



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, Third Division, issued a Resolution dated **December 6, 2021**, which reads as follows:*

“G.R. No. 223047 (*Spouses Francisco S. Rubian and Estela R. Rubian v. Anita Pua, represented by Susan Pua*). – Before this Court is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court assailing the Decision¹ dated February 24, 2015 and the Resolution² dated February 16, 2016 of the Court of Appeals (CA) in CA-G.R. SP No. 125474 which denied petitioners’ petition for review and the motion for reconsideration, respectively.

Facts of the Case

This case originated from separate complaints³ for unlawful detainer filed by respondent Anita Pua against petitioners and several other defendants (petitioners, *et al.*) before the Municipal Trial Court (MTC) of Pagsanjan, Laguna.

Respondent Anita Pua (Anita) is the registered owner⁴ of a vast tract of land located in Barangay San Isidro, Pagsanjan, Laguna occupied by petitioners, *et al.* who are allegedly members of the San Isidro Pagsanjan Homeowners Association, Inc. (SIPHAI).⁵

Anita alleged that petitioners, *et al.* had been residing and in actual possession of her property without her knowledge and permission, without paying rents or any compensation for the use and occupation of the lots. She claimed that she merely tolerated the possession of petitioners, *et al.* with the understanding that they would vacate the same once she needed them.

¹ Penned by Associate Justice Pedro B. Corales, with the concurrence of Associate Justices Sesinando E. Villon and Rodil V. Zalameda (now a Member of this Court); *rollo*, pp. 864-876.

² Id. at 889-892.

³ Id. at 58-74.

⁴ Covered by TCT Nos. T-245266, T-245359, T-245364, T-245276, T-245286, T-245276, T-245307, T-245355, T-245277, T-245275, T-245767, T-245280, T-245377, and T-245273.

⁵ Id. at 866.

That situation notwithstanding, Anita and SIPHAI entered into a Contract/Agreement on September 7, 2004 wherein the former offered to sell the subject property to SIPHAI subject to the following terms and conditions:

1. The parties hereby agree that for and in consideration of the amount of nine hundred and seventy-five pesos per square meter (P975.00/sq.m.) the FIRST PARTY shall sell, cede, convey and transfer to the SECOND PARTY the subject property;

2. The FIRST PARTY hereby agrees that the payment of the consideration herein agreed upon shall be paid through the Community Mortgage Program of the National Home Mortgage Finance Corp. to which program and government agency, the SECOND PARTY shall apply for financing (through the initiative and assistance of an accredited originator) and to which, the subject property shall be offered as security or collaterals for the loan;

x x x x

4. The parties hereby agree to resurvey the herein referred to property to consolidate and resubdivide the lots into smaller areas in order to accommodate all the bonafide members of the SECOND PARTY and to validate the exact measurement of the same for the final consideration of this CONTRACT/AGREEMENT;

x x x x

8. The SECOND PARTY hereby agrees that this CONTRACT/AGREEMENT shall be automatically revoked should if (sic) fail to comply with the conditions stipulated herein or the provisions agreed upon herein;

x x x x⁶

Unfortunately, SIPHAI failed to avail of the Community Mortgage Program (CMP) of the National Home Mortgage Finance Corporation (NHMFC) prompting Anita to revoke the Contract/Agreement pursuant to paragraph 8 thereof.

However, in a letter dated August 5, 2006, Anita, through her counsel, Atty. Ceriaco A. Sumaya, invited petitioners, *et al.* to a meeting to negotiate anew the sale of the subject property. In said letter, Anita stated that if they failed to come up with an agreement, the letter would serve as a formal advice for petitioners to vacate the land within 30 days from August 12, 2006.

The negotiation failed but petitioners, *et al.* remained in possession of the subject property. Hence, Anita filed separate complaints for unlawful detainer against petitioners, *et al.* Anita averred that petitioners' stay in the

⁶ Id. at 866-867.

premises became unlawful when the Contract/Agreement was automatically revoked due to SIPHAI's failure to apply for a CMP and there was no agreement reached between them during the August 12, 2006 meeting. Despite demands, petitioners, *et al.* did not vacate the premises.

In their Consolidated Answers,⁷ petitioners, *et al.* assailed the jurisdiction of the MTC over the subject matter and insisted that the proper party to eject them was SIPHAI, not Anita. They claimed that the Contract/Agreement was still valid and subsisting because SIPHAI did not violate its terms. On the contrary, it was Anita who failed in her duty to finish the new and correct survey of the lots. According to them, SIPHAI had prepared most of the NHMFC requirements but the blueprint and list of lots and areas given by Anita were not approved by the HLURB and despite the time given to Anita's representative, the subdivision plan was never corrected and finalized. They argued that Anita could not unilaterally revoke the contract which she herself violated.

Ruling of the Municipal Trial Court

After the cases were consolidated, the MTC issued a Decision⁸ dated July 27, 2010 granting Anita's complaints. The MTC ordered petitioners, *et al.* to vacate the lots, or portion of the property that they respectively occupied and possessed, and deliver the physical possession of the same to Anita; to indemnify Anita rentals in the amount of ₱3.00 per square meter per month from April 2008 until they have fully vacated the portions that they possessed; and to pay *in solidum* the costs of suit. The MTC ruled that petitioners' continued stay in the premises was based only on the Contract/Agreement dated September 7, 2004. But when they and SIPHAI failed to comply with the NHMFC requirements, the Contract/Agreement was revoked pursuant to the parties' clear stipulation. Accordingly, petitioners no longer had any possessory right over the litigated land. The MTC held that Anita had a more superior right to the properties and must be restored possession thereof after having been deprived for around 19 years.⁹

Petitioners, *et al.* filed an appeal to the Regional Trial Court (RTC) of Santa Cruz, Laguna, Branch 27.

Ruling of the Regional Trial Court

In its Decision¹⁰ dated August 25, 2011, the RTC affirmed the MTC Decision. It upheld the jurisdiction of the MTC to decide on the issue of automatic revocation of the Contract/Agreement stating that its validity may be determined in an unlawful detainer case to resolve who had a better right of possession over the disputed property. The RTC ruled that without

⁷ Id. at 514-540.

⁸ Penned by Presiding Judge Nicolas V. Fadul, Jr.; id. at 737-743.

⁹ Id. at 739-743.

¹⁰ Penned by Presiding Judge Cynthia R. Mariño-Ricablanca; id. at 825-831.

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compliance with the CMP requirements and payment of rentals to Anita, petitioners' continued stay in their respective lots became one of tolerance or permission which was terminated upon demand to vacate. According to the RTC, even if Anita was remiss in her undertaking to submit the required survey plan, petitioners could produce the survey requirements on their own and charge the cost to Anita. Yet, petitioners remained apathetic and intransigent.¹¹

Petitioners, *et al.* moved for reconsideration but it was denied in the Order dated May 24, 2012. Hence, they filed a petition for review under Rule 42 to the CA. During the pendency of the petition, Anita informed the CA that the assailed Decision had been executed and the improvements owned by petitioners were demolished as evidenced by the March 25, 2013 Sheriff's Report.¹²

Ruling of the Court of Appeals

On February 24, 2015, the CA denied the petition and affirmed the RTC Decision and Order.¹³ The CA ruled that the allegations in the complaints filed by Anita demonstrated a cause of action for unlawful detainer and the MTC definitely acquired jurisdiction over the subject matter. The action did not become an action incapable of pecuniary estimation just because the issues involved required the interpretation of the Contract/Agreement and the effects of its violations and rescission. To deny the MTC jurisdiction over a complaint merely because the issue of possession required the interpretations of a contract would effectively rule out unlawful detainer as a remedy. In an action for unlawful detainer, the defendants' right to possess the property may be by virtue of a contract, express or implied; consequently, the termination of their right to possess would be governed by the terms of the same contract. The CA held that there was a need to interpret the contract that initially granted petitioners the right to possess the property as this was the same contract that Anita subsequently claim was violated or extinguished terminating petitioners' right to possess.¹⁴

