

SECOND DIVISION

[G.R. No. 136586, November 22, 2001]

JON AND MARISSA DE YSASI, PETITIONERS, VS. ARTURO AND ESTELA ARCEO, RESPONDENTS.

D E C I S I O N

MENDOZA, J.:

This is a petition for review of the decision,^[1] dated August 31, 1998, of the Court of Appeals, affirming the decision of the Regional Trial Court, Branch 67, Pasig City, which dismissed petitioners' amended complaint for damages and ordered them instead to pay respondents back rentals and attorney's fees, as well as the appeals court's resolution,^[2] dated November 27, 1998, denying petitioners' motion for reconsideration.

The antecedent facts are as follows:

On October 1, 1988, petitioner spouses Jon and Marissa de Ysasi leased from spouses Arturo and Estela Arceo, respondents herein, the latter's premises located at No. 91 East Capitol Drive, Barrio Kapitolyo, Pasig, Metro Manila in order to carry on their business of handpainting and finishing services. Petitioners paid P5,000.00 as goodwill money and P15,000.00 as deposit for three months.

It appears that due to heavy rains, the roof of the building leaked and the premises were flooded, as a result of which the schedule of the delivery of handpainted mouldings to petitioners' customers was disrupted. Although petitioners asked respondents to make the necessary repairs, the latter repaired only a portion of the leased premises. Consequently, petitioners stopped paying rent as well as their share of the electric, water, and telephone bills from December 1988 up to the time they vacated the leased premises in June 1989.

Respondents in turn filed an ejectment suit against petitioners in the Metropolitan Trial Court, Branch 71, Pasig City. In its decision, the MeTC, while ruling that petitioners were justified in suspending the payment of rent, ordered the deposits made by them to be applied to the payment of rentals up to June 1989 and directed them to pay the electric and water bills.^[3] On appeal to the Regional Trial Court, Branch 156, Pasig City, the decision was modified inasmuch as petitioners were ordered to pay P20,000.00 as balance of their rentals up to the time they vacated the premises.^[4]

Petitioners then filed a complaint in the Regional Trial Court, Branch 67, Pasig City, for specific performance or rescission of contract with damages, which they subsequently changed to a claim for damages in view of the expiration of the lease contract.^[5] The trial court, however, dismissed the complaint and ordered

petitioners to pay respondents the sums of P5,000.00 as attorney's fees and P20,000.00 as back rentals, with interest at the legal rate.^[6] On appeal to the Court of Appeals, the decision was affirmed. Petitioners' motion for reconsideration was subsequently denied. Hence this appeal.

Petitioners contend that:

- I. THE HONORABLE COURT OF APPEALS COMMITTED A CLEAR ERROR IN INTERPRETING THAT UNDER THE CONTRACT OF LEASE DATED 1 OCTOBER 1988 THERE WAS AN IMPLIED WAIVER OF REPAIRS INCLUDING REPAIRS FOR HIDDEN AND UNKNOWN DEFECTS.
- II. THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT PRIVATE RESPONDENTS ARE NOT LIABLE TO PAY DAMAGES TO PETITIONERS INASMUCH AS THE FAILURE OF THE FORMER TO MAKE THE NECESSARY REPAIRS ON THE SUBJECT PREMISES WAS NOT THE DIRECT AND PROXIMATE CAUSE OF THE DAMAGES SUSTAINED BY THE LATTER.
- III. THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT PETITIONERS SHOULD BE HELD LIABLE TO PAY DAMAGES TO PRIVATE RESPONDENT PARTICULARLY THE SUM OF TWENTY THOUSAND (P20,000.00) PESOS REPRESENTING THE ALLEGED UNPAID RENTALS.^[7]

After reviewing the records of this case, we affirm the decision of the Court of Appeals dismissing petitioners' amended complaint for damages and ordering the payment of attorney's fees to respondents. However, the order for payment of unpaid rentals with interest to respondents should be deleted.

First. Petitioners anchor their complaint for damages on respondents' failure, as lessors, to make the necessary repairs on the leased premises as provided in Art. 1654(2) of the Civil Code.^[8] The Court of Appeals held that under the contract of lease of the parties, there was an implied waiver of right to demand repairs to be made by the lessee.^[9]

The records show that respondent Mrs. Arceo caused certain repairs to be done on the leased premises at the request of petitioners,^[10] although the latter alleged that the repairs made were inadequate.^[11] This fact indicates that there was no implied waiver of repairs on the part of the lessee. For Art. 1371 of the Civil Code provides that "In order to judge the intention of the contracting parties, their contemporaneous and subsequent acts should be principally considered."

Petitioners contend that respondents were liable for hidden defects and, for this purpose, cite the following provisions of the Civil Code:

Art. 1566. The vendor is responsible to the vendee for any hidden faults or defects in the thing sold, even though he was not aware thereof.

This provision shall not apply if the contrary has been stipulated, and the vendor was not aware of the hidden faults or defects in the thing sold.

Art. 1653. The provisions governing warranty, contained in the Title on Sales, shall be applicable to the contract of lease.

Petitioners' contention is without merit. Petitioner Jon de Ysasi admitted on cross-examination that he inspected the premises three or four times before signing the lease contract.^[12] During his inspection, he noticed the rotten plywood on the ceiling which in his opinion was caused by leaking water or "anay" (termites). Yet, he decided to go through with the lease agreement.^[13] Hence, respondents cannot be held liable for the alleged warranty against hidden defects. What we said in *Coca-Cola Bottlers Philippines, Inc. v. Court of Appeals*^[14] applies *mutatis mutandis* to this case:

Considering that the representatives of the petitioner were given every opportunity to visit and inspect the premises prior to the execution of the contract of lease, we cannot impute bad faith on the part of respondents for having allegedly withheld the information that the leased land was a former fishpond.

. . . .

Accordingly, private respondents cannot be held liable for the alleged warranty against defects under Art. 1561 of the Civil Code.

Under Arts. 1561 and 1653 of the Civil Code, the lessor is responsible for warranty against hidden defects, but he is not answerable for patent defects or those which are visible. Such appears to be the case here.

Second. Petitioners contend that respondents' obligation to make the necessary repairs on the premises was fixed in the decision both of the Metropolitan Trial Court (MeTC) and the Regional Trial Court (RTC) in the ejectment case and that such is now conclusive on the parties.^[15]

We disagree. Although the MeTC held respondents responsible for repairs, it does not appear that the RTC affirmed the same on appeal. The RTC in fact decided the case in favor of respondents. Instead of holding petitioners justified in refusing to pay rentals because of respondents' alleged failure to comply with their obligation to make repairs, the RTC in fact ordered them to pay respondents the sum of P20,000.00, representing the balance of the rentals from the time they withheld payment up to the time they vacated the leased premises in June 1989.^[16]

Nor is there any basis for petitioners' claim of P41,007.35 as damages for improvements allegedly made, consisting of tables and chairs, considering that the said pieces of furniture were removed by them when they transferred to another place.^[17] As regards the business losses allegedly incurred by petitioners as a result of the cancellation of job orders in the amount of P100,000.00, such damages have not been sufficiently established by them as attributable to respondents' fault or neglect.^[18]

It has not been duly proven in the case that respondents failed to fulfill their obligations as lessors or that they acted with fraud or bad faith. As heretofore