

FIRST DIVISION

[G.R. No. 137980, June 20, 2000]

TALA REALTY SERVICES CORP., PETITIONER, VS. BANCO FILIPINO SAVINGS AND MORTGAGE BANK, RESPONDENT.

D E C I S I O N

YNARES-SANTIAGO, J.:

The instant Petition presents a classic example where the application of the principle of stare decisis comes into play.

The facts may be summarized as follows:

Sometime in 1979, respondent Banco Filipino Savings and Mortgage Bank faced a legal problem with respect to its branch site holdings. Republic Act No. 337, otherwise known as the General Banking Act, provides that banks may only invest in real estate up to fifty percent (50%) of their net worth.^[1] This ceiling on real estate holdings posed a bar to respondent's plans for expansion and to address the problem, its major stockholders agreed to set up an entity to which its existing branch sites may be unloaded. The said entity would also acquire new branch sites for it, with all such branch sites, including those unloaded, to be leased to respondent bank. It was thus that petitioner was organized, its name TALA being an acronym of four (4) of the major stockholders and directors of respondent, namely: Antonio Tiu, Tomas B. Aguirre, Nancy Lim Ty and Pedro B. Aguirre.

On August 25, 1981, pursuant to the foregoing arrangement, respondent sold eleven (11) real estate properties housing its branch sites to petitioner, including the Davao branch site subject of the instant suit. Immediately following the sale, petitioner leased the same branch sites to respondent. According to respondent, petitioner was merely holding out such properties for it for a three percent (3%) per annum add-on to their carrying cost. Respondent further claims that it was part of their agreement that the said properties would be returned to it at its pleasure at the same transfer price.

At present, therefore, there stand pending cases filed by respondent against petitioner for reconveyance of all such branch sites held by petitioner on the ground that the latter is a mere trustee of respondent.

The present Petition, however, stems from an action for ejectment wherein the issue was which of two (2) different contracts of lease presented by each party governs them. For its part, petitioner presents an 11-year amended lease contract allegedly executed on August 25, 1981 before Notary Public Generoso Fulgencio. On the other hand, respondent presents a 20-year lease contract executed on the same date, August 25, 1981, but before Notary Public Jose Dimaisip.

The lease arrangement subject of this case also covered the other branch sites held by petitioner in other locations, *i.e.*, Malabon, Sta. Cruz, R. Hidalgo, Parañaque, Marikina, Malolos, Cabanatuan, Lucena, Urdaneta, La Union, Iloilo and Cotabato. Aside from the present case, therefore, other similar cases for ejectment have been filed where, ultimately, the question of which among the two lease contracts is valid becomes an issue.

Under the terms of the eleven-year amended contract presented by petitioner, the lease expired on August 31, 1992. Petitioner claims that thereafter, the lease was extended on a month-to-month basis on the condition that whatever terms and conditions are agreed upon would retroact to September 1, 1992. The parties' negotiations failed to yield any results, whereupon petitioner informed respondent that the rental rates shall be those it submitted to the latter, which were based on a study by the Asian Appraisal Co., Inc., retroactive to September 1, 1992. More particularly, rates were as follows: Two Hundred Thousand Eight Hundred Forty Pesos (P200,840.00) monthly with a rental escalation of ten percent (10%) per year, with four months deposit, four months advance deposit, and a Five Hundred Thousand Peso (P500,000.00) goodwill.

Respondent refused to comply with these terms. Instead, it continued to pay rent in the old monthly rate until March 31, 1994, when it totally ceased paying any rent. This prompted petitioner to demand from respondent, in a letter dated April 14, 1994, payment of its accrued rentals. Petitioner also gave notice to respondent that at the end of the month, the month-to-month lease over the premises would no longer be renewed. This was followed by a letter, dated May 2, 1994, demanding that respondent pay its obligations under the lease and vacate the premises.

On March 27, 1995, petitioner instituted a Complaint for Ejectment against respondent before the Municipal Trial Court of Davao City, docketed as Civil Case No. 2109-95. On June 5, 1995, respondent filed its Answer. After the submission of the parties' respective Position Papers, the court *a quo* rendered its Decision on July 20, 1995,^[2] dismissing the Complaint on the ground of lack of jurisdiction, after finding that the real issue, *i.e.*, which of the two contracts of lease was controlling, was not capable of pecuniary estimation.

On appeal, the Regional Trial Court of Davao City affirmed the decision *in toto* on June 13, 1996.^[3] With the denial of its Motion for Reconsideration, petitioner filed a Petition for Review with the Court of Appeals,^[4] docketed as CA-G.R. SP No. 48667.

On January 12, 1999, the Court of Appeals rendered its now questioned Decision,^[5] holding that both lower courts erred in refusing to exercise jurisdiction over the case when the issue of validity of lease contract is intertwined with the issue of possession. However, it dismissed the Petition to maintain judicial stability and consistency, it appearing that in other similar ejectment suits brought before the Court of Appeals, the twenty-year lease contract presented by respondent had been upheld. Petitioner's Motion for Reconsideration was granted in that respondent was ordered to pay unpaid rentals to petitioner.^[6] Subsequently, however, on Motion for Reconsideration of respondent, the Court of Appeals reversed itself and revoked its order for payment of back rentals.^[7]

Petitioner now seeks a reversal of the Decision of the Court of Appeals upon the following grounds -

"I

THE HONORABLE COURT OF APPEALS ERRED IN CONSIDERING THE RULING OF THE COURT IN CA-G.R. NO. 39104 AS THE LAW OF THE CASE BETWEEN HEREIN PARTIES.

II

THE HONORABLE COURT BELOW ERRED IN NOT EJECTING RESPONDENT FROM THE LEASED PREMISES."^[8]

In its favor, respondent argues that "only decisions of the Supreme Court establish jurisprudence or doctrines." And that is exactly what we are faced with at present.

On February 17, 2000, the Second Division of this Court, through Mr. Justice Sabino R. De Leon, Jr., rendered a Decision in G.R. No. 129887 between the same parties, this time involving respondent's Urdaneta, Pangasinan branch, finding the eleven-year lease contract presented by petitioner as a forgery and consequently upholding the validity of the twenty-year lease contract. Resolving this identical issue, the Decision states, to wit -

"Second. Petitioner Tala Realty insists that its eleven (11)-year lease contract controls. We agree with the MTC and the RTC, however, that the eleven (11)-year contract is a forgery because (1) Teodoro O. Arcenas, then Executive Vice-President of private respondent Banco Filipino, denied having signed the contract; (2) the records of the notary public who notarized the said contract, Atty. Generoso S. Fulgencio, Jr., do not include the said document; and (3) the said contract was never submitted to the Central Bank as required by the latter's rules and regulations (Rollo, pp. 383-384.).

Clearly, the foregoing circumstances are badges of fraud and simulation that rightly make any court suspicious and wary of imputing any legitimacy and validity to the said lease contract.

Executive Vice-President Arcenas of private respondent Banco Filipino testified that he was responsible for the daily operations of said bank. He denied having signed the eleven (11)-year contract and reasoned that it was not in the interest of Banco Filipino to do so (Rollo, p. 384). That fact was corroborated by Josefina C. Salvador, typist of Banco Filipino's Legal Department, who allegedly witnessed the said contract and whose initials allegedly appear in all the pages thereof. She disowned the said marginal initials (*Id.*, p. 385).

The Executive Judge of the RTC supervises a notary public by requiring submission to the Office of the Clerk of Court of his monthly notarial report with copies of acknowledged documents thereto attached. Under this procedure and requirement of the Notarial Law, failure to submit such notarial report and copies of acknowledged documents has dire

consequences including the possible revocation of the notary's notarial commission.

The fact that the notary public who notarized petitioner Tala Realty's alleged eleven (11)-year lease contract did not retain a copy thereof for submission to the Office of the Clerk of Court of the proper RTC militates against the use of said document as a basis to uphold petitioner's claim. The said alleged eleven (11)-year lease contract was not submitted to the Central Bank whose strict documentation rules must be complied with by banks to ensure their continued good standing. On the contrary, what was submitted to the Central Bank was the twenty (20)-year lease contract.

Granting *arguendo* that private respondent Banco Filipino deliberately omitted to submit the eleven (11)-year contract to the Central Bank, we do not consider that fact as violative of the *res inter alios acta aliis non nocet* (Section 28, Rule 130, Revised Rules of Court provides, viz.: "Sec. 28. Admission by third party - The rights of a party cannot be prejudiced by an act, declaration or omission of another, except as hereinafter provided."; *Compania General de Tabacos v. Ganson*, 13 Phil. 472, 477[1909]) rule in evidence. Rather, it is an indication of said contract's inexistence.

It is not the eleven (11)-year lease contract but the twenty (20)-year lease contract which is the real and genuine contract between petitioner Tala Realty and private respondent Banco Filipino. Considering that the twenty (20)-year lease contract is still subsisting and will expire in 2001 yet, Banco Filipino is entitled to the possession of the subject premises for as long as it pays the agreed rental and does not violate the other terms and conditions thereof (Art. 1673, New Civil Code)."

In light of the foregoing recent Decision of this Court, we have no option but to uphold the twenty-year lease contract over the eleven-year contract presented by petitioner. It is the better practice that when a court has laid down a principle of law as applicable to a certain state of facts, it will adhere to that principle and apply it to all future cases where the facts are substantially the same. "*Stare decisis et non quieta movere.*"^[9]

That the principle of stare decisis applies in the instant case, even though the subject property is different, may be gleaned from the pronouncement in ***Negros Navigation Co., Inc. vs. Court of Appeals***,^[10] to wit -

"Petitioner criticizes the lower court's reliance on the *Mecenas* case, arguing that although this case arose out of the same incident as that involved in *Mecenas*, the parties are different and trial was conducted separately. Petitioner contends that the decision in this case should be based on the allegations and defenses pleaded and evidence adduced in it or, in short, on the record of this case.

The contention is without merit. What petitioner contends may be true with respect to the merits of the individual claims against petitioner but not as to the cause of the sinking of its ship on April 22, 1980 and its