

FIRST DIVISION

[G.R. No. 224022, June 28, 2017]

TEODORICO A. ZARAGOZA, PETITIONER, V. ILOILO SANTOS TRUCKERS, INC., RESPONDENT.

DECISION

PERLAS-BERNABE, J.:

Assailed in this petition for review on *certiorari*^[1] are the Decision^[2] dated July 22, 2015 and the Resolution^[3] dated April 8, 2016 of the Court of Appeals (CA) in CA-G.R. CEB-SP No. 07839 which affirmed the Decision^[4] dated July 5, 2013 of the Regional Trial Court of Iloilo City, Branch 23 (RTC-Br. 23) in Civil Case No. 12-31294, and accordingly, held, *inter alia*, that petitioner Teodorico A. Zaragoza (petitioner) could not eject respondent Iloilo Santos Truckers, Inc. (respondent) from the leased premises as the latter complied with its obligation to pay monthly rent thru consignation.

The Facts

On June 26, 2003, petitioner Teodorico A. Zaragoza (petitioner) bought a 3,058-square meter (sq. m.) parcel of land located at Cabatuan, Iloilo, denominated as Lot No. 937-A, from his parents, Florentino and Erlinda Zaragoza,^[5] and eventually, had the same registered under his name in Transfer Certificate of Title No. 090-2010009190.^[6] Petitioner claimed that unknown to him, his father leased^[7] a 1,000-sq. m. portion of Lot 937-A (subject land) to respondent Iloilo Santos Truckers, Inc. (respondent), for a period of eight (8) years commencing on December 5, 2003 and renewable for another eight (8) years at the sole option of respondent.^[8] This notwithstanding, petitioner allowed the lease to subsist and respondent had been diligent in paying its monthly rent amounting to P10,000.00 per month^[9] (P11,200.00^[10] including value added tax^[11]) pursuant to the lease contract.

Petitioner claimed that when Florentino died, respondent stopped paying rent. On the other hand, respondent maintained that it was willing to pay rent, but was uncertain as to whom payment should be made as it received separate demands from Florentino's heirs, including petitioner.^[12] Thus, respondent filed an interpleader case before the Regional Trial Court of Iloilo City, Branch 24 (RTC-Br. 24), docketed as Civil Case No. 07- 29371. After due proceedings, RTC-Br. 24 issued: (a) Order^[13] dated June 22, 2010 dismissing the action for interpleader, but at the same time, stating that respondent may avail of the remedy of consignation; and (b) Order^[14] dated August 17, 2010 which, *inter alia*, reiterated that respondent may consign the rental amounts with it in order to do away with unnecessary expenses and delay. Pursuant thereto, respondent submitted a Consolidated Report^[15] dated January 26, 2011 and a Manifestation and Notice^[16]

dated May 30, 2011 informing petitioner that it had consigned the aggregate amount of P521,396.89^[17] before RTC-Br. 24.^[18]

This notwithstanding, petitioner sent respondent a letter^[19] dated May 24, 2011, stating that granting without conceding the propriety of consignment, the same did not extinguish the latter's obligation to pay rent because the amount consigned was insufficient to cover the unpaid rentals plus interests from February 2007 to May 2011 in the amount of P752,878.72. In this regard, petitioner demanded that respondent pay said amount and at the same time, vacate the subject land within fifteen (15) days from receipt of the letter. In its reply,^[20] respondent reiterated that it had already paid rent by consigning the amount of P521,396.89 with RTC-Br. 24 representing monthly rentals from February 2007 to March 2011, and maintained that it is not obligated to pay interests under the lease contract. In a letter^[21] dated June 9, 2011, petitioner clarified that the aforesaid amount consigned by respondent was insufficient to cover monthly rentals from February 2007 to March 2011 which already amounted to P562,125.00 without interest. He likewise reiterated that his earlier demand to pay was for the period of February 2007 to May 2011. Thus, petitioner posited that respondent had continuously failed and refused to comply with the terms and conditions of the lease contract concerning the payment of monthly rental, with or without consignment.^[22] As his demands went unheeded, petitioner filed on June 21, 2011 a suit^[23] for unlawful detainer against respondent before the Municipal Trial Court in Cities, Iloilo City, Branch 10 (MTCC), docketed as Civil Case No. 32-11.^[24]

In its defense, respondent maintained, *inter alia*, that its consignment of rental amounts with RTC-Br. 24 constituted compliance with the provisions of the lease contract concerning the monthly rental payments. As such, petitioner has no cause of action against it, and accordingly, it cannot be ejected from the subject land.^[25]

Pending the unlawful detainer suit, respondent sent petitioner a letter^[26] dated September 29, 2011 expressing its intention to renew the lease contract. In response, petitioner sent letters dated October 10, 2011^[27] and October 11, 2011^[28] rejecting respondent's intent to renew in view of the latter's failure to timely pay its monthly rentals.

The MTCC Ruling

In a Decision^[29] dated December 29, 2011, the MTCC ruled in petitioner's favor, and accordingly, ordered respondent to: (a) vacate the subject land; and (b) pay petitioner back rentals in the amount of P10,000.00 a month from February 2007 and the succeeding months thereafter until it vacates the subject land, plus legal interest of twelve percent (12%) per annum from extrajudicial demand until full payment, P20,000.00 as attorney's fees, P50,000.00 as litigation expenses, and the costs of suit.^[30]

The MTCC found that petitioner's complaint properly makes out a case for unlawful detainer as it alleged that respondent defaulted in its rental payments from February 2007 to May 2011 in the total amount of P752,878.72 and that the latter failed to pay the same and to vacate the subject land despite demands to do so.^[31] Further, the MTCC opined that respondent's consignment with RTC-Br. 24 is void, and thus, did not serve to release respondent from paying its obligation to pay

rentals. As there was no valid consignment, respondent was held liable to pay unpaid rentals and that petitioner was justified in terminating the lease contract.^[32]

Aggrieved, respondent appealed^[33] to the RTC-Br. 23, docketed as Civil Case No. 12-31294.

The RTC-Br. 23 Ruling

In a Decision^[34] dated July 5, 2013, the RTC-Br. 23 reversed and set aside the MTCC ruling, and accordingly, dismissed petitioner's complaint. Contrary to the MTCC's findings, the RTC-Br. 23 ruled, *inter alia*, that respondent's consignment of the rental amounts was proper, considering that: (a) it was made pursuant to RTC-Br. 24's order, which had jurisdiction over the interpleader case, consignment being an ancillary remedy thereto; (b) it was made even before petitioner's filing of the unlawful detainer case and that petitioner knew of such fact; and (c) petitioner even withdrew the consigned amounts. Thus, the consignment effectively released respondent from its obligation to pay rent, and hence, petitioner's complaint for unlawful detainer must necessarily fail.^[35]

Dissatisfied, petitioner appealed to the CA via a petition for review,^[36] docketed as CA-G.R. CEB-SP No. 07839.

The CA Ruling

In a Decision^[37] dated July 22, 2015, the CA affirmed the RTC-Br. 23 ruling. It held, *inter alia*, that while petitioner's complaint for unlawful detainer sufficiently states a cause of action on its face, petitioner, however, failed to substantiate his allegation that respondent violated the terms and conditions of the lease contract by intentionally failing to pay the monthly rentals.^[38] In this regard, the CA found that respondent was actually ready and willing to comply with its obligation to pay rent, but was in a quandary as to whom it should remit its payment.^[39] Hence, it showed good faith by consigning its rental payments to RTC-Br. 24, which was properly made and was acknowledged by petitioner by withdrawing the consigned amounts in court. There being no violation of the lease contract, petitioner could not validly eject respondent from the subject land.^[40]

Undaunted, petitioner moved for reconsideration,^[41] which was, however, denied in a Resolution^[42] dated April 8, 2016; hence, this petition.

The Issue Before the Court

The issue for the Court's resolution is whether or not the CA correctly ruled that petitioner could not eject respondent from the subject land as the latter fully complied with its obligation to pay monthly rent thru consignment.

The Court's Ruling

The petition is meritorious.

In *Spouses Manzanilla v. Waterfields Industries Corporation*,^[43] the Court discussed the requisites of an unlawful detainer suit in instances where there is a subsisting lease contract between the plaintiff-lessor and defendant-lessee, to wit: