582 Phil. 217

FIRST DIVISION

[G.R. No. 171707, July 28, 2008]

SPOUSES WILFREDO AND ANGELA AMONCIO, PETITIONERS, VS. AARON GO BENEDICTO, RESPONDENT.

D E C I S I O N

CORONA, J.:

At bar is an appeal by certiorari under Rule 45 of the Rules of Court assailing the decision of the Court of Appeals (CA) in CA-G.R. CV No. 79341[1] which, in turn, affirmed the decision of the Regional Trial Court (RTC), Branch 82 of Quezon City.

The facts follow.

On July 15, 1997, petitioners Wilfredo and Angela Amoncio entered into a contract of lease with a certain Ernesto Garcia over a 120 sq. m. portion of their 600 sq. m. property in Quezon City.

On August 20, 1997, petitioners entered into another contract of lease, this time with respondent Aaron Go Benedicto over a 240 sq. m. portion of the same property. The contract read:

> WHEREAS, the Lessor is the absolute owner of a parcel of land with an area of (600) [sq. m.] situated in Neopolitan, Quezon City covered by T.C. T. No. 50473 of the Register of Deeds of Quezon City, 240 [sq. m.] of which is being leased to the lessee;
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> That for and in consideration of the amount of NINETEEN THOUSAND TWO HUNDRED PESOS (P19,200.00), Philippines Currency, monthly rental[,] the Lessor herein lease a portion of said parcel of land with an area of 240 sq. m. to the lessee, subject to the following terms and conditions:
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> 1. That the term of the lease is for [f]ive (5) years renewable annually for a maximum of five (5) years from the execution of this contract;
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> 2. The Lessee shall pay in advance the monthly rental for the land in the amount of ONE HUNDRED FIFTEEN THOUSAND TWO HUNDRED PESOS (P115,200.00) Philippines Currency equivalent to three (3) months deposit and three (3) months advance rental; commencing November, 1997;
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> 3. The [Lessee] shall issue postdated checks for the succeeding rentals to the Lessor;

4. That in the event of failure to complete the term of the lease, the lessee is still liable to answer for the rentals of the remaining period;

5. That all the improvement on the land leased shall automatically become the property of the Lessor after the expiration of the term of the lease;

6. That the leased parcel of land shall be devoted exclusively for the construction supply business of the [Lessee];[2]

xxx xxx xxx

10. Design specification needs final approval by the Lessor[,] while structural improvements would have to conform to local government specification, taxes on structural improvement will be for the account of the Lessee.[3]

In December 1997, Garcia and respondent took possession of their respective leased portions.

In July 1999, Garcia pre-terminated his contract with petitioners. Respondent, on the other hand, stayed on until June 8, 2000. According to petitioners, respondent stopped paying his monthly rentals in December 1999. Shortly thereafter, petitioners claimed they discovered respondent putting up improvements on another 120 sq. m. portion of their property which was never leased to him nor to Garcia. They added he had also occupied Garcia's portion immediately after the latter left. [4]

Petitioners asked respondent to pay his arrears and desist from continuing with his construction but he took no heed. Because of respondent's failure to meet petitioners' demands, they asked him to vacate the property. On January 27, 2000, they rescinded the lease contract.

On June 23, 2000, petitioners filed in the RTC of Quezon City a case[5] for recovery of possession of real property against respondent. In the complaint, petitioners asked respondent to pay the following: (1) rent from January 27, 2000 or from the time his lease contract was rescinded until he vacated the property; (2) rent for Garcia's portion from August 1999 until he vacated it and (3) rent for the remaining 120 sq. m. which was not covered by his or Garcia's contract. Petitioners likewise insisted that respondent was liable to pay his arrears from December 1999 until the expiration of his lease contract in August 2002. According to them, the lease contract provided:

> "in the event of [respondent's] failure to complete the term of the lease, [he would] still be liable to answer for the rentals of the remaining period."[6]

In his answer with counterclaim, respondent denied petitioners' accusations and alleged that it was them who owed him money. According to him, he and petitioner Wilfredo Amoncio agreed to construct five commercial buildings on petitioners' property. One of the buildings was to go to Garcia, two to petitioners and the last

two to him. They also agreed that he was to finance the construction and petitioners were to pay him for the two buildings assigned to them.

Respondent added he was to pay the rentals for five years and surrender the buildings (on his leased portion) to petitioners after the lapse of said period. However, in June 2000, he vacated the premises after he and petitioners could no longer settle things amicably.

Respondent asked to be paid: (1) P600,000 for the construction cost of the two buildings that went to petitioners[7]; (2) P300,000 as adjusted cost of the portion leased to him and (3) P10,000 as attorney's fees.

