

## THIRD DIVISION

[ G.R. No. 115045, January 31, 2000 ]

**UNIVERSITY PHYSICIANS SERVICES, INC., petitioner, vs. COURT OF APPEALS, MARIAN CLINICS, INC. and SPOUSES LOURDES F. MABANTA and FAUSTO MABANTA, respondents.**

### D E C I S I O N

**GONZAGA-REYES, J.:**

Before us is a Petition for Review by way of Certiorari of the November 26, 1993<sup>[1]</sup> Decision and April 11, 1994<sup>[2]</sup> Resolution of the Court of Appeals in CA-G.R. CV No. 20450. The Court of Appeals (CA) affirmed the October 28, 1988 Decision<sup>[3]</sup> of the Regional Trial Court (RTC) of Pasig, Branch 165 in Civil Case No. 52978, an action for compensation and damages.

The pertinent facts, as found by the trial court, are as follows:

"The plaintiffs and the defendant entered into a lease agreement (Exhibit "A"), commencing on 01 June 1973 and ending on 31 May 1983, with a provision that the 'period of this lease may be extended for another period of five (5) years subject only to re-negotiation of rentals, which re-negotiations should start not less than six (6) months prior to the termination of the original period of this lease,' (par. 1, Exhibit "A").

The lease contract covers the Marian Hospital and four Schools, consisting of four buildings, a 10-storey concrete building, a 9-storey concrete building, a 3-storey building and one called Soledad Building, including the land on which they stand, as well as facilities, furnitures, fixtures and equipments, listed in Annexes "A" and "B" attached to the Lease Agreement (Exh. "A"). Excepted from this lease is a certain portion of the Soledad Building used as a clinic of plaintiff Dra. Lourdes F. Mabanta, and another portion at the western end of the building used as a 'bibingka store.' Defendant was to pay a monthly rental of ₱70,000.00, which became due and payable within the first ten days of every month in advance, except the first rental and the rentals for the last months of April and May 1983, which were due and payable at the time of the execution of the contract of lease.

As early as 1975, problems appear to have arisen from the contractual relations of the parties when, on 27 October 1975, herein defendant, as plaintiff, filed with the Court of First Instance of Manila, Civil Case No. 99934, against the herein plaintiffs, as defendants in that case, for specific performance with damages, due to alleged violations by the herein plaintiffs of certain provisions of the Lease Agreement (Exh. "A"), specifically for alleged 'condemned' installation, electrical installations

and for their failure to present the occupancy permit for the buildings leased,' (TSN, session of Dec. 17, 1987, p. 13).

Subsequent to the filing by herein defendant of Civil Case No. 99934, herein plaintiffs filed with the City Court of Manila, on 18 December 1975 (see page 2, 'Plaintiffs' Opposition to Defendant's Motion to Dismiss'), an ejectment case for unlawful detainer against defendant, docketed as Civil Case No. 006665-CV (see par. 3.3. of Answer).

The principal ground of the ejectment (unlawful detainer) case filed by the herein plaintiffs against the herein defendant was for the alleged non-payment of rentals on the lease properties, beginning November 1975, because the defendant suspended the payments thereof (see Annex "B" to the Complaint).

After trial by the City Court of Manila of Civil Case No. 006665-CV, the case was dismissed and the decision of the City Court rendered on 10 August 1980, was appealed to the Court of First Instance, and therein docketed as Civil Case No. 135396, and assigned to Hon. Tomas Maddela, Judge Presiding. Also, Civil Case No. 99934, for specific performance with damages, was tried by Judge Maddela, and he rendered a decision, on the same day he rendered a decision in Civil Case No. 135396, against the herein plaintiffs and in favor of herein defendant, directing herein plaintiffs to pay herein defendant some P663,153.49 in damages. This decision is now pending appeal (see par. 3.5, Answer).

