

SECOND DIVISION

[G.R. No. 147999, February 27, 2004]

**SUI MAN HUI CHAN AND GONZALO CO, PETITIONERS, VS. HON.
COURT OF APPEALS AND OSCAR D. MEDALLA, RESPONDENTS.**

DECISION

QUISUMBING, J.:

For review on certiorari is the Decision^[1] dated May 3, 2001, of the Court of Appeals in CA-G.R. SP No. 61889, affirming the Order^[2] dated January 11, 2000, of the Regional Trial Court (RTC) of Mandaluyong City, Branch 213, in Civil Case No. MC99-666, which had denied petitioners' Motion to Dismiss the complaint filed by private respondent.

The facts, as culled from records, are as follows:

On March 30, 1999, private respondent Oscar Medalla filed a complaint before the RTC of Mandaluyong City, docketed as Civil Case No. MC99-666, for collection of a sum of money arising from breach of a contract of lease and damages, against petitioners Sui Man Hui Chan and Gonzalo Co.

The complaint alleged that on November 14, 1988, Napoleon C. Medalla as lessor and Ramon Chan as lessee entered into a Lease Contract^[3] over a hotel building located at No. 29 Abanao Street, Baguio City. Chan would use the leased premises as a restaurant named "Cypress Inn". Pertinently, the parties agreed on the following:

1. The period of lease shall be for ten (10) years or from 15 July 1988 to 15 July 1998.
2. The payment of the realty taxes due to the government on the leased premises shall be for the account of the Lessee.
3. The agreement is binding upon the heirs and/or successors-in-interest of the Lessor and the Lessee.

Petitioner Gonzalo Co was employed by Ramon Chan as the general manager of "Cypress Inn" and acted as his agent in all his dealings with Napoleon Medalla.

On August 5, 1989, Ramon Chan died. He was survived by his wife, petitioner Sui Man Hui Chan, who continued to operate the restaurant.

On July 17, 1996, Napoleon Medalla died. Among his heirs is private respondent Oscar Medalla, who succeeded him as owner and lessor of the leased premises. The contract was neither amended nor terminated after the death of the original parties

but was continued by their respective successors-in-interest pursuant to the terms thereof. Petitioners Chan and Co, the latter, in his capacity as agent and general manager, continued to deal with private respondent Medalla in all transactions pertaining to the contract.

On various occasions, petitioners failed to pay the monthly rentals due on the leased premises. Despite several Statements of Accounts sent by Medalla, petitioners failed to pay the rentals due but, nonetheless, continued to use and occupy the leased premises.

On February 26, 1997, Medalla sent a letter addressed to Ramon Chan, indicating that (1) the contract of lease would expire on July 15, 1998, and (2) he was not amenable to a renewal of said contract after its expiration.

Medalla then sent demand letters to petitioners, but the latter still failed to pay the unpaid rentals. He also found out that petitioners had not paid the realty taxes due on the leased premises since 1991, amounting to P610,019.11. Medalla then asked petitioners to settle the unpaid rentals, pay the unpaid real estate taxes, and vacate the leased premises.

On January 1999, petitioners vacated the premises but without paying their unpaid rentals and realty taxes. Aggrieved by petitioners' refusal to pay the amounts owing, which had reached P4,147,901.80 by March 1999, private respondent Medalla instituted Civil Case No. MC99-666.

In their Answer to the Complaint, petitioners denied owing private respondent the amounts claimed by the latter. They alleged that the late Ramon Chan had paid all the rentals due up to March 15, 1998. Moreover, they need not pay any balance owing on the rentals as they were required to pay two (2) months advance rentals upon signing of the contract and make a guarantee deposit amounting to P220,000. On the matter of unpaid realty taxes, petitioners alleged that private respondent was responsible therefor as the owner of the leased premises, notwithstanding any contrary stipulations in the contract.

On July 19, 1999, petitioners filed a Supplemental Answer with Motion to Dismiss alleging that they were neither parties nor privies to the Contract of Lease, hence they are not the real parties-in-interest.

Private respondent filed a Reply and Opposition to petitioners' Supplemental Answer with Motion to Dismiss dated August 2, 1999, praying for the denial of the Motion to Dismiss for having been belatedly filed in direct contravention of Section 1, Rule 16, of the 1997 Rules of Civil Procedure.^[4] He further alleged that petitioner Chan, as the owner of the business and petitioner Co as the agent of petitioner Chan, are clearly real parties-in-interest in the case. Private respondent pointed to their continuous dealings with him in all transactions relating to the contract after the death of Ramon Chan and even after the expiration of the Contract of Lease.

On January 11, 2000, the RTC denied petitioners' Motion to Dismiss, thus:

WHEREFORE, in view of the foregoing, the motion to dismiss dated July 19, 1999 filed by defendant through counsel against plaintiff is hereby DENIED for lack of merit.

SO ORDERED.^[5]

The trial court pointed out that petitioners continued to transact business with private respondent after the death of Ramon Chan as shown by the communications between the parties. It also declared that private respondent's acquiescence to petitioners' continued occupation and enjoyment of the leased premises and the latter's recognition of the former's ownership of said premises reflected an oral agreement between the parties to continue the Lease Contract.

Petitioners moved for reconsideration on the ground that any claim should be filed against the estate of Ramon Chan in an estate proceeding pursuant to Section 5, Rule 86, of the Revised Rules of Court^[6] since Ramon Chan's estate is the real party-in-interest. The court denied said motion and declared that Section 5, Rule 86 is inapplicable in the case. It pointed out that the unpaid rentals being claimed were those for the period April 1993 to December 1998. These were incurred by petitioners and not by the late Ramon Chan, who died on August 5, 1989.

Dissatisfied, petitioners elevated the matter to the Court of Appeals through a special civil action of certiorari, docketed as CA-G.R. SP No. 61889. The Court of Appeals, however, affirmed the RTC Orders, as follows:

WHEREFORE, foregoing premises considered, the petition having no merit in fact and in law is hereby DENIED DUE COURSE and ACCORDINGLY ORDERED DISMISSED. The assailed Orders are resultantly AFFIRMED WITH COSTS TO PETITIONERS.

SO ORDERED.^[7]

Hence, the instant petition submitting as sole issue for our resolution:

whether or not respondent Court of Appeals committed serious error in law in affirming the RTC Orders denying petitioners' motion to dismiss and the subsequent motion for reconsideration.^[8]

Petitioners argue that the Court of Appeals erred in affirming the RTC's Orders because they are not the real parties-in-interest and hence, were improperly impleaded in the complaint as defendants. Petitioners insist that they were neither parties nor were they privy to the Contract of Lease between the late Ramon Chan and Napoleon Medalla. They vigorously assert that any claim for unpaid rentals should be made against the estate of Ramon Chan pursuant to Section 5, Rule 86 of the Revised Rules of Court.

We find for private respondent. Prefatorily, it bears stressing that petitioners' Motion to Dismiss was filed after an Answer had already been filed. This alone warranted an outright dismissal of the motion for having been filed in contravention of the clear and explicit mandate of Section 1, Rule 16, of the Revised Rules of Civil Procedure. Under this section, a motion to dismiss shall be filed within the time for but before filing the answer to the complaint or pleading asserting a claim.^[9] Here, petitioners filed their Supplemental Answer with Motion to Dismiss almost two months after filing their Answer, in clear contravention of the aforecited rule.