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Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

N O T I C E

Sirs/Mesdames:

Please take notice that the Court's First Division issued a Resolution dated **December 5, 2022** *which reads as follows:*

"G.R. No. 238888* ***(Francisco Bongco and Gerardo Bongco, petitioners vs. Kent Javelosa and Exequiel Marañon,** respondents).** This is a Petition for Review on *Certiorari*[1] filed by Francisco Bongco and Gerardo Bongco *(petitioners)*, assailing the April 7, 2017 Decision[2] and the February 27, 2018 Resolution[3] of the Court of Appeals, Cebu City *(CA)* in CA-G.R. CV No. 05479. The CA affirmed the dismissal of petitioners' complaint for specific performance, back rentals, damages, and attorney's fees as contained in the March 28, 2014 Decision[4] of the Regional Trial Court of Bacolod City, Branch 44 *(RTC)* in Civil Case No. 10-13559.[5]

The Antecedents

Petitioners filed a Complaint[6] dated April 5, 2010 against Kent Javelosa and Exequiel Marañon *(respondents)* before the RTC, and averred that they were co-owners of a sugar plantation known as Hacienda Leonor.[7] They claimed that respondents leased several parcels of land in Hacienda Leonor for a term of five agricultural crop years pursuant to a Contract of Lease[8] *(contract)* dated February 19, 2008, and agreed to pay rent by way of sugar *quedans* in the following manner:

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* Part of the Supreme Court Decongestion Program.
** Also referred to as "Exequiel Maranon" in some parts of the *rollo* (see *rollo*, p. 185).
[1] *Rollo*, pp. 8-36.
[2] Id. at 39-45; penned by Associate Justice Edward B. Contreras and concurred in by Associate Justice Edgardo L. Delos Santos (a retired Member of the Court) and Associate Justice Geraldine C. Fiel-Macaraig.
[3] Id. at 48-49.
[4] Id. at 287-297; penned by Presiding Judge Franklin J. Demonteverde.
[5] Entitled "*Francisco Bongco, et al., plaintiffs, versus Exequiel Marañon, et al., defendants.*"
[6] *Rollo*, pp. 65-71.
[7] Id. at 11-12; situated in Escalante City, Negros Occidental, covered by TCT Nos. T-146227, T-146228, T-146229, T-146231, and T-25080.
[8] Id. at 55-59.

1,000 [pounds per kilogram *(1kg)*]	on or before Nov. 15 of each crop year
1,000 1kg	on or before Jan. 15 of each crop year
1,000 1kg	on or before Feb. 15 of each crop year
1,081.77 1kg	on or before Mar. 15 of each crop year[9]

On January 15, 2010, respondents paid rent in the amount of ₱1,638,550.90, which also included 40 1kg of Class "C" sugar for the month of November 15, 2009.[10] The said amount may be broken down as follows:

Class	Weight (1kg)	Unit Price (Pesos)			Amount (Pesos)
A	40	1,420.00	56,800.00	-594.39	[₱] 56,205.61
B	900	1,600.00	1,440,000.00	-11,761.24	[₱]1,428,238.76
C	100	1,555.00	155,500.00	-1,393.47	[₱] 154,106.53
			1,652,300.00		**[₱]1,638,550.90**

Petitioners claimed that respondents should have paid ₱1,862,860.00 as rent on January 15, 2010 based on the bidding price of sugar *quedans* of VADMP Cooperative. As such, respondents are still liable to pay the deficient amount of ₱272,760.00.[11] They also alleged that respondents failed to pay the rent due on March 15, 2010 equivalent to 1,081.77 1kg or a total amount of ₱1,774,102.80 based on the bidding price of sugar *quedans* as of March 15, 2010.[12]

On their part, respondents admitted executing the contract and averred further that they have been leasing the subject landholding for over 10 years.[13] However, the provision in the contract where rental fees must be paid by way of delivery of sugar *quedans* was never enforced and the rental fees have always been paid in cash since the inception of the contract. It was only sometime in March 2010 when petitioners asked them to pay in sugar *quedans*. They obliged to the request and tendered payment to petitioners in the form of sugar *quedans*, but the latter refused to receive them.[14]

Respondents further asserted that pursuant to the contract, the rental fees for March 2010 should be reduced in light of the disturbance in their possession of the leased premises by reason of law, particularly the Comprehensive Agrarian Reform Law[15] *(CARL)*. They alleged that members

[9] Id. at 56.
[10] Id. at 13.
[11] Id.
[12] Id. at 14.
[13] Id. at 82.
[14] Id. at 83.
[15] Id. at 41.

of the National Federation of Sugar Workers *(NFSW)*, some of whom were farmworkers of Hacienda Leonor, seized a portion of the leased parcels of land through stealth and strategy, immediately planted bananas and corn, and hoisted red flags in the area. These NFSW members claimed to be Comprehensive Agrarian Reform Program *(CARP)* beneficiaries, and threatened respondents with violence or loss of life should the latter uproot their crops or remove their structures.[16] Respondents exerted efforts and sought government intervention to regain possession of the affected landholdings, but to no avail. They also averred that despite notice, petitioners refused to take part in the conferences with respondents and the beneficiaries.[17]

Later, petitioners voluntarily offered to sell Hacienda Leonor to the Department of Agrarian Reform *(DAR)*. As such, the possession of most of CARP beneficiaries was legalized on February 1, 2013 based on a certification issued by DAR.[18]

Ruling of the RTC

The RTC dismissed the complaint for lack of merit. It held that the uncontroverted facts showed that petitioners did not make any effort to alleviate the problems of the farmworkers and did not even consider respondents' concerns by either terminating the contract or, at least, reducing the rentals.[19]

Aggrieved, petitioners sought relief before the CA raising the following issues: (1) whether the NFSW members committed a trespass in fact or in law; and (2) whether respondents are liable for back rentals and damages.[20]

Ruling of the CA

In the now assailed decision, the CA dismissed the appeal and affirmed the RTC's judgment. It found that petitioners failed to maintain respondents' peaceful and adequate enjoyment of the leased premises during the contract since they did not bother to contest or dispute the taking by CARP beneficiaries despite notice. Petitioners also refused to take part in the

[16] Id.
[17] Id. at 41-42.
[18] Id. at 42.
[19] Id. at 297.
[20] Id. at 43.

mediation proceedings in spite of respondents' pleas for assistance. It likewise ruled that the taking by the NFSW members was not a mere issue of physical possession,[21] but a trespass in law.[22]

As regards the claim of back rentals and damages, the CA held that paragraph 7 of the contract allows rent reduction in the event that a law such as CARL, will affect, reduce, or cause the loss, in part or all, of the area subject of the lease. Since the NFSW members entered by virtue of CARL, and their tilling and planting affected the productivity of the leased property, then respondents validly availed of paragraph 7 of the contract.[23]

Issues

Unsatisfied, petitioners moved for reconsideration, but their motion was denied.[24] Hence, the present petition whereby they maintain that: (1) the trespass of the NFSW members is a trespass in fact; (2) the obligation to oust the intruders lies on respondents as lessees; and (3) petitioners are entitled to back rentals and damages.[25]

Petitioners aver that the issuance of the notice of coverage which subjected portions of the leased property under CARL, did not automatically vest title or transfer ownership of the land to the government. Also, it did not *ipso facto* render the said realty a land reform area. The owner retains its right to eject unlawful possessor of his or her land.[26] They further argue that a valid and legal DAR coverage requires the issuance of a Certificate of Land Ownership Award *(CLOA)* and Land Bank deposit in the name of the landowner prior to any property installation. Both requirements were absent at the time of the forced entry by the NFSW members. Thus, the intruders committed only trespass in fact,[27] which did not vest respondents with the right to reduce and suspend payment of rentals.[28]

Furthermore, it was respondents' obligation to protect the subject property. Hence, respondents have the responsibility and right to file an ejectment case against the NFSW members.[29]

In their Comment,[30] respondents counter that the NFSW members

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[21] Id. at 44.
[22] Id. at 43.
[23] Id. at 44-45.
[24] Id. at 48-49.
[25] Id. at 21-28.
[26] Id. at 23-24.
[27] Id. at 25.
[28] Id. at 27.
[29] Id. at 26.
[30] Id. at 654-694.

committed legal trespass for which petitioners have the obligation to oust them under Article 1654[31] of the Civil Code. The legal trespass was clearly established during the Department of Agrarian Reform Adjudication Board *(DARAB)* proceedings in 2009 when the 70 armed men who entered Hacienda Leonor claimed to be beneficiaries of CARP.[32]

Respondents also illustrate their efforts to resolve the entry of the NFSW members by notifying petitioners of the conundrum and reporting the same to the Municipal Agrarian Reform Office and the Escalante City Police Station. Despite such efforts, the NFSW members refused to vacate the premises and even demanded the presence of petitioners during the settlement conferences.[33] However, petitioners refused to appear which resulted in the failure to reach any amicable settlement.[34] Respondents also claim sending three letters to petitioners to inform the latter of the intrusion, as well as the expansion of the possession by the 70 armed men. Petitioners, however, never responded to said letters. Respondents maintain that they should not be held liable to pay the rent for an area that they could not use especially when petitioners refused to exert any effort to retain possession of Hacienda Leonor from CARP beneficiaries.[35]

Due to intrusion by the NFSW members, respondents insist that they are not liable for any deficiency in their March 15, 2010 rent based on paragraph 7 of the contract, which reads:

> 7. LAND REFORM. The lease rental shall be reduced accordingly or the lease contract terminated, should any action, law, letter of instruction or similar acts by the duly constituted government or authority, including but not limited to the Agrarian Reform Law, be promulgated or implemented which will affect, reduce or cause the loss, in part or all, of the area held and to be held by the Lessees. The Lessees shall notify the Lessors of any such action, law or the like which may be passed or implemented and which may affect this contract. In such a case, either of the parties hereto, in order to protect its interest, may ask for the termination or re-negotiation of this contract.[36]

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[31] Art. 1654. The lessor is obliged:
(1) To deliver the thing which is the object of the contract in such a condition as to render it fit for the use intended;
(2) To make on the same during the lease all the necessary repairs in order to keep it suitable for the use to which it has been devoted, unless there is a stipulation to the contrary;
(3) To maintain the lessee in the peaceful and adequate enjoyment of the lease for the entire duration of the contract.

[32] *Rollo*, pp. 665-666.
[33] Id. at 682.
[34] Id.
[35] Id. at 682-683.
[36] Id. at 57.

As such, they are entitled to a reduced rental fee from the time of the trespass because they cannot enter the property without putting themselves in danger. Respondents argue that the reason for the lease of the affected property has ceased to exist.[37]

Finally, respondents contend that since the inception of the contract in crop year 1998 to 1999, they have consistently paid the cash equivalent of the sugar *quedans*, the amount of which was based on the average price of the sugar covering the period between two payments.[38] Per testimony of respondents' witness, petitioners did not complain about the computation of lease rental in cash since the start of the lease, and that it was only in March 2010 that petitioners insisted on payment in *quedans*.[39] It has likewise been the long practice since 1999, that sugar liens on *quedans* are deducted from the rental payments made by respondents to petitioners, as proven by the receipts issued by petitioners from 1999 until January 2010.[40] After their long acquiescence to the computation used by the parties for more than 10 years, petitioners are estopped from setting up a new approach in fixing the unit price of sugar for payments due for January 15, 2010.[41]

Ruling of the Court

The Court finds partial merit in the petition.

Entry of the NFSW members to the subject property was a mere trespass in fact; the contract of lease only allows reduction in case of legal trespass.

A contract of lease is a consensual, bilateral, onerous, and commutative contract by which the owner temporarily grants the use of his property to another who undertakes to pay rent therefor.[42] It bears emphasis that the respective obligations of the lessors and the lessees are provided by the contract itself and by existing laws.

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[37] Id. at 664.
[38] Id. at 671.
[39] Id. at 673.
[40] Id. at 677.
[41] Id.
[42] *Racelis v. Spouses Javier*, 824 Phil. 684, 695 (2018).

On the part of the lessors, their legal obligation under Art. 1654(3) of the Civil Code is "to maintain the lessee in the peaceful and adequate enjoyment of the lease for the entire duration of the contract." Such duty is merely a warranty that the lessee shall not be disturbed in his or her *legal*, and not physical, possession.[43] Else stated, the lessor's obligation under Art. 1654(3) arises only when acts, termed as legal trespass *(perturbacion de derecho)*, disturb, dispute, object to, or place difficulties in the way of the lessee's peaceful enjoyment of the premises that in some manner cast doubt upon the right of the lessor by virtue of which the lessor themself executed the lease.[44] Hence, when the act of trespass is done by third persons, it must be distinguished whether it is a trespass in fact or in law because the lessor is not liable for a trespass in fact or an act of trespass by a third person.[45]

In this case, petitioners correctly argued that the entry of the NFSW members constituted only a trespass in fact, and not in law.

As early as 1916, the Court in *Goldstein v. Roces*,[46] clarified that "if the act of trespass is not accompanied or preceded by anything which reveals a really *juridic* intention on the part of the trespasser, in such wise that the lessee can only distinguish the material fact, stripped of all legal form or reasons, [W]e understand it to be trespass in fact only *(de mero derecho)*."[47]

It must be stressed that at the time of the alleged intrusion, the NFSW members had no title or even a colorable title over the land which they occupied. Neither were they listed as qualified farmer-beneficiaries nor potential CARP beneficiaries, based on the findings of the Provincial Agrarian Reform Adjudication Board *(PARAB)* in DARAB Case No. R-0605-8830-09.[48] Even if they were potential CARP beneficiaries, the same did not *ipso facto* give them any vested right over the subject property. Per records, no CLOA has been issued in their favor at the time of the intrusion which can affect petitioners' title over the land. Particularly, the PARAB explained that:

> Further, because the respondents are not legitimate occupants of [Hacienda] Leonor, nor lawful lessees, or were listed as potential farmer-beneficiaries of the subject agricultural lands, they are therefore deemed to be interlopers and intruders whose illegal occupation of the property has greatly affected the prior physical possession of the complainants, hence should be ousted, ejected and expelled from the areas illicitly taken over

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[43] See *Nakpil v. Manila Towers Development, Corp.*, 533 Phil. 750, 767 (2006).
[44] Id. at 768.
[45] Id. at 767.
[46] 34 Phil. 562 (1916).
[47] Id. at 566-567.
[48] *Rollo*, pp. 162-166; penned by Provincial Agrarian Reform Adjudicator Isagani D. Cuello.

by them.[49]

Thus, the intruders' occupancy remained to be only a disturbance of the *physical* possession of respondents, and not legal possession.