The Regional Trial Court of Manila (RTC, for short), rendered on 21 April 1983 a decision in Civil Case No. 135396, affirming in toto the decision of the City Court in Civil Case No. 006665-CV. The decision of the Regional Trial Court in Civil Case No. 135396, affirming in toto the appealed decision of the City Court in Civil Case No. 006665-CV, was appealed to the Intermediate Appellate Court (IAC, for short), docketed as AC-G.R. SP. No. 00994, which rendered a decision on 28 February 1985, (Annex "B" to the Complaint), and Amplified/Amended by its Resolution of 18 July 1985, (Annex "B-1" of the Complaint), reversing the decision in Civil Case No. 135396, with the finding that the respondent RTC erred in affirming the decision of the City Court dismissing petitioners' (herein plaintiffs) complaint of ejectment; that, there being violations made by respondent (herein defendant) of the lease agreement as proven by the evidence submitted by the petitioners, and private respondent's efforts to justify such violations not being sufficient so as to negate the payment of rental, respondent court should have reversed the City Court's decision and should have ordered the respondent to vacate the premises (p. 13 of Annex "B" to the Complaint). The IAC subsequently directed the herein defendant to pay to herein plaintiffs rentals from November 1975 to 31 May 1983, less rentals that were deposited and withdrawn by herein plaintiffs, and directing defendant to vacate the leased properties including the fixtures, supplies and equipments listed in Annex "A" (other than the property ceded to the Development Bank of the Philippines in the 'dacion en pago') more particularly but is now occupied by Juanchito's restaurant and the passage way of the premises still owned by petitioners.' (pp. 3-4, Annex "B-1" to Complaint).

The decision and resolution were the subject of a petition for review by herein defendant filed with the Supreme Court on 07 August 1985. [\*]

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Meanwhile, that the cases were filed by and against one another (of one parties), the Development Bank of the Philippines (DBP, for short), acquired, thru a 'dacion en pago' the ownership of two of the four buildings leased to defendant, while plaintiff Lourdes Mabanta continue to own the other two buildings – the 3-storey building and the Soledad Bldg. (see par. 3-7, Answer). Defendant continued to occupy, under lease, the two buildings ceded to DBP.

While the Lease Agreement (Exh. "A"), 'may be extended for another period five (5) years, subject only to re-negotiation of rentals, which re-negotiation should start not less than six (6) months prior to the termination of the original period of this lease,' no such renegotiations were ever made 'on account of the fact that the relationship between the parties was already strained at that point in time as a result of the cases which each has filed against the other' (see par. 3-11, Answer).

Nonetheless, on 12 May 1983, defendant delivered a letter, dated 01 May 1983 (Exh. "1"), addressed to Plaintiff Dra. Lourdes F. Mabanta, informing the latter that it (defendant) is exercising its option to extend the lease for another period of five years and that it is willing and ready to negotiate the rentals (despite the fact that, in view of the previous position you have taken on the matter, the re-negotiation would/may be a futile exercise). This letter also warns plaintiffs that 'should you however refuse to negotiate, we will be constrained to request the court to fix the rentals of the extended period.'

This letter (Exh. "1") was answered by plaintiffs, through their lawyer, with a letter dated 16 May 1983, stating, inter alia, that since there were no renegotiations on the rentals which should have started 'not less than six (6) months prior to the termination of the original period, there are no rights which have arisen thereunder' (see Exh. "2").

The defendant insisted on its right to extend as shown by its letters marked Exhibits "3" and "4".

It has also been well-established, by preponderance of evidence that:

- a) Sometime in November, 1983, defendant had caused the destruction, by its eight (8) security guards, of plaintiffs' steel gate that closes the passageway into plaintiff Mabanta's properties which caused her to suffer P5,000.00 in damages.
- b) Defendant has been possessing, using, enjoying and had continued to possess, use and enjoy the passage way into plaintiff Dra. Mabanta's properties even after 31 May 1983 , and was still using and enjoying the passage way at the time

plaintiff Dra. Mabanta took the witness stand on 06 May 1987 and that the reasonable compensation for the use of the passage way is ₱2,000.00 a month;

- c) Defendant had still kept, retained and had been detaining, using and enjoying the hospital and school fixtures, equipments, furnitures and supplies, listed in Exh. "B", which is Annex "A" to the Lease Agreement (Exh. "A"), from June 1983 up to the present, without having paid any reasonable compensation for the use and enjoyment of such properties, and for which a reasonable compensation was shown by plaintiff Lourdes Mabanta to be ₱30,000.00 a month; and
- d) Defendant had continued occupying and using the Juanchito Restaurant from 01 June 1983 to 10 April 1987 , without paying any reasonable compensation for such use, and for which a reasonable compensation was shown by Plaintiff Lourdes Mabanta to be ₱5,000.00 a month."<sup>[4]</sup>

