

THIRTEENTH DIVISION

[CA-G.R. SP NO. 60010, September 15, 2006]

**WATERFIELDS INDUSTRIES CORPORATION, REPRESENTED BY
ITS PRESIDENT ALIZA MA, PETITIONER, VS. SPOUSES
ALEJANDRO MANZANILLA AND REMEDIOS VELASCO,
RESPONDENTS.**

D E C I S I O N

CRUZ, J.

Before the Metropolitan Trial Court (or "MTC") of Manila (Branch 4) was an action for unlawful detainer filed by spouses Alejandro Manzanilla and Remedios Velasco (or "respondents") against Waterfields Industries Corporation (or "petitioner") concerning the 6,000 square-meter portion (or "subject property") of that parcel of land consisting of 25,000 square meters, located at Poblacion IV, Sto.Tomas, Batangas and covered by TCT No. T-35205 in the name of respondents.

Pursuant to their Contract of Lease dated May 24, 1994 (or "Contract"), respondents leased the subject property to petitioner at a monthly rental of P18,000.00 payable within the first ten days of each month, with the latter making a rental deposit in the amount of P216,000.00 as provided in Sec. 4 thereof.

The lease was for a period of 25 years beginning on May 24, 1994, which date was later changed to June 6, 1994.

On July 9, 1997, petitioner's president, Aliza H. Ma, wrote to respondents promising to pay on July 10, 1997 the amount of P70,000.00 representing its unpaid rentals for April 10, 1997 to July 10, 1997 and to give a check in the sum of P18,000.00 as advance payment for the August 1997 rental.

Because of petitioner's failure to pay rentals aggregating P108,000.00 for December 1997 to May 1998, respondents wrote the former, per letters dated May 27, 1998, June 10, 1998 and June 30, 1998, asking payment of its rental arrearages, terminating the lease and demanding that it vacate the subject property. As their demands were not heeded, respondents filed the abovementioned action for unlawful detainer on July 30, 1998.

In answer, petitioner averred that it never refused or failed to pay the rentals as it was merely utilizing its rental deposit to pay for the unpaid rentals as provided in Sec. 4 of the Contract; and that it was willing to replenish the applied rental deposit within 45 days to update its account.

On May 7, 1999, a decision was rendered by the MTC, the dispositive portion of which reads:

"WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiffs and against defendant, ordering the latter to-

1. vacate subject premises and surrender same peacefully to plaintiffs;
2. to pay plaintiffs the sum of P108,000.00 representing rental arrears from December, 1997 to May, 1998, and the sum of P18,000.00 a month thereafter, until it has actually vacated and surrendered subject premises;

Toward this end, whatever rental deposit defendant may have, shall be taken into account to answer for the latter's arrearages.

3. to pay the costs of suit.

SO ORDERED."

Petitioner appealed to the Regional Trial Court of Manila (Branch 42) which, in a decision dated July 4, 2000, affirmed *in toto* that of the MTC.

Undaunted, petitioner filed the instant petition submitting that "the main issues involved and to be resolved in this appeal are (a) whether the appealed judgments are in accord with law and the record of this case, and whether respondents are entitled to the relief of ejectment, or (b) whether the appealed judgments should be reversed and set aside, the complaint dismissed, and (petitioner) awarded reasonable damages in this case."

Petitioner submits that the lower court erred in not applying Sec. 4 of the Contract in respect to the unpaid rentals; that the Contract could not have been validly amended by Ms. Ma's unsubscribed letter as it is unenforceable under the Statute of Frauds pursuant to Art. 1403, par. 2(e), of the Civil Code; that all rentals due and payable are fully paid, covered by a supersedeas bond deposited in court, exclusive of the P216,000.00 rental deposit; and that the assailed judgments are contrary to law, the record of the case and the general principle of law against unjust enrichment.

We now resolve.

According to par. 7 of the complaint, petitioner "failed to pay the rentals for the past six months already, covering the period December 1997 to May 1998 at P18,000.00 monthly or a total of P108,000.00." Consequently, as of the filing of the action (on July 30, 1998), petitioner's rental arrearages aggregated P144,000.00, whereas it had a rental deposit of P216,000.00.

Prior to the institution of the action, respondents terminated the Contract. Thus, par. 8 of the complaint states that "(i)n view of (petitioner's) aforesaid violations, the lease contract of the parties was terminated and/or rescinded" per respondents' "final letter terminating (the) subject lease contract."

Petitioner claims that its P216,000.00 rental deposit should have been applied to their unpaid rentals pursuant to Sec. 4 of the Contract, which reads: