



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, First Division, issued a Resolution dated **October 1, 2019** which reads as follows:*

“G.R. No. 203714 (ELI L. LUI, Petitioner, v. PETRON CORPORATION, Respondent.) – By this Petition for Review on Certiorari¹ under Rule 45 of the *Rules of Court*, the petitioner seeks to reverse and set aside the Decision² and Resolution³ of the Court of Appeals (CA) in CA-G.R. SP No. 03013-MIN respectively promulgated on December 20, 2011 and September 14, 2012, whereby the CA affirmed the Decision⁴ of the Regional Trial Court (RTC), Eleventh Judicial Region, Branch 11 of Davao City in Civil Case No. 32,253-08.

The facts, as summarized by the CA, are as follows:

Petitioner Eli Lui, once an owner of a 2,618 square meter portion of a parcel of land situated at Bo. Tigatto, Diversion Road, Davao City, entered into a twenty-year Lease Agreement as lessor with respondent Petron Corporation, the lessee, on January 29, 1997. The lease period is from November 1, 1996 to October 31, 2016, with rentals to be increased after every five (5) months, as stipulated in the Lease Agreement. The subject property is to be utilized by respondent Company as a gasoline station under the dealership of Spouses Gregorio and Dina Hong.

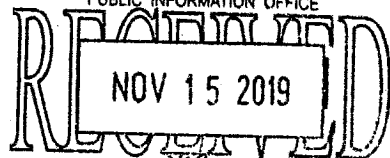
On October 22, 2001, Petron received a letter from Philippine Bank of Communications (PBCom) about the consolidation in the latter’s name of several properties of Mr. Lui/Lui Enterprises, Inc, including the subject leased premises. Subsequently, on April 17, 2002, Petron received another

¹ *Rollo*, pp. 11-25.

² *Id.* at 30-40; penned by Associate Justice Abraham B. Borreta with Associate Justice Romulo V. Borja and Associate Justice Melchor Q.C. Sadang concurring.

³ *Id.* at 42-45.

⁴ *Id.* at 67-73.



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communication from PBCom advising it about the latter's acquisition of petitioner's properties, including the subject premises. Later, the said bank again communicated to respondent Corporation that it had already sold the leased premises to Spouses Gregorio and Dina Hong in a deed of Absolute Sale dated April 15, 2005. On November 16, 2005, title to the subject leased property was formally transferred in the names of Spouses Hong under TCT No. T-391744 of the Registry of Deeds.

After having been informed of the formal transfer, respondent Corporation stopped paying its rentals to petitioner Lui starting November 1, 2005. Consequently, in a letter dated November 22, 2005, petitioner sent a letter to respondent Corporation notifying the latter to vacate the leased premises on or before November 30, 2005, and deliver possession thereof to the lessor. Prior to the aforementioned letter to vacate, petitioner Lui, in a letter dated April 13, 2004, which was received by respondent on April 28, 2004, informed respondent of a Status Quo Order with regard to the rental payments owing to the lessees of the properties, issued by the Regional Trial Court, Branch 16 of Davao City in Civil Case No. 29, 488-2003 entitled "*Lui Enterprises, Inc., et. al., vs. Philippine Bank of Communications, et. al.*"

On December 15, 2005, respondent Corporation sent a formal reply to petitioner's letter, explaining that their act of stopping payments was due to the information that was sent to them regarding the new ownership of Spouses Gregorio and Dina Hong of the property along Diversion Road, Tigatto, Davao City where the respondent's gasoline station was located.

Aggrieved that respondent Corporation had already stopped paying the monthly rentals, petitioner, on December 14, 2005, filed a complaint for Unlawful Detainer against the former in the Municipal Trial Court in Cities, Branch 1 of Davao City. The said Court ruled in favor of the plaintiff, the decretal portion of its decision is as follows:

"WHEREFORE, judgment is hereby rendered in favor of plaintiff and against the defendant:

- a) ordering the defendant, its agents, representatives and all persons acting in its behalf to vacate the leased premises described as two thousand six hundred eighteen (2,618) square meter parcel of land located at Bo. Tigatto, Diversion Road, Davao City, then covered by Transfer Certificate of Title (TCT) No. T-198522, and peacefully turn-over its possession to plaintiff;
- b) ordering the defendant to pay plaintiff the corresponding rentals based on their lease

agreement with legal interest per annum from the filing of the complaint until the premises is vacated as follows:

November 1, 2005 to October 31, 2006
– P33,379.00 monthly

November 1, 2006 to October 31, 2007
– P85,451.00 monthly

- c) ordering the defendant to pay plaintiff the amount of Twenty Thousand Pesos (P20,000.00) as attorney's fees and:
- d) pay the cost of suit.

Defendant's counterclaim is ordered dismissed.

SO ORDERED.”

On appeal, the Regional Trial Court, finding no merit in the case, reversed the MTCC's decision and dismissed the case.”⁵

On review, the CA denied the petition and affirmed *in toto* the assailed decision of the RTC.

The petitioner argued that the RTC cannot validly rule on the issue of ownership in an ejectment suit. Moreover, the petitioner, as the lessee of the property, contended that the respondent, as lessor, was estopped from denying his title over the property.

The Court is not persuaded.

A careful reading of the decision rendered by the MTCC would reveal that it clearly committed reversible error in giving due course to the complaint for unlawful detainer notwithstanding the fact that the petitioner had lost ownership over the property. While the contract of lease had been the basis of the ejectment suit, the MTCC should have considered supervening events such as change of ownership over the property which legally altered the contract of lease and made the new owners as the new lessors, for they had stepped into the shoes of the petitioner as the previous owner.

Accordingly, it was proper for the RTC to provisionally pass upon the issue of ownership in order to determine which party had the better right of possession. The RTC had also correctly ruled that the

⁵ Supra note 2, at 74-78.

petitioner's right of possession which was rooted from his ownership, had ceased to exist when the property was foreclosed and title was subsequently consolidated and transferred to the Spouses Hong. Considering that the petitioner can no longer be a real party-in-interest as he had ceased to be the lessee, he therefore had no legal personality to institute the complaint for unlawful detainer. The RTC had therefore rightfully dismissed the ejectment suit.

Also, the CA had correctly ruled that the petitioner had lost his right of possession when he lost ownership over the property, and that the transfer of the land to the Spouses Hong resulted in the transfer of the petitioner's rights as lessor. As earlier mentioned, the supervening event of change of ownership over the property had legally altered the contract of lease, thus making the new owners as the new lessors.

With regard to the claim of estoppel, the MTCC also committed reversible error when it ruled that the exception that a tenant is not permitted to deny the title of his landlord would not apply in this case. As correctly cited by the CA, the Court's ruling in *Santos vs. National Statistics Office*⁶ is instructive on the matter:

The conclusive presumption found in Sec. 2 (b), Rule 131 of the Rules of Court known as *estoppel* against tenants provides as follows:

Sec. 2. *Conclusive presumptions.* — The following are instances of conclusive presumptions:

x x x x

(b) The tenant is not permitted to deny the title of his landlord *at the time of the commencement of the relation of landlord and tenant* between them. (Emphasis supplied).

It is clear from the above-quoted provision that "[w]hat a tenant is estopped from denying . . . is the title of his landlord at the time of the commencement of the landlord-tenant relation. If the title asserted is one that is alleged to have been acquired subsequent to the commencement of that relation, the presumption will not apply." Hence, "the tenant may show that the landlord's title has expired or been conveyed to another or himself; and he is not estopped to deny a claim for rent, if he has been ousted or evicted by title paramount."

Thus, we declared in *Borre v. Court of Appeals* that:

⁶ G.R. No. 171129, April 6, 2011, 647 SCRA 345.

The rule on estoppel against tenants is subject to a qualification. It does not apply if the landlord's title has expired, or has been conveyed to another, or has been defeated by a title paramount, subsequent to the commencement of lessor-lessee relationship [VII Francisco, *The Revised Rules of Court in the Philippines* 87 (1973)]. In other words, *if there was a change in the nature of the title of the landlord during the subsistence of the lease, then the presumption does not apply*. Otherwise, if the nature of the landlord's title remains as it was during the commencement of the relation of landlord and tenant, then estoppel lies against the tenant.⁷

It bears stressing that the ownership of the landlord is conclusively presumed as against the tenant only at the start of the tenancy relations. The conclusive presumption does not apply to situations that may arise during the subsistence of the lease such as when there is a change in the nature of the title of the lessor or when the lessor loses ownership of the property. Thus, the CA correctly affirmed the RTC in holding that the respondent was not estopped from questioning the petitioner's title to the property.


WHEREFORE, the Court **DENIES** the petition for review for being unmeritorious and **AFFIRMS** the December 20, 2011 Decision and September 14, 2012 Resolution of the Court of Appeals in CA-G.R. SP No. 03013-MIN. *Carandang, J., on official leave.*

SO ORDERED."

Very truly yours,


LIBRADA C. BUENA
Division Clerk of Court ¹¹¹²

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⁷ Id. at 356-357.

RESOLUTION

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G.R. No. 203714
October 1, 2019

DOMINGUEZ PADERNA & TAN LAW
OFFICES CO
Counsel for Petitioner
3/F H&C Building, Alvarez Street
8000 Davao City

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Court of Appeals
9000 Cagayan de Oro City
(CA-G.R. SP No. 03013-MIN)

LEDESMA CABOVERDE ELLAR &
SUMAOY LAW FIRM
Counsel for Respondent
Suite No. 10, 2nd Floor, Malayan House
Lanang, 8000 Davao City

The Presiding Judge
Regional Trial Court, Branch 11
9000 Davao City
(Civil Case No. 32, 253-08)

The Presiding Judge
Municipal Trial Court in Cities
Branch 1, 9000 Davao City
(Civil Case No. 18, 910-A-2005)

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