

FIRST DIVISION

[G. R. NO. 168071, December 18, 2006]

**LUCIANO TAN, PETITIONER, VS. RODIL ENTERPRISES,
RESPONDENT**

D E C I S I O N

CHICO-NAZARIO, J.:

The instant Petition for Review on *Certiorari* assails the Decision^[1] dated 21 October 2002 and the Resolution^[2] dated 12 May 2005 of the Court of Appeals in CA-G.R. SP No. 67201, which set aside the 18 June 2001 Decision^[3] of the Regional Trial Court (RTC) of Manila, Branch 26 in Civil Case No. 01-99797. The RTC reversed the 6 October 2000 Decision^[4] of the Metropolitan Trial Court (MeTC) of Manila, Branch 13 in Civil Case No. 166584, and dismissed the Complaint filed by respondent Rodil Enterprises against petitioner Luciano Tan for utter lack of merit.

This case has its origin from the Complaint^[5] for Unlawful Detainer filed on 13 March 2000 by Rodil Enterprises against Luciano Tan with the MeTC of Manila, Branch 13, docketed as Civil Case No. 166584.

The factual antecedents to the filing of the Complaint show that Rodil Enterprises is a lessee of the subject premises, the Ides O'Racca Building since 1959. The Ides O'Racca Building, located at the corner of M. de Santos and Folgueras Streets in Binondo, Manila, is owned by the Republic of the Philippines. On 18 May 1992, Rodil Enterprises and the Republic, through the Department of Environment and Natural Resources (DENR), entered into a Renewal of a Contract of Lease over the Ides O'Racca Building. A subsequent Supplementary Contract dated 25 May 1992 was similarly entered into, thus, extending the lease agreement until 1 September 1997.

The validity of the 18 May 1992 and the 25 May 1992 contracts was placed in question in several actions involving Rodil Enterprises, the Ides O'Racca Building Tenants Association, Inc., and other tenants. This Court upheld the validity of the aforesaid contracts in a Decision rendered on 29 November 2001, in the consolidated cases of *Rodil Enterprises, Inc. v. Court of Appeals, Carmen Bondoc, Teresita Bondoc-Esto, Divisoria Footwear and Chua Huay Soon (G.R. No. 129609)* and *Rodil Enterprises, Inc. v. Ides O'Racca Building Tenants Association, Inc. (G.R. No. 135537)*.^[6]

Prior thereto, the Office of the President in **OP Case No. 4968** entitled, *Spouses Saturnino B. Alvarez and Epifania Binay Alvarez v. Rodil Enterprises Company, Inc.* rendered a Decision^[7] dated 8 February 1994, declaring the Renewal of Contract of Lease and the Supplementary Contract, dated 18 May 1992 and 25 May 1992, respectively, of no force and effect.

It appears that Rodil Enterprises appealed the 8 February 1994 Decision to the Court of Appeals, docketed as **CA-G.R. SP No. 34586** which was dismissed by the appellate court for non-compliance with procedural requirements. The dismissal was appealed by Rodil Enterprises to the Supreme Court, docketed as **G.R. No. 119711** which was also dismissed. Subsequently, the Office of the President issued an Order of Execution of its 8 February 1994 Decision in OP Case No. 4968. Thereafter, Rodil Enterprises filed a Petition for Review on *Certiorari* with the Court of Appeals on the Order of Execution, docketed as **CA-G.R. SP No 79157**. The Court of Appeals rendered a Decision therein dated 28 March 2005 which annulled the Order of Execution, and enjoined the Office of the President from enforcing its 8 February 1994 Decision in OP Case No. 4968. Likewise, the Court of Appeals ordered the Office of the President to abide by the 29 November 2001 Decision of the Supreme Court in the consolidated cases of G.R. No. 129609 and G.R. No. 135537, upholding the validity of the Renewal of Contract of Lease and the Supplemental Contract, dated 18 May 1992 and the 25 May 1992, respectively. Finally, the Decision of the Court of Appeals in CA-G.R. SP No. 79157 was brought on *certiorari* by the Ides O'Racca Building Tenants Association, Inc. to the Supreme Court, and docketed as G.R. No. 169892. On 25 January 2006, the Court, in G.R. No. 169892, issued a Resolution denying the Petition. On 20 March 2006, a Resolution was rendered in the same case denying with finality the amended Motion for Reconsideration.

Meanwhile, during the pendency of the preceding cases, on 18 October 1999, a subsequent Contract of Lease was drawn between Rodil Enterprises and the Republic, the same to be effective retroactively from 1 September 1997 to 21 August 2012 at a monthly rental of P65,206.67, subject to adjustment upon the approval of a new appraisal covering the Ides O'Racca Building. Rodil Enterprises subleased various units of the property to members of the Ides O'Racca Building Tenants Association, Inc. A space thereof, known as Botica Divisoria was subleased to herein petitioner, Luciano Tan.

In Rodil Enterprises' Complaint for Unlawful Detainer filed against Luciano Tan, the former alleged that Luciano Tan bound himself to pay under a Contract of Sublease, the amount of P13,750.00 as monthly rentals, representing the reasonable use and occupancy of the said premises. However, Luciano Tan unjustifiably and unreasonably refused to pay the rentals from September 1997 up to the time of the filing of the Complaint, and despite repeated oral and written demands, refused to vacate the premises and to pay the rents due. Rodil Enterprises prayed that Luciano Tan and those claiming rights under him be ordered to vacate the leased premises. A payment of rentals in arrears, amounting to P385,000.00 was similarly sought, including attorney's fees and litigation costs, as well as, subsequent monthly rentals in the amount of P13,750.00 until Luciano Tan vacates Botica Divisoria.

In his Answer, Luciano Tan insists that he is a legitimate tenant of the government who owns the Ides O'Racca Building and not of Rodil Enterprises. As such, he has the right to lease the said premises pending the disposition and sale of the building. He based his claim on the fact that on 8 February 1994, the Office of the President in OP Case No. 4968, had declared the Renewal of Contract of Lease dated 18 May 1992 and the Supplemental Contract dated 25 May 1992 between Rodil Enterprises and the Republic to be without force and effect. Accordingly, the DENR was directed to award the lease contract in favor of the Ides O'Racca Building Tenants Association, Inc. of which Luciano Tan is a member. He, thus, prayed for the dismissal of the Complaint, and for the return of whatever amount Rodil Enterprises

had collected from 1987 to 1997, or during such time when he was still paying rentals to the latter.

On 27 June 2000, the MeTC issued an Order, recognizing an agreement entered into in open court by Luciano Tan and Rodil Enterprises. The Order, *inter alia*, declared, thus:

On second call, the parties and counsel agreed in principle in open court to the following terms to put an end to this civil case for ejectment between them:

1.) that [Luciano Tan] will pay P440,000.00 representing rentals from September, 1997 up to the present, which is the outstanding obligation of [Luciano Tan] as of June, 2000, on or before June 30, 2000; and

2.) [Luciano Tan] will pay the monthly rentals computed at P13,750.00 on or before the 5th day of each month after June 30, 2000.^[8]

On 14 August 2000, Luciano Tan filed a Motion to Allow Defendant to Deposit Rentals,^[9] averring therein that he had agreed to pay all the rentals due on the subject premises and to pay the subsequent monthly rentals as they fall due; that the rentals in arrears from September 1997 amounted to P467,500.00; and in line with his good faith in dealing with Rodil Enterprises, he would like to deposit the aforesaid amount, and the subsequent monthly rentals as they fall due. He prayed that he be allowed to deposit the Manager's Check for the amount of P467,500.00, made payable to the City Treasurer of Manila. However, on 15 August 2000, the MeTC denied the Motion on the rationalization that Luciano Tan's prayer to deposit the specified sum with the City Treasurer of Manila contravenes Section 19,^[10] Rule 70 of the 1997 Rules of Civil Procedure.

Subsequently, the issues for the resolution of the MeTC were synthesized by the court in its Order, dated 25 July 2000, to wit:

[T]he issue insofar as [Rodil Enterprises], revolved on:

"Whether [Rodil Enterprises] is legally entitled to collect from [Luciano Tan] the amount of rentals and interest thereon as prayed for in the complaint and to ask for the ejectment of the defendant from the leased premises."

On the other hand, [Luciano Tan]'s counsel formulated the issues of the case in the following manner[,] to wit:

1) Whether or not under the circumstances[,][Luciano Tan] could be ejected from the premises in question;

2) Whether or not under the circumstances[,] [Rodil Enterprises] should be made to return the amounts collected from [Luciano Tan] from 1987 to 1997 amounting to P988,650.00.^[11]

On 6 October 2000, the MeTC rendered a Decision in favor of Rodil Enterprises. The court said that Luciano Tan did not contest the sublease on a monthly basis, and in

fact admitted *in judicio*, viz:

- 1) That [Luciano Tan] will pay P440,000.00 representing rentals from September 1997 up to the present, which is the outstanding obligation of the defendant as of June, 2000, on or before June 30, 2000; and
- 2) [[Luciano Tan] will pay the monthly rentals computed at P13,750.00, on or before the 5th day of each month after June 30, 2000.(Order dated June 27, 2000)^[12]

According to the MeTC, notwithstanding the evidentiary norm in civil cases that an offer of compromise is not an admission of any liability, and is not admissible in evidence against the offeror, the court cannot overlook the frank representations by Luciano Tan's counsel of the former's liability in the form of rentals, coupled with a proposal to liquidate.^[13] The foregoing gestures, as appreciated by the MeTC, were akin to an admission of a fact, like the existence of a debt which can serve as proof of the loan, and was thus, admissible.^[14] The court pronounced that Luciano Tan had explicitly acknowledged his liability for the periodic consideration for the use of the subleased property. Estoppel, thus, precludes him from disavowing the fact of lease implied from the tender of payment for the rentals in arrears.^[15] The MeTC, explained further:

Prescinding from the foregoing discourse, it ineluctably follows that [Luciano Tan]'s indifference to heed the two demand letters, the cognition of which were recognized (paragraphs VII and IX, Complaint; paragraph 2, Answer), rendered him a deforciant (1 Regalado, Remedial Law Compendium, 6th Revised Edition, 1997, page 770, citing Dikit vs. Ycasiano, 89 Phil. 44), and was thus vulnerable to the special civil action under Section 1, Rule 70 of the 1997 Rules of Civil Procedure, especially so when non-payment of rentals is an accepted prelude to, and a secondary matrix for, a tenant's eviction (Article 1673 (2), New Civil Code).

From a different plane, [Luciano Tan]'s quest at this juncture for recovery of the rentals he paid to the plaintiff from 1987 to 1997 will not merit the desired result since, in a manner of speaking, it will place the cart ahead of the horse, when juxtaposed with another pending controversy between the parties before the Supreme Court (Annex "1," Position Paper for the Defendant; Annex "B," Answer to Counterclaim).

The decretal portion of the Decision, states, viz:

WHEREFORE, in view of the foregoing premises, judgment is hereby rendered in favor of [Rodil Enterprises], ordering:

1. Defendant Luciano Tan, and all persons claiming rights under him, to vacate the subject realty, and to peacefully deliver possession to the plaintiff's representative;
2. Defendant [Luciano Tan] to pay the sum of FOUR HUNDRED FORTY THOUSAND PESOS (P440,000.00) as recognized unpaid rentals from September, 1997 up to June 30, 2000;
3. Defendant [Luciano Tan] to pay the sum of THIRTEEN THOUSAND SEVEN HUNDRED FIFTY PESOS (P13,750.00) as agreed rental per

- month, starting July, 2000, and every month thereafter, until possession is delivered to the plaintiff's representative;
4. Defendant [Luciano Tan] to pay the sum of FIVE THOUSAND PESOS (P5,000.00) as reasonable attorney's fees; and
 5. Defendant [Luciano Tan] to pay the cost of suit.
- For want of merit, defendant's counterclaim is hereby DISMISSED.

IT IS SO ORDERED.^[16]

Aggrieved thereby, Luciano Tan appealed the Decision to the RTC. Meanwhile, Rodil Enterprises filed a Motion for Issuance of Writ of Execution,^[17] which was subsequently denied by the MeTC in the Order^[18] of 15 December 2000.

On 18 June 2001, the RTC rendered a Decision reversing the judgment appealed from and dismissing the Complaint. It found that the MeTC erred in holding that the offer to compromise by Luciano Tan's counsel was akin to an admission of fact, the same being contrary to Section 27,^[19] Rule 130 of the 1997 Rules of Civil Procedure. As reasoned by the RTC:

During the pre-trial conference held in the lower court, proposals and counter-proposals emanated from the parties' counsels, which was normally inspired by the desire to "buy peace", nay, to put an end to the troubles of litigation, and to promote settlement of disputes as a matter of public policy. The act of defendant/appellant's (sic) in the midst of pre-trial is not an admission of any liability and therefore, should not be considered admissible evidence against him.^[20]

Proceeding to the issue of the right of Rodil Enterprises to collect rentals and eject Luciano Tan based on the contracts, dated 18 May 1992 and 25 May 1992, the RTC ruled that the controversy is still pending before the Supreme Court. It, thus, held that the prayer for recovery of rentals from 1987 to 1997 is premature.

The RTC, disposed, as follows:

IN VIEW OF THE FOREGOING, the judgment appealed from is hereby REVERSED, and a new judgment is hereby entered DISMISSING the complaint in Civil Case No. 166584 for utter lack of merit.^[21]

Subsequently, Rodil Enterprises filed a Petition for Review with the appellate court, which, in a Decision dated 21 October 2002 set aside the judgment of the RTC, and affirmed and reinstated the 6 October 2000 Decision of the MeTC.

According to the appellate court, there is, between Rodil Enterprises and the Republic of the Philippines, a valid and subsisting Contract of Lease executed on 18 October 1999, the same for a period of fifteen (15) years.^[22] The period of the lease, under the 18 October 1999 contract is from 1 September 1997 to 31 August 2012. The Court of Appeals gave credence to the fact that the existence of the aforesaid contract was not denied nor controverted by Luciano Tan. What Luciano Tan, instead, impugned was the validity of the contracts dated 18 and 25 May 1992, which was upheld by this Court in the consolidated cases of *Rodil Enterprises, Inc. v. Court of Appeals, Carmen Bondoc, Teresita Bondoc-Esto, Divisoria Footwear and Chua Huay Soon* (G.R. No. 129609) and *Rodil Enterprises, Inc. v. Ides O'Racca*