

## SECOND DIVISION

[ G.R. No. 219509, January 18, 2017 ]

### ILOILO JAR CORPORATION, PETITIONER, V. COMGLASCO CORPORATION/AGUILA GLASS, RESPONDENT.

#### DECISION

##### MENDOZA, J.:

This petition for review on *certiorari* seeks to reverse and set aside the January 30, 2015 Decision<sup>[1]</sup> and June 17, 2015 Resolution<sup>[2]</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 01475, which overturned the February 17, 2005 Amended Order<sup>[3]</sup> of the Regional Trial Court, Branch 37, Iloilo City (RTC).

##### *The Antecedents:*

On August 16, 2000, petitioner Iloilo Jar Corporation (*Iloilo Jar*), as lessor, and respondent Comglasco Corporation/Aguila Glass (*Comglasco*), as lessee, entered into a lease contract over a portion of a warehouse building, with an estimated floor area of 450 square meters, located on a parcel of land identified as Lot 2-G-1-E-2 in Barangay Lapuz, La Paz District, Iloilo City. The term of the lease was for a period of three (3) years or until August 15, 2003.<sup>[4]</sup>

On December 1, 2001, Comglasco requested for the pre-termination of the lease effective on the same date. Iloilo Jar, however, rejected the request on the ground that the pre-termination of the lease contract was not stipulated therein. Despite the denial of the request for pre-termination, Comglasco still removed all its stock, merchandise and equipment from the leased premises on January 15, 2002. From the time of the withdrawal of the equipment, and notwithstanding several demand letters, Comglasco no longer paid all rentals accruing from the said date.<sup>[5]</sup>

On September 14, 2003, Iloilo Jar sent a final demand letter to Comglasco, but it was again ignored. Consequently, Iloilo Jar filed a civil action for breach of contract and damages before the RTC on October 10, 2003.<sup>[6]</sup>

On June 28, 2004, Comglasco filed its Answer<sup>[7]</sup> and raised an affirmative defense, arguing that by virtue of Article 1267 of the Civil Code (*Article 1267*),<sup>[8]</sup> it was released from its obligation from the lease contract. It explained that the consideration thereof had become so difficult due to the global and regional economic crisis that had plagued the economy. Likewise, Comglasco admitted that it had removed its stocks and merchandise but it did not refuse to pay the rentals because the lease contract was already deemed terminated. Further, it averred that though it received the demand letters, it did not amount to a refusal to pay the rent because the lease contract had been pre-terminated in the first place.

On July 15, 2004, Iloilo Jar filed its Motion for Judgment on the Pleadings<sup>[9]</sup> arguing that Comglasco admitted all the material allegations in the complaint. It insisted that Comglasco's answer failed to tender an issue because its affirmative defense was unavailing.

#### *The RTC Order*

In its August 18, 2004 Order,<sup>[10]</sup> the RTC granted the motion for judgment on the pleadings. It opined that Comglasco's answer admitted the material allegations of the complaint and that its affirmative defense was unavailing because Article 1267 was inapplicable to lease contracts.

Comglasco moved for reconsideration but its motion was denied by the RTC in its January 24, 2005 Order.<sup>[11]</sup> After formal defects in the original order were raised, the RTC issued the assailed February 17, 2005 Amended Order wherein the total amount of unpaid rentals to be paid was modified from P1,333,200.00 to P333,300.00. Further, it changed the following: (a) award of attorney's fees from P200,000.00 to P75,000.00; (b) litigation expenses from P50,000.00 to P30,000.00; and (c) exemplary damages from P400,000.00 to P200,000.00.

Aggrieved, Comglasco appealed before the CA.

#### *The CA Ruling*

In its January 30, 2015 decision, the CA *reversed* the amended order of the RTC. The appellate court was of the view that judgment on the pleadings was improper as Comglasco's answer tendered an issue considering that Iloilo Jar's material allegations were specifically denied therein. Further, the CA opined that even if the same were not specifically denied, the answer raised an affirmative issue which was factual in nature. It disposed:

IN LIGHT OF ALL THE FOREGOING, the instant appeal is GRANTED. The Order dated August 18, 2004; the Order dated January 24, 2005; and the Order dated February 17, 2005 of the Regional Trial Court, Branch 37, Iloilo City, in Civil Case No. 03- 27960, are REVERSED.

Let the records be REMANDED to the RTC for the conduct of further proceedings.

SO ORDERED.<sup>[12]</sup>

Iloilo Jar moved for reconsideration, but its motion was denied by the CA in its assailed June 17, 2015 resolution.

Hence, this petition.

### **ISSUES**

#### **I**

**WHETHER OR NOT A DEFENSE RAISED IN THE ANSWER THAT IS NOT APPLICABLE TO THE CASE AT BAR CAN BE CONSIDERED AS APPROPRIATELY TENDERING AN ISSUE THAT NEED TO BE TRIED BY THE TRIAL COURT; AND**

## II

### **WHETHER OR NOT A JUDGMENT ON THE PLEADINGS IS APPROPRIATE AND VALID WHEN THE DEFENSE INTERPOSED BY THE DEFENDANT IN THE ANSWER IS NOT APPLICABLE AS A DEFENSE TO THE CAUSE OF ACTION AS STATED IN THE COMPLAINT.**<sup>[13]</sup>

Iloilo Jar argues that Comglasco's answer materially admitted the allegations of the former's complaint, particularly, that the latter had removed its merchandise from the lease premises and failed to pay subsequent rentals, after it had received the demand letters sent. It points out that Comglasco brushed aside its obligation by merely claiming that it was no longer bound by the lease contract because it was terminated due to the financial difficulties it was experiencing in light of the economic crisis. Iloilo Jar insisted that Comglasco cannot rely on Article 1267 because it does not apply to lease contracts, which involves an obligation to give, and not an obligation to do.

In its Comment,<sup>[14]</sup> dated February 11, 2016, Comglasco countered that its answer raised material defenses which rendered judgment on the pleadings improper. It asserted that judgment on the pleadings may be had only when the answer fails to tender an issue or otherwise admits the material allegations of the adverse party's pleading. Comglasco argued that even if the allegations in the complaint were deemed admitted, the affirmative defenses it raised may give rise to factual controversies or issues which should be subject to a trial.

In its Reply,<sup>[15]</sup> dated September 28, 2016, Iloilo Jar reiterated that judgment on the pleadings was warranted because Comglasco's answer failed to specifically deny the allegation in the complaint, and that the affirmative defense alleged therein was improper because Article 1267 is inapplicable to a lease contract. As such, it stressed that Comglasco's answer failed to tender an issue.

### **The Court's Ruling**

The Court finds merit in the petition.

*Rules of Procedure  
strictly complied with;  
Exceptions*

It must be remembered that the right to appeal is not a natural right but merely a statutory privilege; a party appealing is, thus, expected to comply with the requirements of relevant rules otherwise he would lose the statutory right to appeal.  
<sup>[16]</sup>

A review of the records reveals that Iloilo Jar received the Notice of Resolution of the assailed CA resolution on July 9, 2015. Pursuant to Section 2 Rule 45 of the Rules of Court,<sup>[17]</sup> it had fifteen (15) days from receipt of the resolution or until July 24, 2015 to file its petition for review on *certiorari* before the Court.

On the said date, however, Iloilo Jar filed a motion for extension to file the said petition. In its September 2, 2015 Resolution,<sup>[18]</sup> the Court granted that same and extended for thirty (30) days reckoned from the expiration of the reglementary period within which to file the petition, with a warning that it would be the last

extension to be given. In other words, Iloilo Jar had until August 23, 2015 to file its petition for review on *certiorari*.

On August 24, 2015, Iloilo Jar again filed another motion for extension<sup>[19]</sup> requesting an additional thirty (30) days. In its November 25, 2015 Resolution,<sup>[20]</sup> the Court again granted the same and gave another 30- day extension reckoned from August 24, 2015. Thus, it had until September 23, 2015 to file its petition.

Iloilo Jar, unfortunately, filed its petition for review only on September 24, 2015,<sup>[21]</sup> one day past the twice extended filing period. Again, procedural rules are not lightly brushed aside as its strict compliance is necessary for the orderly administration of justice. Thus, even if the filing of the petition was merely late for a day, it is still a violation of the rules on appeal, which generally leads to its outright denial.

The tardy filing, notwithstanding, the Court may still entertain the present appeal. Procedural rules may be disregarded by the Court to serve the ends of substantial justice. When a petition for review is filed a few days late, application of procedural rules may be relaxed, where strong considerations of substantial justice are manifest in the petition, in the exercise of the Court's equity jurisdiction.<sup>[22]</sup> In *CMTC International Marketing Corporation v. Bhagis International Trading Corporation*,<sup>[23]</sup> the Court did not strictly apply procedural rules as it would serve the interest of justice, elucidating:

Time and again, this Court has emphasized that procedural rules should be treated with utmost respect and due regard, since they are designed to facilitate the adjudication of cases to remedy the worsening problem of delay in the resolution of rival claims and in the administration of justice. **From time to time, however, we have recognized exceptions to the Rules, but only for the most compelling reasons where stubborn obedience to the Rules would defeat rather than serve the ends of justice.**

X X X            X X X            X X X

**Ergo, where strong considerations of substantive justice are manifest in the petition, the strict application of the rules of procedure may be relaxed, in the exercise of its equity jurisdiction.** Thus, a rigid application of the rules of procedure will not be entertained if it will obstruct rather than serve the broader interests of justice in the light of the prevailing circumstances in the case under consideration.<sup>[24]</sup> [Emphases supplied]

The merits of Iloilo Jar's petition for review warrant a relaxation of the strict rules of procedure if only to attain justice swiftly. A denial of its petition will cause the remand of the case, which based on the circumstances, will unnecessarily delay the proceedings. Thus, the Court deems it wise to let Iloilo Jar's procedural lapse pass.

*Judgment on the  
pleadings vis-a-vis  
Summary Judgment*

Section 1, Rule 34 of the Revised Rules of Court governs motions for judgment on the pleadings. It reads:

**SECTION 1. Judgment on the pleadings. - Where an answers fails to tender an issue, or otherwise admits the material allegations of the adverse party's pleading, the court may, on motion of that party, direct judgment on such pleading.** However, in actions for declaration of nullity or annulment of marriage or for legal separation, the material facts alleged in the complaint shall always be proved. [Emphasis supplied]

On the other hand, under Rule 35 of the Rules of Court, a party may move for summary judgment if there are no genuine issues raised.

In *Basbas v. Sayson*,<sup>[25]</sup> the Court differentiated judgment on the pleadings from summary judgment in that the former is appropriate if the answer failed to tender an issue and the latter may be resorted to if there are no genuine issues raised, to wit:

**Simply stated, what distinguishes a judgment on the pleadings from a summary judgment is the presence of issues in the Answer to the Complaint.** When the Answer fails to tender any issue, that is, if it does not deny the material allegations in the complaint or admits said material allegations of the adverse party's pleadings by admitting the truthfulness thereof and/or omitting to deal with them at all, a judgment on the pleadings is appropriate. **On the other hand, when the Answer specifically denies the material averments of the complaint or asserts affirmative defenses, or in other words raises an issue, a summary judgment is proper provided that the issue raised is not genuine.** "A 'genuine issue' means an issue of fact which calls for the presentation of evidence, as distinguished from an issue which is fictitious or contrived or which does not constitute a genuine issue for trial."

x x x            x x x            x x x

In this case, we note that while petitioners' Answer to respondents' Complaint practically admitted all the material allegations therein, it nevertheless asserts the affirmative defences that the action for revival of judgment is not the proper action and that petitioners are not the proper parties. **As issues obviously arise from these affirmative defenses, a judgment on the pleadings is clearly improper in this case.**<sup>[26]</sup> [Emphases supplied]

In the case at bench, Comglasco interposed an affirmative defense in its answer. While it admitted that it had removed its stocks from the leased premises and had received the demand letter for rental payments, it argued that the lease contract had been pre-terminated because the consideration thereof had become so difficult to comply in light of the economic crisis then existing. Thus, judgment on the pleadings was improper considering that Comglasco's Answer raised an affirmative defense.

Although resort to judgment on the pleadings might have been improper, there was still no need to remand the case to the RTC for further proceedings. In *Wood Technology Corporation v. Equitable Banking Corporation (Wood Technology)*,<sup>[27]</sup>