

SECOND DIVISION

[G.R. No. 158526, December 16, 2004]

D.O. PLAZA MANAGEMENT CORP., PETITIONER, VS. CO-OWNERS HEIRS OF ANDRES ATEGA, NAMELY: BASILISA KITTILSTVEDT, VERONICA ATEGA-NABLE, HEIRS OF MARIA DEEN, HEIRS OF CONSOLACION ATEGA-TOLENTINO, HEIRS OF CANUTA ATEGA-MORTOLA, HEIRS OF PROSPERIDAD ATEGA-RODRIGUEZ, HEIRS OF MARIANO ATEGA, HEIRS OF PLENIO ATEGA, HEIRS OF KATHERINE ATEGA-MORAN, RESPONDENTS.

DECISION

PUNO, J.:

The instant petition stemmed from a complaint for unlawful detainer filed by respondent Heirs of Andres Atega before the Municipal Trial Court in Cities (MTCC) of Butuan City against petitioner D.O. Plaza Management Corporation (DOPMC).

In their complaint,^[1] respondents alleged that they, as lessors, entered into a contract of lease with petitioner, as lessee, over two (2) adjoining parcels of land situated at Baan, Butuan City, one having an area of 1.70 hectares and the other with an area of 2,312 square meters. The Lease Contract^[2] was for a term of five (5) years, commencing on December 16, 1986 up to December 15, 1991, renewable upon mutual agreement of the parties. It provided for a monthly rental of P3,000 for the first year, P3,500 for the second year, P4,000 for the third year, P4,500 for the fourth year, and P5,000 for the fifth year, with a *proviso* that "the LESSORS reserve the right to increase the rental proportionate to any increase in real estate taxes, assessments, levies or additional charges on the real property which may be imposed by national or local governments or proportionate to any further devaluation of the Philippine peso." The parties also agreed that "[i]mprovements made by the LESSEE shall, after the term of [the] contract, or in case of its termination, automatically accrue to the LESSORS as owners without need of any formal deed of conveyance in any form, save only those which can be removed by the LESSEE without impairing or causing damage to the land or improvements." As to the obligations of petitioner, as lessee, and the penalties for their violation, the parties stipulated as follows:

(5) Upon the expiration of the term of this Contract or for any reason if LESSEE shall be compelled to vacate the premises, LESSEE shall surrender possession of the leased premises to the LESSORS free from any substantial damages to the land and improvements thereon as well as from any occupants therein, it being understood and agreed that it shall be the obligation of the LESSEE to maintain the land and the improvements thereon as well as to prevent and eject unlawful occupants thereon during the term of this Contract up to the time that possession is surrendered to the LESSORS;

(6) LESSEE shall not allow any act which will prevent LESSORS from peaceful enjoyment and possession of the leased premises after the expiration of the term of this Contract; failure on the part of the LESSEE to comply with this obligation shall entitle the LESSORS to damages;

(7) LESSEE shall not sublease the premises or any portion thereof or assign its rights under this Contract without the prior written consent of the LESSORS;

(8) In case LESSORS are compelled to eject any occupant in the premises after the expiration of this Contract and such occupant occupies the premises during the term of this Contract or by reason of any act attributable to the LESSEE, the costs of such ejectment and damages shall be for the account of the LESSEE; x x x

(11) LESSORS shall have the right to terminate this Contract due to violation of any term and condition herein upon serving a written notice to that effect; in no case shall LESSORS be obliged to return to LESSEE any amount of rental paid in advance by the latter if the LESSORS shall exercise its (sic) right to terminate this Contract by reason of this paragraph.

Should LESSEE serve a written notice to the LESSORS terminating this Contract, the unpaid rental corresponding to the unexpired period shall be paid by the LESSEE to the LESSORS; thereafter, LESSEE shall first comply with its obligation to remove any occupant from the premises and surrender possession to the LESSORS; x x x

After the expiration of the contract, petitioner allegedly proposed to extend the lease. In a letter dated March 11, 1992,^[3] respondents agreed to reduce the area leased from 19,213 sq. m. to 9,205 sq. m. but increased the rent to P3.50 per square meter or P32,217.50 per month. They gave petitioner seven days within which to reply, in vain. Still, respondents continued to exchange communications with petitioner.^[4] In April 1994, petitioner's representative allegedly met with respondents' counsel, during which, the former offered to pay at a rental rate of P10,000.00 per month. This offer was rejected by respondents' counsel. Respondents sent their last letter to petitioner on June 7, 1994,^[5] reiterating their demand for it to pay unpaid rentals amounting to P934,307.50^[6] and to vacate the leased premises, together with the occupants therein, within ten (10) days. Petitioner refused to heed their demands.

In its answer with counterclaim,^[7] petitioner admitted the contents of the Lease Contract but denied proposing to, or receiving a proposal from, the respondents to extend the lease. It contended that the leased lots it occupied were "within [the] 30-meter river bank protection which bank protection cannot be owned by any person, it belong[ing] to the government of the Republic of the Philippines." It assailed the jurisdiction of the MTCC over the subject matter of the case. It contended that "[w]hatever cause of action the complaint states, the same has been barred by the statute of limitations, waived, abandoned or otherwise extinguished." Petitioner also alleged that the "astronomical sum" of P32,217.50 is not a valid

demand. It appended the affidavit of Ireneo G. Boca, a geodetic engineer, and the subdivision plan he prepared, to prove that the actual area occupied by petitioner was only 4,302 sq. m.^[8] It also attached the affidavit of its employee, Hidulfo A. Maghuyop,^[9] who attested that the leased land: (a) is "barren" except for the buildings constructed by petitioner; (b) "adjoins a river bank" and "can easily be inundated by knee-deep flood when there is a (sic) rain;" and (c) is "far from [the] commercial centers of Butuan City."

On January 13, 1995, the MTCC of Butuan City, Branch 2, rendered a decision in favor of respondents. The dispositive portion of the decision states:

Viewed from the foregoing findings, the Honorable Court hereby renders judgment in favor of the plaintiffs and as against defendant corporation, ordering the latter and all persons or occupants who claim rights or interest from the defendant:

1. to vacate and relinquish the possession of the land and ownership of the buildings leased to them;
2. to pay the rentals at Thirty[-]two Thousand Two Hundred Seventeen Pesos and 50/100 (P32,217.50) per month from December 16, 1991 until defendant corporation shall have vacated and relinquished possession and ownership of the land and buildings;
3. to pay the sum of Twenty Thousand (P20,000.00) Pesos as attorneys' fees;
4. to pay the sum of Five Thousand (P5,000.00) Pesos as litigation expenses; and
5. to pay the cost of this suit.

SO ORDERED.^[10]

In allowing the increased monthly rental of P32,217.50, the MTCC considered the fact that under the lease contract, respondents, as lessors, have become the owners of the improvements introduced to the leased lots upon the termination of the lease contract. It took note of the improvements in the lots consisting of, among others, a building used by petitioner as its office and another building used as residence by Governor Democrito O. Plaza's family. It held that "[b]eing the co-owners not only of the land but also of the improvements therein, it is [respondents'] veritable right to demand the increase of the use of the land and buildings from the [petitioner] corporation."^[11]

On appeal, the Regional Trial Court (RTC) of Butuan City, Branch 2, affirmed the decision of the MTCC, with modifications, *viz*:

WHEREFORE, the appealed decision is hereby affirmed with certain modifications, to wit:

- a) directing and ordering defendant-appellant to vacate the premises of

the 2 lots subject matter of this case and to deliver the possession thereof in (sic) the plaintiffs-appellees, including all the improvements introduced by the defendant-appellant thereon like the buildings which improvements are now owned by the appellees pursuant to and by the operation of the terms and conditions of paragraph (3) of the written contract that expired on December 15, 1991;

b) directing and ordering defendant-appellant to pay plaintiffs-appellees the amount of Fourteen Thousand Pesos (P14,000.00) as monthly rental starting from December 16, 1991 until defendant-appellant shall have vacated the leased premises, crediting in favor of the defendant-appellant the amounts received by the plaintiffs-appellees as rental through the sheriff, which amounts are the amounts deposited with the court and the proceeds of the writ of execution pending appeal;

c) directing and ordering defendant-appellant to pay plaintiffs-appellees the amount of Seven Thousand Pesos (P7,000.00) as attorney's fees and Three Thousand Pesos (P3,000.00) as expenses of litigation; and

d) with costs against the defendant-appellant.

SO ORDERED.^[12]

The RTC found the amount of P32,217.50 as "exorbitant and unreasonable." It gave credence to the affidavit of Maghuyop that the leased land is remote. The RTC noted that the leased land is classified as residential with a market value of P745,210.00, as shown by Tax Declaration No. GR-11-002-0427-R.^[13] It pointed out that if the lessee were to pay monthly rental of P32,217.50, the lessors would recover the acquisition cost of the land in less than two (2) years. It held that this is contrary to "business practices and experience" where "recovery of investment or acquisition cost of lands and buildings will take on the average a period of ten (10) years." Hence, it reduced the monthly rent to P14,000.00.^[14]

Respondents moved for a partial reconsideration of the decision of the RTC insofar as it reduced the monthly rental from P32,217.50 to P14,000.00 and the attorney's fees from P20,000.00 to P7,000.00.^[15] It attached the tax declarations^[16] of some eighteen (18) occupants of the leased land to show the fair market value of the improvements and their industrial or commercial use. Respondents also prayed for the issuance of an alias writ of execution^[17] based on the decision of the RTC, without prejudice to the outcome of their motion for partial reconsideration.^[18] The RTC denied respondents' partial motion for reconsideration^[19] but granted the motion for the issuance of an alias writ of execution.

Thereafter, respondents filed a petition for review with the Court of Appeals (CA). They sought the reinstatement of the decision of the MTCC, ordering the payment of P32,217.50 as monthly rental, P20,000.00 as attorney's fees, and P5,000.00 as litigation expenses. They likewise prayed that the decision of the RTC be modified to require payment of monthly rentals from December 16, 1991 until petitioner and the occupants in the leased premises shall have vacated the premises.^[20]

On May 21, 2003, the CA modified the ruling of the RTC. The dispositive portion of its decision states:

WHEREFORE, the petition is GRANTED. The June 8, 1998 Decision of the RTC is MODIFIED, as follows:

- a) Respondent and all persons and entities whom it authorized to occupy the subject premises and improvements are hereby directed and ordered to vacate the same and deliver possession thereof to petitioners;
- b) Respondent is directed and ordered to pay petitioners the amount of Thirty[-]two Thousand Two Hundred Seventeen pesos and 50/100 (P32,217.50) per month as reasonable rent starting from December 16, 1991 until respondent and all persons and entities whom it authorized to occupy the premises and improvements shall have vacated the same;
- c) Respondent is ordered to pay the amount of Twenty Thousand Pesos (P20,000.00) as attorney's fees and Three Thousand Pesos (P3,000.00) as expenses of litigation; and
- d) Respondent is ordered to pay the costs.

SO ORDERED.^[21]

Hence, this petition.

Petitioner contends that it should only be held liable at a monthly rental rate of P14,000.00. It raises the issue of whether the reasonable monthly rental value of the leased premises is P32,217.50, as found by the CA and the MTCC, or P14,000.00, as found by the RTC.^[22]

Respondents, on the other hand, contend that the instant petition must be dismissed as: (a) petitioner violated Rule 45, Section 2 of the Rules of Court on the payment of docket and other lawful fees and deposit; (b) petitioner's counsel failed to indicate his Roll of Attorneys Number, in violation of Supreme Court Circulars; (c) petition does not pose a question of law, in violation of Section 1, Rule 45 of the Rules of Court; and (d) assuming that the petition raises a question of law, the CA did not err in ruling in their favor.^[23]

We shall first resolve the procedural issues.

First, respondents contend that the instant petition must be dismissed outright for violating Rule 45, Section 2 of the Rules of Court. They contend that "[n]owhere in the motion for extension served on [r]espondent[s] was any proof submitted that the corresponding docket and lawful fees and deposit were paid."

This contention has no merit. Rule 45 of the Rules of Court provides:

Sec. 2. Time for filing; extension. - The petition shall be filed within fifteen (15) days from notice of the judgment or final order or resolution appealed from, or of the denial of the petitioner's motion for new trial or