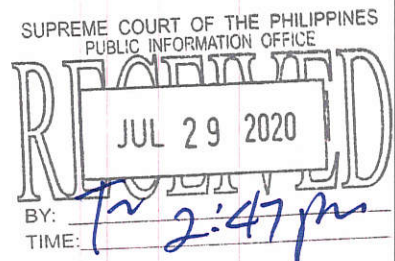




Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NOTICE



Sirs/Mesdames:

Please take notice that the Court, First Division, issued a Resolution dated March 11, 2020 which reads as follows:

“G.R. No. 244054 - Gloria F. Quiroz v. Ramon R. Nalus.

Before us is a Petition for Review on *Certiorari*,¹ assailing the Decision² dated September 20, 2018 and Resolution³ dated January 11, 2019 of the Court of Appeals (CA) in CA-G.R. CV No. 109093 which affirmed with modification the ruling of the Regional Trial Court of Manila, Branch 52 (RTC).

Gloria F. Quiroz (petitioner) is a franchisee who operates several convenience stores in Central Luzon. Sometime in 2013, petitioner and Ramon R. Nalus (respondent) negotiated on the terms of a lease, covering an L-shaped building with an area of 120 square meters.⁴

As a result of the negotiations, an Award Notice dated September 4, 2013, which signified respondent's intent of entering into a Contract of Lease with petitioner, was signed by both parties. Subsequently, a Contract of Lease was concluded on January 14, 2014. The terms of the latter provide that petitioner leased the subject property for a period of 10 years at a monthly rental rate of ₱60,000.00, subject to increments after two years. Payment of advance rental in the amount of ₱720,000.00 was likewise required.⁵

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¹ *Rollo*, pp. 8-28.

² Penned by Associate Justice Fernanda Lampas-Peralta, with Associate Justices Rodil V. Zalameda and Marie Christine Azcarraga-Jacob, concurring; id. at 30-46.

³ Id. at 48-49.

⁴ Id. at 31.

⁵ Id.

In compliance with the terms of the lease, petitioner paid ₱720,000.00. However, respondent failed to deliver the possession of the subject property on the agreed date. Respondent subsequently rescinded the contract as he felt the necessity to renegotiate the terms of the contract. To this, petitioner insisted that respondent has the obligation to deliver the possession of the subject property upon receipt of the advance rental payment.⁶

Failure of respondent to comply with such obligation prompted petitioner to file a complaint for specific performance and damages.⁷

Instead of filing an answer, respondent filed a motion to dismiss on the ground of improper venue. Such motion was denied by the RTC in an Order dated July 10, 2014.⁸

Subsequently, petitioner filed an amended complaint, praying for the issuance of a writ of preliminary injunction in view of respondent's act of leasing out the subject premises to another.⁹

In an answer with counterclaim, respondent alleged that he reluctantly signed the Award Notice dated September 4, 2013, as there was no concrete agreement as to the terms and conditions thereof; that he was surprised when petitioner handed him a check worth ₱720,000.00 which was not yet due for payment; that such check bounced thereby petitioner incurred a penalty; that the bouncing of the check berated him as he felt that petitioner is hard to deal with, among others.¹⁰

A second motion to dismiss on the ground of lack of jurisdiction was likewise filed by respondent; however, the same was denied.¹¹

The RTC directed the parties to proceed to mediation; however, the case was referred back to the trial court as respondent failed to appear during the mediation.¹²

On March 4, 2015, petitioner filed a motion for judgment on the pleadings based on the allegation that respondent's answer failed to

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⁶ Id. at 31-32.

⁷ Id.

⁸ Id. at 32-33.

⁹ Id. at 33.

¹⁰ Id. at 33-34.

¹¹ Id.