After trial, the RTC gave credence to respondent's version and dismissed petitioners' case for lack of factual and legal basis. It also granted respondent's counterclaim:

> WHEREFORE, premises considered. Judgment is hereby rendered in favor of [respondent] and against [petitioners] DISMISSING the latter's complaint for lack of factual and legal basis.
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> On the counterclaim, [petitioners] are hereby ordered to pay [respondent] as follows:
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> a. The sum of SIX HUNDRED THOUSAND (P600,000) PESOS representing the cost of the two improvements constructed on the remaining portion of the [petitioners'] lot.
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> b. The sum of THREE HUNDRED THOUSAND PESOS (P300,000) PESOS representing the adjusted cost of the two improvements likewise constructed by [respondent][,] possession of which was terminated two and a half years before the stipulated term of five (5) years.
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> c. The sum of TEN THOUSAND (P10,000) PESOS as and by way of attorney's fees.
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> SO ORDERED.[8]

Petitioners elevated the case to the CA. There, petitioners argued that the RTC erred in (1) denying their claim for payment of rentals both for the unexpired period of the lease and for the portions of the property used by respondent which was not covered by his lease contract and (2) granting respondent's counterclaim although they did not allow the construction of the buildings. Petitioners likewise contended the trial court disregarded the parol evidence rule[9] which disallowed the court from looking into any other evidence relating to the agreement of the parties outside the written contract between them.

In its assailed decision, the CA affirmed the RTC's decision and dismissed petitioners' appeal. It held that:

(1) petitioners did not adduce evidence to prove that respondent had actually occupied portions of their property not covered by his contract;

(2) petitioners could not insist that respondent pay the remaining period under the

contract since they were the ones who demanded that respondent vacate the premises and

(3) the rule on parol evidence could no longer apply after they failed to object to respondent's testimony (in the lower court) about their agreement regarding the construction of the buildings.[10]

Petitioners filed a motion for reconsideration but it was denied.[11] Hence, this petition.[12]

In support of this petition, petitioners essentially argue that the CA erred in ruling that: (1) they consented to the construction of the buildings by respondent; (2) they waived their right to respondent's assertion of facts that were not embodied in the lease contract and (3) respondent was not a builder in bad faith.[13]

PETITIONERS ALLOWED THE
CONSTRUCTION OF THE BUILDINGS

Petitioners' first argument necessitates a review of the facts of the case which, as a general rule, is not the task of this Court. Under Rule 45 of the Rules, this Court shall not pass upon the findings of fact by lower courts unless they ignored salient points that would otherwise affect the outcome of the case.[14] There is no reason for us to overturn the factual conclusions of the lower courts.

Moreover, the lower courts' findings of fact were supported by the records of the case which indubitably showed petitioners' acquiescence to the construction of the buildings on their property. Petitioners' denial cannot negate the overwhelming proof that it was petitioner Wilfredo Amoncio himself who secured the building permit for the project. He also required that all design specifications were to be approved by him.[15]

APPLICATION OF THE
PAROL EVIDENCE RULE

> Rule 130, Section 9 of the Rules of Court provides:
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> Section 9. *Evidence of written agreements.* - When the terms of the agreement have been reduced in writing, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors, no evidence of such terms other than the contents of the written agreement.
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> xxx xxx xxx

The so-called "parol evidence" forbids any addition to or contradiction of the terms of a written instrument by testimony purporting to show that, at or before the signing of the document, other terms were orally agreed on by the parties.[16] Under the aforecited rule, the terms of the written contract are conclusive upon the parties and evidence *aliunde* is inadmissible to vary an enforceable agreement embodied in the document. However, the rule is not absolute and admits of exceptions:

xxx xxx xxx

However, a party may present evidence to modify, explain or add to the terms of the written agreement if he puts in issue in his pleading:

(a) An intrinsic ambiguity, mistake or imperfection in the written agreement;

(b) The failure of the written agreement to express the true intent and agreement of the parties thereto;

(c) The validity of the written agreement; or

(d) The existence of other terms agreed to by the parties or their successors in interest after the execution of the written agreement.

The term "agreement" shall include wills.

The first exception applies when the ambiguity or uncertainty is readily apparent from reading the contract. The wordings are so defective that what the author of the document intended to say cannot be deciphered.[17] It also covers cases where the parties commit a mutual mistake of fact,[18] or where the document is manifestly incomplete as the parties do not intend to exhibit the whole agreement but only to define some of its terms.[19]

The second exception includes instances where the contract is so obscure that the contractual intention of the parties cannot be understood by mere inspection of the instrument.[20] Thus, extrinsic proof of its subject matter, of the relation of the parties and of the circumstances surrounding them when they entered into the contract may be received as evidence.[21]

Under the third exception, the parol evidence rule does not apply where the purpose of introducing the evidence is to show the invalidity of the contract.[22] This includes cases where a party alleges that no written contract ever existed, or the parties fail to agree on the terms of the contract, or there is no consideration for such agreement.[23]

The fourth exception involves a situation where the due execution of the contract or document is in issue.[24]

The present case does not appear to fall under any of the given exceptions. *However, a party to a contract may prove the existence of any separate oral agreement as to any matter which is not inconsistent with its terms*.[25] *This may be done if, from the circumstances of the case, the court believes that the document does not convey entirely the whole of the parties' transaction*.[26]

In this case, there are tell-tale signs that petitioners and respondent had other agreements aside from those established by the lease contract. And we find it difficult to ignore them. We agree with the trial court: