

THIRD DIVISION

[G.R. No. 130330, September 26, 2003]

FERNANDO GO, PETITIONER, VS. MICHAEL TAN AND LOLITA TAN, RESPONDENTS.

DECISION

SANDOVAL-GUTIERREZ, J.:

Procedural rules are intended to aid the courts in the dispensation of justice. Hence, when a stringent application of those rules would thwart, rather than promote substantial rights of litigants, the Court is allowed to exempt certain cases from its operation. This is one such case.

This is a petition for review on certiorari assailing the Decision^[1] of the Court of Appeals dated November 29, 1996 in CA-G.R. CV No. 36929, which affirmed with modification the Decision of the Regional Trial Court, Branch 96, Quezon City, in Civil Case No. Q-91-10552, "*Michael Tan and Lolita Tan vs. Fernando Go, Juanito Siy and William Siy*," for specific performance and damages.

Fernando Go, as owner, and Michael Tan, as lessee, entered into a Contract of Lease^[2] dated December 14, 1989 over three parcels of land measuring 4,939 sq. m., more or less, located in Quezon City. Paragraphs 4 and 5 of the lease agreement provide:

"4. IMPROVEMENTS – The LESSEE can make any improvements such as constructing buildings in the leased premises at his own expense and account, any and all improvements introduced and/or built thereon shall automatically belong to the LESSOR without any obligation on the part of the LESSOR to reimburse the LESSEE for cost and expenses incurred in the improvements at the termination or expiration of this contract.

"Anything to the contrary notwithstanding, the Lessee, during the currency of the foregoing contract of lease with a term of five (5) years, has agreed to pay at his own expense, the real estate taxes, dues and assessments that may be due on the land subject hereof and all the improvements that the Lessee may introduce thereon in accordance herewith, provided that each tax receipt for the quarterly or yearly payment shall be presented to the Lessor immediately after such quarterly or yearly payment of the said real estate tax is made, it being understood however, that failure on the part of the Lessee to strictly comply with his obligation herein shall be considered a breach of the term of this contract of lease and therefore, the Lessor, at his option, may take appropriate action permissible under the premises.

"5. SUBLEASE – The LESSEE shall not sublet or sublease in whole or in

part the leased premises nor assign this CONTRACT OF LEASE to any party, and any sublease of said premises or any assignment of such Contract of Lease shall be null and void, and the LESSOR shall have the right to terminate this contract at once."

Later, Fernando learned that Michael was subleasing the property to brothers Juanito and William Siy, in violation of the lease contract.

Before Fernando could file his complaint for illegal detainer against Michael, the latter, joined by his mother Lolita Tan, filed with the Regional Trial Court, Branch 96, Quezon City Civil Case No. Q-91-10552 for specific performance and damages with prayer for the issuance of a temporary restraining order (TRO) and prohibitory and mandatory injunction against Fernando and brothers Juanito and William Siy.

In their complaint, the Tans basically alleged that Fernando and the Siy brothers conspired to harass them for the purpose of evicting them from the property; that while Michael paid Fernando P72,000.00 as advanced rent for the first eight (8) months, however, the latter issued a receipt stating that the payment "shall be applied to the last six (6) months rent" at P12,000.00 a month, instead of only P9,000.00 as agreed upon; that Fernando required Michael to execute promissory notes payable monthly during the entire duration of the lease contract; that Fernando, taking advantage of Michael's youth, made him sign those promissory notes; that brothers Juanito and William Siy joined Fernando in disturbing them in their peaceful possession of the property; and, that Fernando was ejecting them from the premises after they introduced substantial improvements thereon.

On November 8, 1991, the trial court issued a TRO directing Fernando and the Siy brothers to desist from disturbing Tans' possession of the leased premises.

Meanwhile, Fernando, unaware of the TRO, filed with the Metropolitan Trial Court (MeTC) of Quezon City a complaint for illegal detainer against Michael and Lolita Tan, docketed as Civil Case No. 5132. Eventually, the case was decided in favor of Fernando. On appeal, the Regional Trial Court, Branch 77, Quezon City issued a preliminary mandatory injunction against Fernando ordering him to return possession of the property to Michael and Lolita Tan. Fernando then filed with the Court of Appeals a petition for certiorari, docketed therein as CA-G.R. SP No. 28640. Subsequently, the said court annulled the Decision issued by the RTC, prompting Michael and Lolita to file with this Court a petition for review on certiorari, docketed as G.R. No. 110439. But their petition was dismissed in a Resolution dated July 28, 1993.

Going back to the Tans' complaint for specific performance, on November 20, 1991, the trial court issued a writ of preliminary prohibitory injunction enjoining Fernando and the Siy brothers from disturbing the "*status quo* of the parties under the contract of lease." The court also ordered Fernando to explain why he should not be cited in contempt of court for filing an illegal detainer case against the Tans in violation of the TRO dated November 8, 1991.

During the hearing of the Tans' application for prohibitory and mandatory injunction on November 25, 1991, the trial judge asked Atty. De Guzman, Fernando's counsel, whether he has filed an answer to the complaint of Michael and Lolita. When Atty. De Guzman replied in the negative, the judge remarked that the court "will wait for

you to file your answer." Thereupon, the hearing was deferred. Incidentally, that was the last day for Fernando to file his answer.

The next day, November 26, Fernando, relying on the comment of the judge, filed a motion for extension of time to submit his answer. On the same day, the Tans filed a motion to declare Fernando in default for his failure to file his answer seasonably. Fernando opposed this motion. The incidents were set for hearing on November 29, 1991. Thereupon, he filed a motion for postponement of this hearing.

On November 29, 1991, only the Tans and their counsel were present. The trial court then issued an order denying Fernando's motion for postponement and declaring him in default for failure to file an answer on time. On that same day, it conducted an *ex parte* hearing and allowed the Tans to present their evidence.

Fernando filed a motion for reconsideration of the order dated November 29, 1991 declaring him in default and another motion to nullify the proceedings and/or reception of evidence. However, the motions were denied by the trial court in an order dated January 8, 1992.

On January 20, 1992, the trial court rendered its Decision in favor of Michael and Lolita Tan, the dispositive portion of which reads:

"WHEREFORE, judgment is hereby partially rendered for the plaintiffs ordering defendant Fernando L. Go:

1. To maintain his lessee, plaintiff Michael Tan, in the peaceful and adequate enjoyment of the leased premises for the entire duration of their contract, subject to the terms and provisions of the contract of lease (Exh. B);
2. Ordering defendant Fernando L. Go to desist from committing any further act or entering into any further scheme aimed at ousting the plaintiff from their peaceful possession of the premises in contravention of the contract of lease (Exh. B);
3. Commanding defendant Fernando L. Go to return to the plaintiffs the total sum of P171,000.00, representing the rentals collected in advance, plus interest at the legal rate to be reckoned from filing of the complaint up to full payment, less such amounts necessary to be applied as rentals for the months of September, October, November and December, 1991, and January, 1992, unless already paid for by plaintiffs;
4. Sentencing defendant Fernando L. Go to pay to the plaintiffs actual damages of P200,000.00; moral damages of P100,000.00; and exemplary damages of P50,000.00;
5. Ordering defendant Fernando L. Go to pay attorney's fees in the amount of P50,000.00; and