After more than two years from the time the original period of the lease expired on May 31, 1983, herein private respondents filed on November 21, 1985, a complaint for Compensation and Damages docketed as Civil Case No. 52978 before the Regional Trial Court of Pasig against herein petitioner UPSI. Herein private respondents claimed that despite the lapse of the original period of the lease, the latter continuously occupied and used the leased premises without paying the necessary rent. Herein private respondents also sought the payment of damages caused by the petitioner, defendant below, for the destruction of the steel gate shutter by the latter's security guards.

After trial on the merits, the lower court ruled in favor of herein private respondents. The dispositive portion of the judgment states as follows:

"WHEREFORE, judgment is hereby rendered, against the defendant and in favor of the plaintiffs, ordering defendant to pay:

1. to the plaintiffs the sum of ₱30,000.00 as reasonable compensation for defendant's use of the hospital and school equipments, fixtures, furnitures, facilities and supplies owned by plaintiffs, or in the event of its inability to return the properties or some of them, to replace them in the same quantity and quality, as it received them, pursuant to par. 8(e), of Exh. "A";
2. to the plaintiff Lourdes Mabanta, the sum of ₱2,000.00 a month, with legal interest thereon, as the reasonable compensation for defendant's use and enjoyment of the passage way, commencing 01 June 1983 until the said passage way is actually and completely surrendered/delivered to plaintiff Lourdes Mabanta;
3. to the plaintiff Lourdes Mabanta, the sum of ₱5,000.00 a month, with legal interest thereon, as the reasonable monthly compensation for defendant's occupation and

use of the Juanchito Restaurant, commencing from 01 June 1983 until 31 March 1987;

4. to the plaintiff Dra. Lourdes Mabanta the sum of P200,000.00, as and for moral damages;
5. to the plaintiffs, the sum of P200,000.00, as and for exemplary damages;
6. to the plaintiffs, the sum of P50,000.00, as and for attorney's fees and expenses of litigation; and
7. the costs of this suit.

All other claims of plaintiffs and the defendant against each other are hereby dismissed for lack of merit.

SO ORDERED."<sup>[5]</sup>

The aforesaid decision was appealed to the Court of Appeals on September 28, 1989. On November 26, 1993, the respondent court affirmed the decision of the trial court with the modification that the award of moral and exemplary damages is reduced from a total of P400,000.00 to P200,000.00.

Hence, this appeal. Petitioner University Physician Services, Inc. (UPSI) submits the following as issues, to wit:

1. WHETHER OR NOT THE OTHER PENDING CASES BETWEEN THE PARTIES CONSTITUTE A BAR TO THE INSTANT COMPLAINT UNDER THE RULE ON LITIS PENDENCIA.
2. WHETHER OR NOT, UNDER THE TERMS OF THE LEASE AGREEMENT, PETITIONER HAD THE RIGHT TO EXTEND THE DURATION OF THE LEASE.
3. WHETHER OR NOT PRIVATE RESPONDENTS ARE ENTITLED TO DAMAGES CONSISTING OF REASONABLE COMPENSATION FOR THE USE OF THE PASSAGEWAY, THE JUANCHITO'S RESTURANT, AND THE FIXTURES, FACILITIES, SUPPLIES, ETC. IF SO, WHETHER OR NOT THE AMOUNT OF "REASONABLE COMPENSATION" CAN BE UNILATERALLY DICTATED BY PRIVATE RESPONDENTS.

On the first issue raised, petitioner argues that Civil Case No. 52978<sup>[6]</sup> should have been dismissed on the ground of *litis pendencia*. Petitioner UPSI alleges that the pendency of the three cases<sup>[7]</sup> effectively bars the resolution of the case subject of the present petition (Civil Case No. 52978).

This argument is untenable.

Litis pendencia as a ground for the dismissal of a civil action refers to that situation wherein *another action is pending between the same parties for the same cause of action and that the second action becomes unnecessary and vexatious*.<sup>[8]</sup> It does