

THIRD DIVISION

[G.R. No. 176986, January 13, 2016]

**NISSAN CAR LEASE PHILS., INC. PETITIONER, VS. LICA
MANAGEMENT, INC. AND PROTON PILIPINAS, INC.,
RESPONDENTS.**

D E C I S I O N

JARDELEZA, J.:

This is a Petition for Review on *Certiorari*^[1] filed by Nissan Car Lease Philippines, Inc. (NCLPI) to assail the Decision^[2] and Resolution^[3] dated September 27, 2006 and March 8, 2007, respectively, of the Court of Appeals (CA) in CA-G.R. CV No. 75985. The CA affirmed with modification the Decision^[4] of the Regional Trial Court dated June 7, 2002 and ruled that there was a valid extrajudicial rescission of the lease contract between NCLPI and Lica Management, Inc. (LMI). It also ordered NCLPI to pay its unpaid rentals and awarded damages in favor of LMI and third-party respondent Proton Pilipinas, Inc. (Proton).

The Facts

LMI is the absolute owner of a property located at 2326 Pasong Tamo Extension, Makati City with a total area of approximately 2,860 square meters.^[5] On June 24, 1994, it entered into a contract with NCLPI for the latter to lease the property for a term often (10) years (or from July 1, 1994 to June 30, 2004) with a monthly rental of P308,000.00 and an annual escalation rate often percent (10%).^[6] Sometime in September 1994, NCLPI, with LMFs consent, allowed its subsidiary Nissan Smartfix Corporation (NSC) to use the leased premises.^[7]

Subsequently, NCLPI became delinquent in paying the monthly rent, such that its total rental arrearages^[8] amounted to P1,741,520.85.^[9] In May 1996, Nissan and Lica verbally agreed to convert the arrearages into a debt to be covered by a promissory note and twelve (12) postdated checks, each amounting to P162,541.95 as monthly payments starting June 1996 until May 1997.^[10]

While NCLPI was able to deliver the postdated checks per its verbal agreement with LMI, it failed to sign the promissory note and pay the checks for June to October 1996. Thus, in a letter dated October 16, 1996, which was sent on October 18, 1996 by registered mail, LMI informed NCLPI that it was terminating their Contract of Lease due to arrears in the payment of rentals. It also demanded that NCLPI (1) pay the amount of P2,651,570.39 for unpaid rentals^[11] and (2) vacate the premises within five (5) days from receipt of the notice.^[12]

In the meantime, Proton sent NCLPI an undated request to use the premises as a

temporary display center for "Audi" brand cars for a period of ten (10) days. In the same letter, Proton undertook "not to disturb [NCLPI and LMI's] lease agreement and ensure that [NCLPI] will not breach the same [by] lending the premises x x x without any consideration."^[13] NCLPI acceded to this request.^[14]

On October 11, 1996, NCLPI entered into a Memorandum of Agreement with Proton whereby the former agreed to allow Proton "to immediately commence renovation work even prior to the execution of the Contract of Sublease x x x."^[15] In consideration, Proton agreed to transmit to NCLPI a check representing three (3) months of rental payments, to be deposited only upon the due execution of their Contract of Sublease.^[16]

In a letter dated October 24, 1996, NCLPI, through counsel, replied to LMI's letter of October 16, 1996 acknowledging the arrearages incurred by it under their Contract of Lease. Claiming, however, that it has no intention of abandoning the lease and citing efforts to negotiate a possible sublease of the property, NCLPI requested LMI to defer taking court action on the matter.^[17]

LMI, on November 8, 1996, entered into a Contract of Lease with Proton over the subject premises.^[18]

On November 12, 1996, LMI filed a Complaint^[19] for sum of money with damages seeking to recover from NCLPI the amount of P2,696,639.97, equivalent to the balance of its unpaid rentals, with interest and penalties, as well as exemplary damages, attorney's fees, and costs of litigation.^[20]

