

SECOND DIVISION

[G.R. No. 157391, July 15, 2005]

LIMITLESS POTENTIALS, INC., PETITIONER, VS. THE HON. REINATO G. QUILALA, IN HIS CAPACITY AS PRESIDING JUDGE OF THE REGIONAL TRIAL COURT, BRANCH 57, CITY OF MAKATI AND THE ROMAN CATHOLIC ARCHBISHOP OF MANILA, RESPONDENTS.

[G.R. No. 160749]

ROMAN CATHOLIC ARCHBISHOP OF MANILA, REPRESENTED BY MOST REVEREND MSGR. ROLANDO DELA CRUZ, PETITIONER, VS. LIMITLESS POTENTIALS, INC., RESPONDENT.

[G.R. No. 160816]

LIMITLESS POTENTIALS, INC., PETITIONER, VS. ROMAN CATHOLIC ARCHBISHOP OF MANILA, REPRESENTED BY MOST REVEREND MSGR. ROLANDO DELA CRUZ, RESPONDENT.

D E C I S I O N

CALLEJO, SR., J.:

On October 20, 1987, the Roman Catholic Archbishop of Manila (RCAM), as lessor, and Limitless Potentials, Inc. (LPI), as lessee, executed a Contract of Lease for advertising purposes over certain areas, including Lot 28-B, in the property covered by TCT No. 328187^[1] where the Our Lady of Guadalupe Minor Seminary Compound and the San Carlos Seminary Compound are located.

LPI bound and obliged itself to pay a monthly rental of P11,000.00, with a 10% increase every two years. Due to a pending case between RCAM and Advertising Associates, LPI was unable to take possession of the premises. Thus, on November 14, 1989, RCAM and LPI executed an "Amendment to an Agreement,"^[2] fixing the period for the lease of the premises from February 1, 1990 to March 1, 1997, with a monthly rental of P12,000.00, to be increased by 10% every year.

In the meantime, other advertising agencies, including ASTRO Advertising, Inc. (ASTRO), applied to RCAM for the putting up of neon signs/billboards in the leased premises. RCAM referred the applications to LPI.

LPI wrote RCAM that it would execute the appropriate contracts with the applicants, and oversee the installation and operation of neon advertising signs; the overlapping of signboards would be avoided and the area would not be rendered unsightly and unmanageable. It also stated that the monthly rentals from the agencies shall go to the church to enable it to earn more. RCAM agreed.

On January 18, 1990, LPI, as sublessor, and ASTRO, as sublessee, executed an agreement (Sublease Agreement) in which LPI sublet Lot 28-B for a period of five (5) years from February 1, 1990 to February 1, 1995. The parties agreed on the following monthly rentals:

1st year	- P 21,000.00
2nd year	- 23,000.00
3rd year	- 25,410.00
4th year	- 27,951.00
5th year	- 30,746.00 ^[3]

Under the agreement, ASTRO was to remit the rentals for the property directly to RCAM. RCAM, through a representative, was one of the two witnesses to the deed.

LPI paid the rentals to RCAM until August 1993. ASTRO also paid to RCAM the rentals due under the Sublease Agreement from February 1, 1990 to July 1, 1993 totaling P832,920.00; LPI, however, was not credited the rental payments made by ASTRO.

On September 28, 1993, RCAM and LPI executed a Memorandum of Agreement (MOA)^[4] in which RCAM leased to LPI the areas/spaces subject of the lease agreement, *including those sublet to ASTRO* for a period of four (4) years, from August 1, 1993 to July 31, 1997. LPI agreed to pay RCAM monthly rentals in the amount of P60,783.96 payable within the first five (5) days of the month, with ten (10%) percent annual interest. This MOA expressly cancelled the prior agreements of the parties. It was, likewise, agreed upon that if the lease were to be extended after the four-year period, LPI would pay a monthly rental of P97,084.15, payable within the first five (5) days of the month, with 12% annual increment.^[5]

When the sublease to ASTRO expired in February 1995, RCAM did not turn over to LPI the possession of the sublet advertising spaces/areas; instead, the said areas were leased to Macgraphics Carranz International Corporation (MCIC) which erected its own billboards and advertising signs thereon.^[6] In a Letter^[7] dated February 11, 1997, LPI informed MCIC that it was the lessee of the premises previously sublet to ASTRO, and demanded that the said billboards be removed within 24 hours. MCIC ignored the letter, but LPI did not file any action against RCAM or MCIC.

On October 12, 1995, LPI received a letter from RCAM, informing it that it violated the MOA, to wit:

1. *Non-payment of rentals since March 1995.*

The Memorandum specifically provides for the immediate rescission of the contractual relation as Limitless failed to pay the proper rentals within the first five days of each month.

2. *The misuse of the property since November 1994.*

Despite the warning given your company by Fr. Jovi Mejino, your employees continue to assemble and construct billboards destined for areas outside of the specified properties in the Memorandum.

3. The causing of inconvenience, disturbance or nuisance.

There is the matter of your employees leaving behind garbage and construction scrap after assembling the above billboards and a sublessee who damaged the swimming pool.^[8]

RCAM, likewise, declared that it considered the MOA rescinded as of October 31, 1995 and demanded payment of the alleged back rentals from ASTRO, as well as increments thereof from March to October 1995 and attorney's fees; and that LPI vacate the property and remove its billboards or non-permanent structures by October 31, 1995, otherwise, RCAM would dismantle the same.^[9]

On October 19, 1995, LPI filed a Complaint against RCAM with the Regional Trial Court (RTC) of Makati City, for consignment of the amount of P300,000.00 corresponding to the rentals from March to October 1995, with a plea for a writ of preliminary injunction and temporary restraining order. The complaint contained the following prayer:

WHEREFORE, it is respectfully prayed that, immediately upon hearing thereof, a Temporary Restraining Order be issued by the Honorable Executive Judge, prohibiting defendants RCAM, Yalung and/or Villasor, including their employees, subordinates and/or its agents, from enforcing their demands and/or threats in the October 12, 1995 Letter (Annex "D") and, after hearing, a writ of preliminary injunction be issued pending final determination of this case.

It is further prayed that plaintiff be allowed to consign the amount of THREE HUNDRED THOUSAND PESOS (P300,000.00) with this Honorable Court to show its willingness, readiness and/or capability to pay for whatever amount is really due defendant RCAM from the months of March to October 1995, if any, and whatever sum is actually due to defendant RCAM as monthly rentals for the subject advertising areas or spaces thereafter. It is further prayed that defendants RCAM and/or Astro be ordered to pay plaintiff Limitless the sum of NINE HUNDRED NINETY THOUSAND FOUR HUNDRED SIXTY-TWO PESOS AND NINETY CENTAVOS (P990,462.90) plus twelve (12) percent interest thereon from date of filing hereof.

It is further prayed that defendants RCAM, Yalung and/or Villasor be jointly and severally ordered to pay the plaintiffs Quirino Quin Baterna, Gregoria T. Baterna, Quirino Roni Baterna, Mary Gelle Baterna-Maranan and Louise Belle Baterna-Maranan, the sums of ONE MILLION PESOS (P1,000,000.00) EACH as moral damages. It is finally prayed [that] said defendants be ordered jointly and severally to pay plaintiffs the amount of P100,000.00 plus 25% of the amounts demanded or awarded as a consequence hereof, exclusive of hearing and other expenses as may be proven during trial hereof, subject to the reservations made herein.^[10]

The case was docketed as Civil Case No. 95-1559 and raffled to Branch 57 of the said court. LPI alleged, among others, that it should be credited for the rental payments of ASTRO to RCAM from February 1990 to February 1995. The court issued an Order on October 30, 1995, enjoining the defendant (RCAM) to maintain the *status quo*, thus, allowing the plaintiff (LPI) to continue using the advertising areas/spaces.^[11]

Still unaware of the complaint, RCAM wrote LPI on October 28, 1995, demanding payment of back rentals, including those from ASTRO, from March to October 1995, and damages and attorney's fees, totaling P1,021,219.15 within five (5) days from receipt thereof.^[12]

RCAM filed a Complaint for unlawful detainer against LPI before the Metropolitan Trial Court of Makati (MTC) on November 13, 1995 praying, thus:

WHEREFORE, it is respectfully prayed that a Summary Judgment be rendered in favor of the Plaintiff against the Defendant ordering the Defendant:

1. To vacate and peacefully surrender the premises to Plaintiff and/or to allow Plaintiff to remove or dismantle any and all advertising signs or non-permanent structures;
2. To pay Plaintiff the amount of rentals due from March 1995 until Defendant vacates the premises; with legal interests and penalties;
3. To pay the Plaintiff the amount of P50,000.00 as attorney's fees plus P2,000.00 per hearing as appearance fees;
4. To pay the cost of suit.

Plaintiff prays for such other reliefs just and equitable under the premises.^[13]

The complaint was docketed as Civil Case No. 50450. RCAM alleged that the defendant failed to pay rentals from March 1995. In its answer to the complaint, LPI alleged, *inter alia*, that RCAM had no cause of action against it for ejectment, and prayed that:

WHEREFORE, it is respectfully prayed that this Answer with Affirmative Defenses and Compulsory Counterclaim be noted, and this ejectment case be ordered dismissed, without prejudice to defendant's compulsory counterclaim. It is finally prayed that defendant be granted such other reliefs as may be considered just, proper and equitable based on the foregoing premises.^[14]

On October 30, 1995, LPI filed a Complaint against RCAM, *et al.*, with the RTC of Makati, for damages on account of the latter's failure to comply with the order of the RTC in Civil Case No. 95-1559. The case was docketed as Civil Case No. 96-949, raffled to Branch 136 of the RTC. The complaint was dismissed on October 24, 1996.^[15]

Meanwhile, on September 13, 1996, the RTC (in Civil Case No. 95-1559) issued an Order^[16] dismissing the complaint on the grounds of lack of jurisdiction, *litis pendencia*, and lack of cause of action.

On October 5, 1996, RCAM caused the dismantling of the billboards of LPI on the leased premises. For its part, LPI filed a criminal complaint for malicious mischief against Bishop Crisostomo Yalung, *et al.* An Information was, thereafter, filed against the said accused with the MTC for malicious mischief, docketed as Criminal Case No. 207096. During the pre-trial, the parties agreed to submit a reconciliation of the parties' respective accounts.

In its Position Paper in Civil Case No. 50450, LPI averred that during the first period — from February 1, 1990 (when the sublease agreement was executed) to August 1, 1993 (when the MOA took effect) — ASTRO had remitted rentals to RCAM for its account in the total amount of P832,920.00; the said amount should be credited to it and deducted from its accountability for the period covering March 1995 to October 1995, in the total amount of P553,134.00; hence, it had overpaid RCAM in the amount of P279,786.00.^[17]

LPI posited that during the second period (from August 1, 1993 to February 1, 1995 when the sublease expired), ASTRO's payments to RCAM had been credited to LPI. Hence, there was no reason why ASTRO's rental payments during the first period should not likewise be credited to it.

On May 25, 2000, the MTC rendered judgment in favor of LPI in Civil Case No. 50450 for unlawful detainer. The fallo of the decision reads:

WHEREFORE, judgment is hereby rendered:

1. declaring defendant's possession over the leased premises to be lawful;
2. ordering defendant to pay the monthly rentals from September 1995 until it stopped occupying the leased premises;
3. ordering plaintiff to pay defendant the amount of P100,000.00 as damages.^[18]

The MTC declared that based on the reconciliation of the account of LPI, it had paid P1,584,185.82 to RCAM. Since the rentals due for the period of February 1, 1990 to March 1, 1995 amounted to P1,239,635.00, LPI made an overpayment of P344,550.33. According to the court, the payments made directly to RCAM during the first period of the sublease (February 1, 1990 to July 1, 1993) in the amount of P832,920.00 should not be credited to LPI because the latter had donated the amount to RCAM, in accordance with the Letter dated November 28, 1989, and as stipulated in the sublease agreement. The MTC declared that such stipulation was a stipulation *pour autrui* under Article 1311 of the New Civil Code. However, the court also declared that LPI should be credited for the payments made by ASTRO during the second period (from August 1993, after the MOA took effect, to March 1995). The MTC also held that LPI was obliged to pay rentals in the amount of P414,486.50^[19] from March 1995 to October 1995 when the complaint was filed.