According to the CA, Anita had a better right to possess the subject property being the registered owner thereof. The only basis of petitioners' claim over the premises was the Contract/Agreement between Anita and SIPHAI. When SIPHAI failed to pay the stipulated price due to its failure to apply for the availment of the CMP, it did not acquire any right over the subject property which could be validly invoked by its members against Anita. Further, there was no stipulation in the Contract/Agreement obliging Anita to supervise the resurvey of the property or hire the engineer to do the same. As held by the RTC, SIPHAI could have executed the needed requirement on its own if it really intends to avail of the CMP. Consequently, upon the revocation

¹¹ Id. at 827-831.

¹² Id. at 871.

¹³ Id. at 875.

¹⁴ Id. at 871-873.

of the Contract/Agreement, petitioners' right to possess the subject property was also terminated. When Anita allowed petitioners to remain in the premises, their occupation was only by virtue of tolerance which ceased when Anita made a demand to vacate. Petitioners' possession became unlawful and they became deforciantes or illegal occupants of the land.¹⁵

Petitioners, *et al.* moved for reconsideration but it was denied in the Resolution¹⁶ dated February 16, 2016.

Proceedings Before This Court

Only petitioners (Spouses Francisco S. Rubian and Estela R. Rubian) filed this petition for review on *certiorari* under Rule 45.

Petitioners' arguments

Petitioners insist that the RTC, and not the MTC, has jurisdiction over the complaint. The spouses argue that an interpretation of the contract (*i.e.*, violations of its provisions/stipulations) is a condition precedent to determine the illegality of a party's possession of a piece of realty – a matter which is beyond the jurisdiction of the MTC. Assuming that the issues can be properly resolved in an ejectment suit, petitioners claim that it was an error to grant Anita's complaint for unlawful detainer. They aver that they did not violate the Contract/Agreement so as to justify the cancellation of the same, and consequently serve as a ground to oust petitioners from the premises.¹⁷

In accordance with the Contract/Agreement requiring that the consideration be paid through the CMP of the NHMFC, petitioners, through the SIPHAI, coordinated with the NHMFC. They were required to get an "originator" and the masterlist of beneficiaries with loan apportionment and monthly income. Petitioners coordinated with the Provincial Urban Development and Housing Office and undertook measures to ensure that the latter shall act as the loan originator. Since the beneficiaries are more than 200, the area offered for sale consists of 132 lots, and the loanable amount is comparatively small relative to the lot area offered for sale, a resurvey and resubdivision of the subject property into smaller areas were necessary to meet the loanable amount limit. They then prepared the Masterlist of Beneficiaries and Loan Apportionment but they could not place the appropriate entries because of Anita's failure to compel her authorized representatives to finish the new subdivision plan based on the actual lot positions. Clearly, petitioners were not remiss in their undertaking. They paid the corresponding survey fees of ₱140,000.00 to Pedro Aniano, the attorney-in-fact and agent of Anita, who was directed by the latter to conduct the resurvey and resubdivision of the property. Unfortunately, the blueprint prepared by Aniano was not approved.

¹⁵ Id. at 873-875.

¹⁶ Supra note 2.

¹⁷ Rollo, pp. 17-20.

Due to the inaccuracies in the survey, SIPHAI was unable to process its mortgage application with the NHMFC under the CMP.¹⁸

Petitioners argue that between them and Anita, it was the latter who violated the provisions of the Contract/Agreement. Hence, Anita has no right to rescind the contract, divest petitioners of their right thereunder, and oust them from the contested premises. Anita cannot assert the automatic rescission of the contract as she was the party at fault. Anita's failure to provide the subdivision plan is the sole reason why NHMFC has not yet fully processed petitioners' application, through SIPHAI, to enter into the mortgage program. Non-payment of the price is but a consequence of Anita's wrongdoing.¹⁹

Issue

The issue in this case is whether the CA properly affirmed the Decisions of the RTC and the MTC granting respondent's consolidated complaints for unlawful detainer.

Ruling of the Court

The petition is denied.

Preliminarily, the Court notes that the petition is rendered moot and academic by the execution of the RTC Decision and the demolition of the improvements owned by petitioners as evidenced by the Sheriff's Report dated March 25, 2013.

In any event, even if the petition would be decided on the merits, the Court finds no reversible error on the part of the CA in affirming the Decisions of the MTC and the RTC granting Anita's complaints for unlawful detainer and ordering petitioners to vacate the premises, pay rentals, and the costs of suit.

In their petition, petitioners insist that the MTC has no jurisdiction over the subject matter of the complaint as it pertains to an interpretation of the Contract/Agreement and the effects of its violation and rescission. The cause of action is incapable of pecuniary estimation cognizable by the RTC.

Jurisdiction over the subject matter of a case is conferred by law and determined by the allegations in the complaint which comprise a concise statement of the ultimate facts constituting the plaintiff's cause of action.²⁰ The nature of an action, as well as which court or body has jurisdiction over it, is determined based on the allegations contained in the complaint of the

¹⁸ Id. at 20-22.

¹⁹ Id. at 23.

²⁰ *De Guzman-Fuerte v. Spouses Estomo*, 830 Phil. 653, 660 (2018).

plaintiff, whether or not the plaintiff is entitled to recover upon all or some of the claims asserted therein.²¹

A complaint sufficiently alleges a cause of action for unlawful detainer if it states the following:

- (a) Initially, the possession of the property by the defendant was by contract with or by tolerance of the plaintiff;
- (b) Eventually, such possession became illegal upon notice by the plaintiff to the defendant about the termination of the latter's right of possession;
- (c) Thereafter, the defendant remained in possession of the property and deprived the plaintiff of its enjoyment; and
- (d) Within one year from the making of the last demand to vacate the property on the defendant, the plaintiff instituted the complaint for ejectment.²²

A perusal of the complaints filed by Anita clearly demonstrate a cause of action for unlawful detainer and vested the MTC jurisdiction over Anita's action. Anita alleged therein that she is the registered owner of the property, covered by TCTs issued in her name. Petitioners' possession was by virtue of her tolerance, and subsequently, the execution of the Contract/Agreement with SIPHAI made their possession legal from the beginning. SIPHAI, however, failed to comply with the conditions of the Contract/Agreement as to the sale of the lots. The Contract/Agreement was automatically revoked pursuant to paragraph 8 thereof. Anita thereafter sent demands to vacate the subject property but petitioners remained in possession of the premises even after the expiration of the 30-day period stated in the demand. Anita instituted the complaints within one year from the last demand to vacate.

The authority granted to the MTC to preliminarily resolve the issue of ownership to determine the issue of possession allows it to ultimately interpret and enforce the Contract/Agreement between petitioners and Anita. This was the ruling of the Court in *Union Bank of the Phils. v. Maunlad Homes, Inc.*,²³ an unlawful detainer case which involved an interpretation of a contract to sell the provisions of which were violated by respondent, to wit:

The authority granted to the MeTC to preliminarily resolve the issue of ownership to determine the issue of possession ultimately allows it to interpret and enforce the contract or agreement between the plaintiff and the defendant. To deny the MeTC jurisdiction over a complaint merely because the issue of possession requires the interpretation of a contract will effectively rule out unlawful detainer as a remedy. As stated, in an action for unlawful detainer, the defendant's right to possess the property may be by virtue of a contract, express or implied; corollarily, the termination of the defendant's right to possess

²¹ Id. at 660-661.