On November 20, 1996, NCLPI demanded Proton to vacate the leased premises.^[21] However, Proton replied that it was occupying the property based on a lease contract with LMI.^[22] In a letter of even date addressed to LMI, NCLPI asserted that its failure to pay rent does not automatically result in the termination of the Contract of Lease nor does it give LMI the right to terminate the same.^[23] NCLPI also informed LMI that since it was unlawfully ousted from the leased premises and was not deriving any benefit therefrom, it decided to stop payment of the checks issued to pay the rent.^[24]

In its Answer^[25] and Third-Party Complaint^[26] against Proton, NCLPI alleged that LMI and Proton "schemed" and "colluded" to unlawfully force NCLPI (and its subsidiary NSC) from the premises. Since it has not abandoned its leasehold right, NCLPI asserts that the lease contract between LMI and Proton is void for lack of a valid cause or consideration.^[27] It likewise prayed for the award of: (1) P3,000,000.00, an amount it anticipates to lose on account of LMI and Proton's deprivation of its right to use and occupy the premises; (2) P1,000,000.00 as exemplary damages; and (3) P500,000.00 as attorney's fees, plus P2,000.00 for every court appearance.^[28]

The trial court admitted^[29] the third-party complaint over LMI's opposition.^[30]

Subsequently, or on April 17, 1998, Proton filed its Answer with Compulsory Counterclaim against NCLPI.^[31] According to Proton, the undated letter-request

supposedly sent by Proton to NCLPI was actually prepared by the latter so as to keep from LMI its intention to sublease the premises to Proton until NCLPI is able to secure LMI's consent.^[32] Denying NCLPI's allegation that its use of the lease premises was made without any consideration, Proton claims that it "actually paid [NCLPI] rental of P200,000.00 for the use of subject property for 10 days x x x."^[33]

Proton further asserted that NCLPI had vacated the premises as early as during the negotiations for the sublease and, in fact, authorized the former to enter the property and commence renovations.^[34] When NCLPI ultimately failed to obtain LMI's consent to the proposed sublease and its lease contract was terminated, Proton, having already incurred substantial expenses renovating the premises, was constrained to enter into a Contract of Lease with LMI. Thus, Proton prayed for the dismissal of the Third-Party Complaint, and asked, by way of counterclaim, that NCLPI be ordered to pay exemplary damages, attorney's fees, and costs of litigation.^[35]

Ruling of the Trial Court

On June 7, 2002, the trial court promulgated its Decision,^[36] the decretal portion of which reads:

WHEREFORE, in view of the foregoing, judgment is rendered in plaintiff LICA MANAGEMENT INCORPORATED's favor. As a consequence of this, defendant NISSAN CAR LEASE PHILIPPINES, INC. is directed to pay plaintiff the following:

- 1.) [P]2,696,639.97 representing defendant's unpaid rentals inclusive of interest and penalties up to 12 November 1996, plus interest to be charged against said amount at the rate of twelve percent (12%) beginning said date until the amount is fully paid.
- 2.) Exemplary damages and attorney's fees amounting to Two Hundred Thousand Pesos ([P]200,000.00) and litigation expenses amounting to Fifty Thousand Pesos ([P] 50,000.00).

The third party complaint filed by defendant is DENIED for lack of merit and in addition to the foregoing and as prayed for, defendant NISSAN is ordered to pay third party defendant PROTON PILIPINAS INC. the sum of Two Hundred Thousand Pesos ([P]200,000.00) representing exemplary damages and attorney's fees due.

