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Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, First Division, issued a Resolution dated **July 22, 2015** *which reads as follows:*

"G.R. No. 168665 – *ROSARIO ALZUL, BENJAMIN, SANDY, DANNY AND VIVIAN, ALL SURNAMED ALIPIO, Petitioners, v. TUTUBAN PROPERTIES, INC., Respondent.*

In December 1994, petitioner Rosario T. Alzul (Rosario) learned that respondent Tutuban Properties, Inc. (TPI) had offered commercial stalls for lease at the Tutuban Center Complex in Manila. After inspecting the premises, Rosario expressed her interest in leasing several stalls at the third floor of Cluster Building 1 of the complex for purposes of selling ready-to-wear (RTW) garments. Cluster Building 1 was subject to a product zoning scheme (PZS), whereby goods were classified, and each category of goods could only be sold at the pre-designated zones.[1] In January 1995, Rosario and her co-petitioners, who were her children, signed reservation agreements for three stalls. They paid ₱984,940.15 as priority premiums, and ₱11,356.20 as security deposit. They then introduced improvements on the stalls at a cost of ₱185,000.00. Rosario and Benjamin started selling goods in their respective stalls by the first week of May 1995, while Sandy, Danny and Vivian started operations on their stall in August 1995.[2]

The contracts of lease for the stalls of Rosario and Benjamin were signed on June 20, 1995, while the contract of lease for the stall of Sandy, Danny and Vivian was signed on November 22, 1995. All three contracts contained stipulations on the PZS for strict compliance and implementation.[3]

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1 *Rollo*, pp. 11-12.
2 Id. at 127.
3 Id.

According to the petitioners, their sales went down because RTW garments were being sold by other tenants in areas where RTW garments were not supposed to be sold, in violation of the PZS. Together with other tenants, therefore, they wrote to the respondent demanding the strict enforcement of the PZS. In reaction, the respondent issued to the tenants its House Rule on Product Zoning on August 31, 1995, stating that it would be strictly implementing the PZS. It later undertook to fully implement the PZS on November 15, 1995,[4] sending out notices to the lessees found to have been violating the PZS, and requiring the latter to strictly adhere to the zoning scheme. It proceeded to padlock the stalls of some violators. This resulted in the filing of civil cases against the respondent, and temporary restraining orders were consequently issued stopping the respondent from depriving the alleged violators of the use of their stalls.[5]

Thereafter, despite repeated demands, the respondent failed to enforce the PZS. Thus, on March 12, 1996, the petitioners brought against the respondent this action for rescission of contract and damages in the Regional Trial Court (RTC) in Manila.[6]

On January 7, 1999, the RTC rendered its decision in favor of the petitioners by ordering the rescission of their lease contracts with the respondent, and directing the respondent to return the ₱984,940.15 priority premiums, and to pay attorney's fees.[7]

The respondent appealed. On November 23, 2004, the Court of Appeals (CA) promulgated its assailed decision,[8] to wit:

> **WHEREFORE**, the appeal is hereby **GRANTED**. The appealed Decision is **REVERSED** and **SET ASIDE**, and a new one is hereby **ENTERED** ordering the parties to mutually and faithfully comply with their rights and obligations under the subject contracts of lease.
>
> **SO ORDERED**.[9]

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4 Id. at 12-13.
5 Id. at 128.
6 Records, pp. 1-8 (docketed as Civil Case No. 77562).
7 Id. at 249-254, penned by Presiding Judge Felipe G. Pacquing.
8 *Rollo,* pp. 126-139, penned by Associate Justice Magdangal M. De Leon and concurred in by Associate Justice Romeo Brawner (later Presiding Justice) and Associate Justice Mariano C. Del Castillo (now a Member of this Court).
9 Id. at 139.

The petitioners moved for reconsideration,[10] but their motion for that purpose was denied.[11]

Hence, this appeal.

Issues

The petitioners submit that the only legal issue is whether or not they were entitled to seek the rescission of the lease contracts. Although they also raised the issue of whether or not the PZS was properly enforced, the resolution of such issue is not necessary to dispose of the appeal.

Ruling of the Court

The appeal has no merit.

The right to rescind contracts is derived from Article 1191 of the *Civil Code*. As a rule, rescission is allowed only in case of breaches that are substantial and fundamental as to defeat the object of the parties in entering into the agreement; slight or casual breaches are not sufficient.[12]

The CA correctly pointed out herein that the principal consideration or cause for the petitioners in their contracts of lease was the enjoyment or use of the commercial stalls, while that for the respondent was the receipt of the rental payments from its lessees. The PZS was merely an incidental stipulation of the main contracts. Although the PZS might have enticed the petitioners to set up shop at the commercial complex, as they have alleged, we do not deem the observance of such scheme to have been the substantial and fundamental object of the parties in entering into the contracts of lease. In any case, as the contracts of lease show, the provisions on the PZS imposed restrictions on the use of the commercial spaces by the lessees, but did not establish obligations on the part of the respondent. Although the violations of the PZS by some of the other tenants gave to the respondent the right to take action against the violators, the respondent's enforcement against the violators had no bearing on the contracts of lease. Hence, the CA properly disallowed the rescission.

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[10] Id. at 141-162.
[11] Id. at 174-175.
[12] *Tumibay v. Lopez*, G.R. No. 171692, June 3, 2013, 697 SCRA 21, 40.

Inasmuch as there was no basis for the rescission, there was also no basis for the petitioners' demand for the return of the priority premiums, particularly considering that such premiums were admittedly non-refundable.[13] It is not deniable that the petitioners had paid the premiums as reservation fees, which eventually served the avowed purpose as borne out by the petitioners having been able to lease the three stalls.

WHEREFORE, the Court **AFFIRMS** the decision promulgated on November 23, 2004; and **ORDERS** the petitioners to pay the costs of suit.

SO ORDERED." SERENO, C.J., on official leave; **PERALTA, J.,** acting member per S.O. No. 2103 dated July 13, 2015. **LEONARDO-DE CASTRO, J.,** on official leave, **LEONEN, J.,** acting member per S.O. No. 2108 dated July 13, 2015.

Very truly yours,

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[13] TSN dated July 29, 1997, pp. 19-21.