¹² Id. at 34-35.

tender an issue. To buttress her claim, petitioner cited that respondent's answer essentially admitted the material allegations of the complaint such as the execution of the contract and the payment made by her.¹³

In an Order dated March 17, 2015, the RTC denied respondent's second motion to dismiss.¹⁴

A third motion to dismiss on the ground of failure to pay filing fees was filed by respondent; however, the same was denied in an Order dated September 5, 2016.¹⁵

Resolving the motion for judgment on the pleadings, the RTC ruled in favor of petitioner in an Order¹⁶ dated October 7, 2016. The RTC observed that petitioner's allegations in her complaint delved into respondent's failure to comply with his obligation in accordance with the Contract of Lease. In conjunction therewith, respondent's answer did not deny the existence and due execution of the Contract of Lease and Award Notice and his receipt of the amount of ₱720,000.00. Likewise, the RTC noted that respondent offered unjustified excuses in his non-compliance of his obligation to deliver the possession of the subject property. Hence, respondent's answer failed to tender an issue as he failed to specifically deny the material allegations of facts in petitioner's complaint.

The RTC likewise awarded attorney's fees in the amount of ₱50,000.00 in favor of petitioner for failure of respondent to faithfully comply with his obligation.

The *fallo* thereof reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiff Gloria F. Quiroz and against defendant Ramon R. Naluz.

Defendant Naluz is hereby ordered to faithfully comply with his obligation under the Contract of Lease dated January 14, 2014 and to deliver/turn-over an L-shape building shell with an area of 120 square meters to the plaintiff; and to pay the attorney's fees in the amount of Ph[P] 50,000.00 and the cost of suit.

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¹³ Id. at 35.

¹⁴ Id.

¹⁵ Id.

¹⁶ Penned by Presiding Judge Ana Marie T. Mas; id. at pp. 94-99.

SO ORDERED.¹⁷

Petitioner filed a Motion for Partial Reconsideration,¹⁸ averring that the award of moral damages is proper in view of respondent's act of rendering his obligation impossible to perform. Meanwhile, respondent filed a Motion for Reconsideration,¹⁹ assailing the ruling of the RTC.

In an Omnibus Order²⁰ dated April 21, 2017, the RTC awarded moral and exemplary damages in favor of petitioner because of respondent's act of unilaterally rescinding the contract of lease, which in effect grossly disregarded the rights of petitioner. Thus:

WHEREFORE, premises considered, the plaintiff's *Partial Motion for Reconsideration* is hereby GRANTED.

Defendant Ramon Naluz is hereby directed to pay plaintiff Gloria F. Quiroz, by way of moral and exemplary damages, in the amount of ONE MILLION (PhP 1,000,000.00) PESOS.

The defendant is further ordered to pay the amount of FIFTY THOUSAND (PhP50,000.00) PESOS, by way of attorney (sic) fees and cost of this suit.

Further, the defendant's *Motion for Reconsideration* is hereby DENIED for lack of merit.

SO ORDERED.²¹

Aggrieved, respondent filed an appeal before the CA.

In a Decision²² dated September 20, 2018, the CA affirmed the ruling of the RTC but deleted the award for damages for lack of bases. The dispositive portion thereof provides:

WHEREFORE, the trial court's Order dated October 7, 2016 and Omnibus Order dated April 21, 2017 are affirmed, subject to the modification that the awards of attorney's fees, moral and exemplary damages are deleted.

SO ORDERED.²³

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¹⁷ Id. at 99.

¹⁸ Id. at 100-104.

¹⁹ Id. at 105-111.

²⁰ Id. at 112-119.

²¹ Id. at 118-119.

²² Supra note 2.

²³ Id. at 45-46.

This disposition was fortified in a Resolution²⁴ dated January 11, 2019.

Hence, this petition.

Essentially, petitioner assails the deletion of the award of damages by the CA when there was already a judgment on the pleadings, which effectively affirmed that respondent admitted the truth of the allegations of the complaint, *including* the claim for damages.

The Court now resolves.

Section 1, Rule 34 of the Rules of Court expounds on the propriety of judgment on the pleadings, to wit:

SEC. 1. Judgment on the pleadings. – Where an answer fails to tender an issue, or otherwise admits the material allegations of the adverse party's pleading, the court may, on motion of that party, direct judgment on such pleading. However, in actions for declaration of nullity or annulment of marriage or for legal separation, the material facts alleged in the complaint shall always be proved.

In other words, judgment on the pleadings is proper when an answer fails to tender an issue, or otherwise admits the material allegations of the adverse party's pleading.²⁵

An answer fails to tender an issue if the party failed to comply with the requirements under Sections 8²⁶ and 10²⁷ of Rule 8 of the Rules of Court, thereby admitting all the material allegations of the

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²⁴ Supra note 3.

²⁵ *Asian Construction and Development Corporation v. Sannaedle Co., Ltd.*, 736 Phil. 200, 205 (2014).

²⁶ **SEC. 8. How to contest such documents.** – When an action or defense is founded upon a written instrument, copied in or attached to the corresponding pleading as provided in the preceding section, the genuineness and due execution of the instrument shall be deemed admitted unless the adverse party, under oath, specifically denies them, and sets forth what he claims to be the facts, but the requirement of an oath does not apply when the adverse party does not appear to be a party to the instrument or when compliance with an order for an inspection of the original instrument is refused.

²⁷ **SEC. 10. Specific denial.** – A defendant must specify each material allegation of fact the truth of which he does not admit and, whenever practicable, shall set forth the substance of the matters upon which he relies to support his denial. Where a defendant desires to deny only a part of an averment, he shall specify so much of it as is true and material and shall deny only the remainder. Where a defendant is without knowledge or information sufficient to form a belief as to the truth of a material averment made to the complaint, he shall so state, and this shall have the effect of a denial.

adverse party's complaint.²⁸ In a proper case for judgment on the pleadings, there is no ostensible issue at all because of the failure of the defending party's answer to raise the same.²⁹

In this case, the courts *a quo* aptly established that respondent failed to specifically deny the genuineness and due execution of the Contract of Lease. Respondent's justification of his non-performance of the obligation by stating that "it would not be easy to deal with the [petitioner]" is considered as general denial, which is tantamount to an admission that he indeed failed to comply with his obligation. The act of leasing the subject property to a third person by mere invocation of the conflict between them does not exonerate him from liability as observed by the RTC and the CA.

However, the admission of all the material averments of a party by virtue of the failure to deny matters thereon is limited in scope. Section 11 of Rule 8 of the Rules of Court reads:

SEC. 11. *Allegations not specifically denied deemed admitted.* — Material averment in the complaint, **other than those as to the amount of unliquidated damages**, shall be deemed admitted when not specifically denied. Allegations of usury in a complaint to recover usurious interest are deemed admitted if not denied under oath.

In the case of *Pacific Rehouse Corporation v. EIB Securities, Inc.*,³⁰ the Court had the occasion to rule that the award of moral damages and exemplary damages in a judgment on a pleading, sans any proof, is a non-issue. Hence, the award thereof is unjustified.

In this case, the CA aptly ruled that petitioner failed to offer any proof which would justify the award of moral damages. It is essential that the claimant should satisfactorily show the existence of the factual basis of damages and its causal connection to defendant's acts.³¹ Mere allegation that the rescission of the contract besmirched petitioner's reputation and caused her wounded feelings does not suffice.³²

Moreover, in the absence of any finding that petitioner is entitled to moral damages, the award of exemplary damages is unwarranted.³³

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²⁸ *Asian Construction and Development Corporation v. Sannaedle Co., Ltd.*, supra note 25.

²⁹ *Id.*

³⁰ 647 Phil. 536, 562 (2010)

³¹ See *Mahinay v. Atty. Velasquez, Jr.*, 464 Phil. 146, 149 (2004).

³² *Id.*

³³ See *Spouses Timado v. Rural Bank of San Jose, Inc.*, 789 Phil. 453, 459 (2016).

WHEREFORE, premises considered, the petition is **DENIED**. Accordingly, the Decision dated September 20, 2018 and the Resolution dated January 11, 2019 of the Court of Appeals in CA-G.R. CV No. 109093 are **AFFIRMED in toto**.

SO ORDERED.” *Peralta, C.J., took no part; Perlas-Bernabe, J., designated Additional Member per Raffle dated February 12, 2020.*

Very truly yours,

LIBRADA C. BUENA
Division Clerk of Court

by:

mtfubulo
MARIA TERESA B. SIBULO
Deputy Division Clerk of Court

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