

THIRD DIVISION

[G.R. No. 156051, January 28, 2008]

ALLAN F. PUEN, PETITIONER, VS. STA. ANA AGRO-AQUA CORPORATION AND STA. CLARA AGRO-AQUA CORPORATION, RESPONDENTS.

D E C I S I O N

AUSTRIA-MARTINEZ, J.:

This resolves the Petition for Review on *Certiorari* filed by Allan F. Puen (petitioner) against Sta. Ana Agro-Aqua Corporation and Sta. Clara Agro-Aqua Corporation (respondents) seeking the reversal of the Decision^[1] of the Court of Appeals (CA) promulgated on July 22, 2002 and its Resolution dated November 13, 2002.

The problem between petitioner and respondents arose after petitioner, who leased from respondents a 14-hectare prawn farm for a period of four years beginning April 14, 1988, started incurring delay in paying the monthly rentals sometime in March of 1989. Manuel Lacson (Lacson), the President of respondents, made phone calls to petitioner to remind the latter of the delayed payments. In reply, petitioner sent Lacson a letter dated May 3, 1989,^[2] wherein he explained that his cash flow was tight due to problems with his other business, but he promised to pay the arrears in rentals after they would have harvested the prawns on May 15, 1989. Petitioner also acknowledged in said letter that he had not been able to live up to his promises despite Lacson's very accommodating attitude towards him.

Thereafter, petitioner's General Manager of the prawn farm, Roman Rosagaron (Rosagaron), sent a letter dated May 19, 1989^[3] addressed to Manuel Lacson. It reads as follows:

Dear Mr. Lacson:

This is to formalize our verbal commitment through Mr. Rene Magallanes to pay Sta. Clara Estate, Inc. Forty Nine Percent (49%) of the gross sales from the initial harvest of eight (8) ponds in Phase I.

Please be informed that after settling the other small accounts of King Prawn, the said percentage of the gross sales from the subsequent harvests shall be proportionately increased in order to pay the full due rentals to Sta. Clara.

Thank you for your kind consideration.

Very truly yours,

Sgd. Roman P. Rosagaron

General Manager

c.c. Mr. Puen/file

According to Lacson, he then made arrangements with Rosagaron and the prawn buyers to ensure that payments for the prawns harvested from the leased prawn farm would be made directly to Lacson and applied to petitioner's arrearages.

In a letter dated May 25, 1989, Rosagaron informed petitioner that "through the instruction of Mr. Manuel Lacson, our prawn harvests in Ponds 8 and 9 Phase I has (sic) been withheld due to our pond rental arrears" and that from that time on respondents will be in control of the prawn harvest. Rosagaron also gave petitioner a list of the expected yield from each pond totalling 57,494.67 kilos.

Then, in a letter dated June 20, 1989^[4] addressed to Lacson, petitioner signified his intention to pre-terminate the lease contract, to wit:

Dear Sir,

In reference to your discussion with Mr. Rosagaron and after some consultation and analysis, I have come up with the following replies to your suggestions.

1. I would like to continue with Phase II until such time as the ponds are harvested. Due to several restraints most notably the drop in market prices, I feel it impossible to continue under the present rates and conditions. I would therefore wish to turn over the ponds to you as soon as the ponds are harvested.
2. Moreover, I feel that for the same reason stated above it would not be viable to continue even with Phase I. I would therefore want to turn them over to you at the soonest time.
3. I am amenable to paying you in full for all the rentals due but may I implore you to extend your patience with us a little bit more by possibly foregoing with the interest penalties. Your rentals are already assured under the present conditions. Moreover the poor harvest has already translated into a P3,000,000.00 loss so I would appreciate it if you could give in on this matter.

I know you have been very benevolent with us and I've tried to reciprocate but I guess circumstances from the start made it very difficult for us. I know you've been very understanding and it is for this reason that I ask you to give in to our last request. I see no way for us to continue with this project at the present condition of the industry so I hope you can appreciate our side and deem the contract terminated without imposing further sanctions.

Thank you very much and I hope that our friendship is not affected by the termination of this contract.

Respectfully,

Sgd. Allen F. Puen
President

Respondents, through Lacson, replied in a letter dated July 6, 1989,^[5] stating the following counter-proposals:

1. Rentals must be paid from time of pond delivery up to June 30, 1989 for Phase I and up to July 15, 1989 for Phase II. Our records show that the outstanding rentals for Phase I and Phase II up to the periods mentioned above are P395,592.11 and P625,000.00 respectively. Please note that there are 4 ponds remaining, proceeds of which are not included. The proceeds are estimated to be only around P100,000.00 as the prawns in these ponds have not been fed properly during the last three weeks. This cut-off date gives us barely 15 days to prepare all that is necessary to take over the grow-out ponds.
2. For the remaining period of the contract that you have expressed unwillingness to continue, we propose a twenty percent (20%) termination fee on the balance of the contract. The whole contract calls for rental payments for four years for 13 hectares at P500,000.00 per hectare or a total of P26,000,000.00. After paying rentals up to the periods stated in the preceding paragraph, a balance of P22,239,466.00 remain and 20% of that will be P4,447,000.00.

We feel that our proposal is a decision arrived at with compassion as a primary factor. x x x x Although legally we are entitled to the full amount of the contract, it is because of compassion on our part that we have agreed to only demand 20% of the amount due us as condition for terminating the contract of lease.

x x x x

Very truly yours,

Sgd. Manuel V. Lacson

P.S. We are attaching a statement of rentals and payments made as of July 06, 1989.^[6]

In said statement of rentals and payments, respondents recorded the amount of P1,121,458.34 as proceeds from the sale of prawns harvested from the leased prawn farm. Petitioner never questioned the correctness of said amount or the application of said proceeds as payment for his delayed rentals.

Thereafter, Rosagaron again sent Lacson another letter dated July 10, 1989. It reads thus:

Dear Mr. Lacson:

Pursuant to the letter of Mr. Allen F. Puen and as per our verbal agreement on June 24, 1989, together with Mr. Nestor Mendoza, we would like to officially turn-over phase I & II to your office effective immediately.

In connection with this, Messrs. Arsenio M. Olila, Head Pond Technician, and Michael Malata, Jr., Pond Technician are hereby authorized to coordinate with your representatives to spot check and account the facilities to be turned over.

Kindly let us know as to when the actual turn-over of facilities shall be and with whom shall we coordinate with so we can act immediately.

Thank you and best wishes.

Very truly yours,

Sgd. Roman P. Rosagaron
General Manager^[7]

Thereafter, counsel for respondents sent petitioner a letter demanding payment of unpaid rentals for the months of May, June and July of 1989 amounting to P905,371.30 and unpaid electricity bills in the amount of P227,896.40, or a total of P1,133,267.70.

Petitioner never replied and failed to comply with said demands; hence, respondents filed a complaint for specific performance with damages. In contravention, petitioner alleged in his Answer that: (1) respondents forcibly dispossessed him of the leased premises, then harvested and sold the prawns and appropriated for their own benefit the proceeds from said sale; and (2) due to said forcible take-over, the other prawns not ready for harvest were left unattended and unfed, rendering them non-marketable, thus, petitioner suffered grave losses. Petitioner prayed that respondents be ordered to account to the former the proceeds of the sale of the prawns and pay damages for losses he incurred due to the wrongful take-over of the leased premises.

After trial, the Regional Trial Court of Bacolod City, Branch 43, (RTC) rendered a Decision dated June 10, 1995 in favor of herein respondents, the dispositive portion of which reads as follows:

WHEREFORE, judgment is hereby rendered in favor of plaintiff [herein respondents], defendant [herein petitioner] being ordered to pay the former -

1. P3,163,868.34 representing unpaid and delayed rentals and CENECO bills.

The counterclaim filed by defendant against the plaintiff is dismissed for lack of merit.

No costs.

SO ORDERED.^[8]

Petitioner appealed to the CA which issued herein assailed Decision dated July 22, 2002, ruling thus: