>

On 6 June 2007, a second amendment to the leased contract was agreed upon by Appellee and Appellant to include another commercial unit stall for an additional rent of Php10,000.00, raising Appellant's total monthly rent to Php90,000.00. All other terms and conditions in the original lease contract were confirmed and ratified by the parties.<sup>[5]</sup>

On 30 May 2009, or the seventh (7) year of the lease contract, Appellant, through its President Rafael Venturina sent a written notice to Appellee informing the latter that he is terminating the lease agreement and will vacate the Nieves building on 30 June 2009.<sup>[6]</sup> Appellant alleged that he is terminating the lease contract because of the inadequate space for the increasing student population, limited usable space of the building, repair and maintenance issues and high rental rate. In response, Appellee reminded Appellant that the lease contract is in effect until 15 June 2012 and that the reasons relied upon by Appellant are not valid to unilaterally terminate the lease.<sup>[7]</sup>

On 23 June 2009, Appellee sent a demand letter to Appellant to pay the amount of Php90,000.00 as rental payment for the period 16 May 2009 to 15 June 2009.<sup>[8]</sup> Instead, Appellant left the Nieves building on 30 June 2009. Thereafter, Appellee sent several letters to Appellant demanding due rents. However, no payment was made by Appellant.<sup>[9]</sup>

Since Appellant already vacated the Nieves building, Appellee, on 6 April 2010, utilized the subject premises as the location for its Nieves Center for Education, Inc.

Thereafter, on 12 May 2010, Appellee filed a *Complaint for Breach of Contract with Damages*<sup>[10]</sup> against Appellant before the Regional Trial Court of San Jose City (hereafter court *a quo*). The case was docketed as Civil Case No. (2010)-267-SJC and raffled to Branch 39 thereof. In the said complaint, Appellee alleged that Appellant's unilateral termination of the lease contract is legally unjustified and that the unpaid rental, as of 4 March 2010, amounted to Php810,000.00.

In its answer, Appellant admitted not paying the rentals but justified it on the ground of the alleged failure of Appellant to undertake the necessary repairs of the roof of the top floor which caused class suspensions. Appellant averred that Appellee failed to comply with its obligation, as a lessor under Article 1654 of New Civil Code and that its action of suspending payment of the rent and vacating the Nieves building are justified under Article 1658 said Code.<sup>[11]</sup>

On 22 May 2013, the court *a quo* rendered the assailed Decision.

Aggrieved, Appellant appealed the above Decision before Us raising the following assignment of errors:

1. THE TRIAL COURT ERRED IN HOLDING THAT THE LAW THAT GOVERNS IN THIS CASE IS ARTICLE 1659 AND IGNORING ARTICLE

1658 IN RELATION TO ARTICLE 1654, ALL OF THE CIVIL CODE.

2. THE TRIAL COURT ERRED IN RENDERING [JUDGMENT] ORDERING THE DEFENDANT-APPELLANT TO PAY THE UNPAID RENT FOR THE REMAINDER OF THE LEASE PERIOD AS WELL AS ATTORNEY'S FEES TO THE PLAINTIFF-APPELLEE.<sup>[12]</sup>

### **THIS COURT'S RULING**

Appellant contends that the court *a quo* erred in rendering the assailed Decision arguing that it had the right to suspend payment of the rentals since Appellee, as lessor, failed in its obligation to make the necessary repairs on the leaking roof of the leased property as provided under Article 1658 of the New Civil Code.

The appeal fails.

Article 1658 of the New Civil Code provides:

Art. 1658. The lessee may suspend the payment of the rent in case the lessor fails to make the necessary repairs or to maintain the lessee in peaceful and adequate enjoyment of the property leased.

From the above provision, the law provides two (2) instances in which a lessee may suspend the payment of rent, that is, in case the lessor: a.) fails to make the necessary repairs on the leased property; and b.) fails to maintain the lessee in peaceful and adequate enjoyment of the same.

In this case, Appellant justifies its suspension of rent payment because of Appellee's refusal to make the necessary repairs on the alleged leaking roof of the Nieves building. However, We find that Appellant cannot invoke said Article 1658 because under the lease contract, Appellant had obligated itself to undertake at its expense all repairs as may be required to maintain the premises in good state. Pertinent portion of the Contract of Lease reads:

"12. REPAIRS - The LESSEE shall maintain the Leased premises in good and tenable conditions, and no major alterations or repairs shall be undertaken without prior written approval of the LESSOR. It is understood that the LESSEE (sic) shall be responsible for all minor or ordinary repairs caused by ordinary wear and tear, all repairs on water, electricity and sewerage installations.

During the existence of this lease, the LESSEE shall pay for the cost of repairs, and/or restoration of the damages cause on the Leased premises by the herein LESSEE, its employees, representatives, agents, clients and/or visitors."<sup>[13]</sup>