²² Id. at 661-662, citing *Macaslang v. Spouses Zamora*, 664 Phil. 337, 351 (2011).

²³ 692 Phil. 667 (2012).

would be governed by the terms of the same contract. Interpretation of the contract between the plaintiff and the defendant is inevitable because it is the contract that initially granted the defendant the right to possess the property; it is this same contract that the plaintiff subsequently claims was violated or extinguished, terminating the defendant's right to possess. We ruled in *Sps. Refugia v. CA* that –

x x x where the resolution of the issue of possession hinges on a determination of the validity and interpretation of the document of title or any other contract on which the claim of possession is premised, the inferior court may likewise pass upon these issues.

The MeTC's ruling on the rights of the parties based on its interpretation of their contract is, of course, not conclusive, but is merely provisional and is binding only with respect to the issue of possession.²⁴ (Emphasis and italics in the original; citations omitted)

Thus, contrary to petitioners' insistence, the MTC had authority to interpret the provisions of the Contract/Agreement in order to determine its revocation or cancellation to resolve the issue of whether petitioners had the right to remain in possession of the subject property. Be it stressed that petitioners' right to possess the subject property emanates from the Contract/Agreement executed by Anita and SIPHAI. As correctly observed by the CA, the Contract/Agreement entered into by the parties was a conditional deed of sale, whereby Anita agreed to sell and SIPHAI agreed to buy the subject property conditioned on the payment of a certain price through the CMP which SIPHAI should apply. When SIPHAI failed to pay the stipulated price due to its failure to avail the CMP, it did not acquire any right over the subject property, including petitioners who are members of this association.

Petitioners cannot pass the blame to Anita for their failure to apply for the acquisition of the lots through the CMP. In the first place, Anita had no obligation under the Contract/Agreement to solely cause the resurvey and resubdivision of the subject property. It was not incumbent upon Anita to supervise the resurvey or hire a geodetic engineer to do the same. From September 7, 2004, when the Contract/Agreement was executed, up to August 12, 2006 when they were asked to vacate, Anita did not receive a single consideration from them. Petitioners, through SIPHAI, never filed an application for lot acquisition under the CMP as shown in the Certification from the Social Housing Finance Corporation.²⁵ Indeed, SIPHAI lacked the zeal and enthusiasm to comply with the requirements to avail the CMP. As observed by the RTC, petitioners' inaction to have their lots surveyed on their own, after Anita's failure to provide the correct survey plan, is a clear sign

²⁴ Id. at 678.

²⁵ *Rollo*, p. 874.

that they were not intent on pursuing the ends of the Contract/Agreement. Petitioners failed to exert efforts to produce the required survey plan.

When the Contract/Agreement failed to materialize, it was automatically revoked pursuant to paragraph 8 thereof, and petitioners' right to possess was also extinguished. With the refusal of petitioners to vacate the subject property despite demands, petitioners' stay became illegal. Consequently, petitioners' continued possession deprived Anita of the enjoyment of her property. Having proved her cause of action for unlawful detainer, it was proper for the CA to affirm the MTC and RTC Decisions granting Anita's consolidated complaints.

WHEREFORE, premises considered, the instant petition is **DENIED**. The Decision dated February 24, 2015 and the Resolution dated February 16, 2016 of the Court of Appeals in CA-G.R. SP No. 125474 are hereby **AFFIRMED**. Petitioners, *et al.* are **ORDERED** to vacate the lots, or portion of the property that they presently and respectively occupy and possess, and deliver the physical possession of the same to respondent Anita Pua; to indemnify respondent Anita Pua rentals in the amount of ₱3.00 per square meter per month from April 2008 until they have fully vacated the portions that they possess; and to pay in *solidum* the costs of suit.

SO ORDERED." (Perlas-Bernabe, J., designated as additional Member of the Third Division; Zalameda, J., no part.)

By authority of the Court:

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