SO ORDERED.^[37]

The trial court found that NCLPI purposely violated the terms of its contract with LMI when it failed to pay the required rentals and contracted to sublease the premises without the latter's consent.^[38] Under Article 1191 of the Civil Code, LMI was therefore entitled to rescind the contract between the parties and seek payment of the unpaid rentals and damages.^[39] In addition, the trial court ruled that LMFs act of notifying NCLPI of the termination of their lease contract due to non-payment of

rentals is expressly sanctioned under paragraphs 16^[40] and 18^[41] of their contract.
^[42]

Contrary to NCLPI's claim that it was "fooled" into allowing Proton to occupy the premises for a limited period after which the latter unilaterally usurped the premises for itself, the trial court found that it was NCLPI "which misrepresented itself to [Proton] as being a lessee of good standing, so that it could induce the latter to occupy and renovate the premises when at that time the negotiations were underway the lease between [LMI] and [NCLPI] had already been terminated."^[43]

Aggrieved, NCLPI filed a Petition for Review with the CA. In its Appellant's Brief,^[44] it argued that the trial court erred in: (1) holding that there was a valid extrajudicial rescission of its lease contract with LMI; and (2) dismissing NCLPI's claim for damages against LMI and Proton while at the same time holding NCLPI liable to them for exemplary damages and attorney's fees.^[45]

Ruling of the Court of Appeals

The CA denied NCLPI's appeal and affirmed the trial court's decision with modification. The decretal portion of the CA's Decision^[46] reads:

WHEREFORE, the appealed Decision dated June 7, 2002 of the trial court is affirmed, subject to modification that:

(1) The award of exemplary damages of P100,000.00 each in favor of plaintiff-appellee and third-party defendant-appellee is reduced to P50,000.00 each;

(2) The award of attorney's fees of P100,000.00 each in favor of plaintiff-appellee and third-party defendant-appellee is reduced to P50,000.00 each;

(3) The amount of unpaid rentals is reduced from P2,696,639.97 to P2,365,569.61, exclusive of interest; and.

(4) Plaintiff-appellee is ordered to return the balance of the security deposit amounting to P883.253.72 to defendant-appellant.

The Decision dated June 7, 2002 is affirmed in all other respects.

SO ORDERED.^[47]

NCLPI sought for a reconsideration^[48] of this decision. LMI, on the other hand, filed a motion to clarify whether the amount of P2,365,569.61 representing unpaid rentals was inclusive of interest.^[49] The CA resolved both motions, thus:

WHEREFORE, the motion for reconsideration filed by defendant-appellant Nissan Car Lease is denied for lack of merit.

With respect to the motion for clarification filed by plaintiff-appellee Lica Management, Inc., paragraph (3) of the dispositive portion of the Decision is hereby clarified to read as follows:

(3) The amount of unpaid rentals is reduced from P2,696,639.97 to P2,365,569.61, inclusive of interest and rjenajties up to November 12, 1996, plus interest to be charged against said amount at the rate of twelve per cent (12%) beginning said date until the amount is fully paid.

SO ORDERED. ^[50]

Hence, this petition.

The Petition

NCLPI, in its Petition, raises the following questions:

1. May a contract be rescinded extrajudicially despite the absence of a special contractual stipulation therefor?
2. Do the prevailing facts warrant the dismissal of [LMI]'s claims and the award of NCLPI's claims?
3. How much interest should be paid in the delay of the release of a security deposit in a lease contract?^[51]

The Court's Ruling

We deny the Petition for lack of merit.

Before going into the substantive merits of the case, however, we shall first resolve the technical issue raised by LMI in its Comment^[52] dated August 22, 2007.

According to LMI, NCLPI's petition must be denied outright on the ground that Luis Manuel T. Banson (Banson), who caused the preparation of the petition and signed the Verification and Certification against Forum Shopping, was not duly authorized to do so. His apparent authority was based, not by virtue of any NCLPI Board Resolution, but on a Special Power of Attorney (SPA) signed only by NCLPI's Corporate Secretary Robel C. Lomibao.^[53]

As a rule, a corporation has a separate and distinct personality from its directors and officers and can only exercise its corporate powers through its board of directors. Following this rule, a verification and certification signed by an individual corporate officer is defective if done without authority From the corporation's board of directors.^[54]

The requirement of verification being a condition affecting only the form of the