

THIRD DIVISION

[G.R. No. 226088, February 27, 2019]

**FOOD FEST LAND, INC. AND JOYFOODS CORPORATION,
PETITIONERS, VS. ROMUALDO C. SIAPNO, TEODORO C. SIAPNO,
JR. AND FELIPE C. SIAPNO, RESPONDENTS.**

D E C I S I O N

PERALTA, J.:

At bench is an appeal^[1] from the Decision^[2] dated January 6, 2016 and the Resolution^[3] dated July 22, 2016 of the Court of Appeals (CA) in CA G.R. CV No. 101302, affirming the Decision and Resolution, dated February 20, 2013 and July 5, 2013, respectively, of the Regional Trial Court (RTC), Branch 41, Dagupan City in Civil Case No. 2009-0084-D.

The facts.

The Contract of Lease

Respondents Romualdo C. Siapno, Teodoro C. Siapno and Felipe C. Siapno are the registered owners^[4] of a 521-square-meter parcel of land (*subject land*) in Dagupan City.

On April 14, 1997, respondents entered into a Contract of Lease^[5] involving the subject land with petitioner Food Fest Land, Inc. (Food Fest), a local corporation who wanted to use such land as the site of a fastfood restaurant.^[6] The contract has the following particulars —

1. The term of the lease shall be fifteen (15) years.^[7] On the third (3rd) year of the lease, however, Food Fest shall have the right to pre-terminate the lease.^[8]
2. During the subsistence of the lease, Food Fest shall have the right to use the subject land for such lawful purposes, including but not limited to the operation of a restaurant business therein.^[9]
3. In consideration therefor, Food Fest shall pay respondents rent in the following amounts:^[10]
 - a. For the first year, the rate of rent shall be P43,901.00 per month.^[11]
 - b. For the succeeding years, however, the rate of monthly rent shall escalate by 10% annually. They are payable within the first ten (10) days

of the following month.

In addition to the foregoing, the Contract of Lease also featured a non-waiver clause:^[12]

16. NON-WAIVER- The failure of the parties to insist upon a strict performance of any of the terms, conditions and covenants hereof shall not be deemed a relinquishment or waiver of any rights or remedy that said party may have, nor shall it be construed as a waiver of any subsequent breach or default of the terms, conditions and covenants hereof which shall continue to be in full force and effect. **No waiver by the parties of any of their rights under this Contract of Lease shall be deemed to have been made unless expressed in writing and signed by the party concerned.** ^[13]

Pursuant to the Contract of Lease, Food Fest proceeded to build and operate its restaurant within the subject land.

In October 1998, Food Fest assigned all its rights and obligations under the Contract of Lease unto one Tucky Foods, Inc. (*Tucky Foods*).^[14] In September 2001, Tucky Foods assigned all the said rights and obligations under such contract to petitioner Joyfoods Corporation (*Joyfoods*).^[15]

Payment of Rentals and Pre-Termination of the Lease

From the first up to the fifth year of the lease,^[16] Food Fest and its assignees paid rent at the monthly rate prescribed for under the Contract of Lease.^[17] The rental escalation clause in the said contract, which requires the annual escalation of monthly rent by 10%, was consistently observed on the second to the fifth year.

Thus, by the fifth year of the lease,^[18] Joyfoods was paying the respondents a monthly rent of P64,275.45.

The rental escalation clause, however, was not observed during the sixth up to the tenth year of the lease. For the sixth up to ninth year of the lease,^[19] respondents continued to receive rent at the rate of P64,275.45 per month.^[20] On the tenth year of the lease,^[21] on the other hand, respondents were paid rent at the rate of P68,774.71 per month.^[22]

At the start of the eleventh year of the lease,^[23] however, respondents called the attention of Food Fest and Joyfoods regarding its intent to enforce the rental escalation clause of the Contract of Lease for the said year.^[24] Accordingly, respondents informed Food Fest and Joyfoods that the rent for the eleventh year of the lease shall be P113,867.89 per month, unless such amount is renegotiated.

In reply, Food Fest and Joyfoods, on June 27, 2007, sent to respondents a letter^[25] wherein they acknowledged that the applicable rate of rent following the Contract of Lease would indeed be P113,867.89 per month, but proposed that the same be

reduced to only P80,000.00 per month. The proposal was rejected by the respondents.

On July 4, 2007, Joyfoods sent to respondents another letter^[26] wherein it proposed the amount of P85,000.00 as monthly rental for the eleventh and twelfth years of the lease. But this too was met with rejection by the respondents.

On October 27, 2008, during the lease's twelfth year, Joyfoods sent to respondents a letter^[27] conveying its intent to pre-terminate the lease. In the letter, Joyfoods stated that "due to severe and irreversible business losses" it will cease its operations on the 29th of November 2008 and will turnover the subject land to the respondents on the 13th of December 2008.^[28]

The Complaint and the Rulings of the RTC and the CA

On April 20, 2009, respondents lodged before the RTC of Dagupan City a Complaint^[29] for sum of money against Food Fest and Joyfoods. In it, respondents mainly seek payment of the sum of P988,907.74 from Food Fest and Joyfoods - which sum respondents refer to as the "escalation for the years 2007 and 2008."^[30] In essence, the sum P988,907.74 was supposed to represent the balance between the amount of rent due under the Contract of Lease for the period beginning from the lease's eleventh year of up to its pre-termination, on one hand, and the amount of rent that was actually paid by Food Fest and Joyfoods during the said period, on the other (*unpaid balance*).

On February 20, 2013, the RTC rendered a Decision^[31] in favor of respondents, ordering Food Fest and Joyfoods to, among others, pay respondents the unpaid balance in the amount of P988,907.74. Food Fest and Joyfoods filed a Motion for Reconsideration, but such motion was denied by the RTC via a Resolution^[32] dated July 5, 2013.

Food Fest and Joyfoods appealed to the CA.

On January 6, 2016, the CA rendered a Decision^[33] dismissing such appeal and affirming the decision of the RTC. Food Fest and Joyfoods moved for a reconsideration, but the CA was steadfast.^[34]

Hence, this appeal.

The Present Appeal^[35]

In substance, Food Fest and Joyfoods admit the existence of an unpaid balance under the Contract of Lease. They, however, deviate from the decisions of the RTC and the CA on two (2) points:

First. Food Fest and Joyfoods challenge with the *amount* of the unpaid balance awarded by the RTC and the CA. Instead of the sum of P988,907.74 claimed by the respondents, Food Fest and Joyfoods assert that the proper award should have been just for P382,055.22.

Food Fest and Joyfoods allege that the rental escalation clause of the Contract of Lease — by reason of an unwritten agreement between Joyfoods and the respondents — was actually suspended *indefinitely* beginning from the sixth year of the lease. Hence, according to Food Fest and Joyfoods, the monthly rent payable from the sixth year of the lease onwards is no longer determined by the stipulations of the Contract of Lease, but by negotiation between Joyfoods and respondents.

For the eleventh and twelfth year of the lease, Food Fest and Joyfoods aver that respondents and Joyfoods had actually come to an agreement fixing the monthly rentals thereon at P90,000.00 per month. Such agreement was precipitated, say Food Fest and Joyfoods, by Joyfoods' letter dated July 4, 2007 to respondents. To recall, it is in such letter that Joyfoods proposed the amount of P85,000.00 as monthly rental for the eleventh and twelfth year of the lease.

Food Fest and Joyfoods assert that the respondents replied to the July 4, 2007 letter and made a counter-proposal of P90,000.00 monthly rent for the eleventh and twelfth years of the lease. The counter-proposal was supposedly handwritten by the respondents in the July 4, 2007 letter, which they then sent back via facsimile to Joyfoods. And Joyfoods, apparently, agreed to this counter-proposal.

Food Fest and Joyfoods point out that when the rate of monthly rent for the eleventh and twelfth year is reckoned at P90,000.00, the unpaid balance would have amounted only to P382,055.22, to wit:

A. Amount of rent rightfully due under for the period beginning from the lease's eleventh year of up to its pre-termination (18 months)	$P90,000.00 \times 18 \text{ months} = P1,620,000.00$
B. Amount of rent actually paid by Food Fest and Joyfoods during the same period	$P 68,774.71 \times 18 \text{ months} = P1,237,944.78$
UNPAID BALANCE (A-B)	$P1,620,000.00 - P1,237,944.78 =$ P382,055.22

Second. Food Fest and Joyfoods also disagree with their respective *liabilities* for the unpaid balance as held by the RTC and the CA. Food Fest and Joyfoods submit that both of them cannot be held liable for the said balance, in light of Food Fest's assignment of its rights and obligations under the Contract of Lease to Tucky Foods in 1998 and of Tucky Foods' assignment of the same rights and obligations to Joyfoods in 2001. Under such circumstances, it is postulated that the liability for the unpaid balance now solely rests with Joyfoods.

Our Ruling

We deny the appeal. We affirm the decision of the CA.

We reject the challenge against the amount of the unpaid balance awarded by the RTC and the CA.

Food Fest and Joyfoods' position pegging the unpaid balance at P382,055.22 is problematic. It proceeds from a factual *assumption* that contradicts the actual factual findings of the RTC and the CA. As is apparent from their arguments, Food Fest and Joyfoods' position is hinged on the existence of two purported (2) agreements between the respondents and Joyfoods, to wit:

1. An agreement suspending indefinitely the rental escalation clause of the Contract of Lease (*first agreement*); and
2. An agreement fixing the rate of rent for the lease's eleventh and twelfth year at P 90,000 per month (*second agreement*).

Such an assumption, however, was already rebuffed by the RTC and the CA. Both courts did not consider the first and second agreements as established facts, mainly because they found that the existence of such agreements is not supported by any credible evidence on record.^[36]

Accordingly, the RTC and the CA found nothing that could bar the respondents from enforcing and applying the rental escalation clause for the eleventh and twelfth years of the lease.^[37]

We are not inclined to review - much less disturb -the foregoing factual findings of the RTC and the CA, knowing fully well our limitations as an appellate court and the proper office of appeals by *certiorari*.^[38] This Court, as has often been said, is not a trier of facts.^[39] In an appeal by *certiorari*, such as the instant case, We generally defer to the factual findings of lower courts and confine our review exclusively to the assigned errors of law. Though this norm is by no means absolute, it bears to stress that any deviation therefrom is only ever taken under defined circumstances — such as when the factual finding of the trial court is reversed by the CA on appeal, or when such finding is "*manifestly mistaken, absurd, or impossible*" or the same is otherwise "grounded entirely on speculation, surmises, or conjectures" or in instances where there has been grave abuse of discretion.^[40] None of such circumstances, however, affect the factual determinations in discussion.

All in all, We find no cogent reason to overturn the RTC and the CA's determination negating the existence of the first and second agreements due to lack of credible proof. Without such agreements, Food Fest and Joyfoods' challenge against the amount of the unpaid balance inevitably loses its potency. We, therefore, cannot accept such challenge and must instead sustain the amount of unpaid balance awarded by the RTC and the CA.

II

We also reject the plea to limit liability for the unpaid balance solely with Joyfoods.

Food Fest and Joyfoods' plea is, in substance, an invocation of the concept of novation - particularly, novation of an obligation by the *substitution of the person of*