Corollary, respondents' reliance on Art. 1654(3) of the Civil Code as regards petitioners' obligation to maintain them in peaceful and adequate enjoyment over the leased premises is misplaced. To reiterate, the lessor's obligation under Art. 1654(3) arises only when there is legal trespass. As earlier explained, the entry of the NFSW members did not constitute legal trespass.

Accordingly, We agree with petitioners that it was respondents' obligation to protect the subject property during the lifetime of the contract. Respondents' right to institute an ejectment case against the intruders is explicit under Art. 1664 of the Civil Code which provides that:

> Article 1664. The lessor is not obliged to answer for a mere act of trespass which a third person may cause on the use of the thing leased; but the lessee shall have a direct action against the intruder.
>
> There is a mere act of trespass when the third person claims no right whatever.

Ineluctably, the trespass complained of by respondents is mere trespass in fact and petitioners, as lessors, are not liable for the trespass in fact made by the NFSW members. Therefore, respondents' right of action should be directed against the trespassers, not against petitioners.[50]

In line with respondents' invocation of Art. 1654(3), is their claim of reduced rental fees under paragraph 7 of the contract, which reads:

> 7. LAND REFORM. The lease rental shall be reduced accordingly or the lease contract terminated, should any action, law, letter of instruction or similar acts by the duly constituted government or authority, including but not limited to the Agrarian Reform Law, be promulgated or implemented which will affect, reduce or cause the loss, in part or all, of the area held and to be held by the Lessees. The Lessees shall notify the Lessors of any such action, law or the like which may be passed or implemented and which may affect this contract. In such a case, either of the parties hereto, in order to protect its interest, may ask for the

[49] Id. at 163.
[50] See *Ensons Commercial Corp. v. Philippine National Railways*, G.R. No. 227648, December 9, 2020.

termination or re-negotiation of this contract.

However, the above-quoted provision finds no application here. The phrase "*action, law, letter of instruction or similar acts*," pertain to those made by the duly constituted government or authority which will affect, reduce, or cause the loss, in part or all, of the area held and to be held by the lessees. No such action or acts exist in the present case.

It must be emphasized that the failure to maintain the lessee in the peaceful and adequate enjoyment of the property leased does not contemplate all acts of disturbance. Even Art. 1658 of the Civil Code only accords the lessees the right to suspend the payment of rent *if their legal possession is disrupted*.[51] To reiterate, respondents were not disturbed in their legal possession of the subject property.

Consequently, respondents' claim of reduced rent or even suspension of payment under paragraph 7 of the contract fails. Such entitlement is neither supported by the contract or even by law. Art. 1658 of the Civil Code only allows a lessee to defer the payment of rent if the lessor fails to either (1) make the necessary repairs on the property or (2) maintain the lessee in peaceful and adequate enjoyment of the property leased. This provision in turn, implements the obligation imposed on lessors under Art. 1654(3),[52] which again, only arises when there is trespass in law. To emphasize, the trespass by the NFSW members is a trespass in fact, which respondents had incorrectly claimed as their basis in unilaterally reducing payment of rentals due the petitioners. As such, respondents' claim of rent reduction for March 15, 2010 is without legal basis.

Respondents should pay in cash the remaining balance of the March 15, 2010 rent plus interest.

The intrusion by the NFSW members being a trespass in fact, the Court now proceeds to determine the mode of payment in paying the rent. Notable in here that respondents make issue of the purported practice of paying the cash equivalent of the sugar *quedans* since the inception of their lease agreement.

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[51] *Racelis v. Spouses Javier*, supra note 42 at 695.
[52] Id.

Art. 1657 of the Civil Code provides that the lessee is obliged to pay the price of the lease according to the terms stipulated. In this relation, paragraph 3 of the contract provides in part:

> 3. CONSIDERATION
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> A. The consideration for the lease shall be paid by the Lessees by way of sugar [*quedans*] of the Sagay Sugar Central Corporation (SSC). Each payment shall be in such proportion of the sugar classification (A, B, C or D sugar) as a competent government authority may determine to apply on the date such payment is [due the] Lessors as herein provided.
>
> In the event it becomes impossible for the lease rentals to be paid using SSC sugar [*quedans*], the [*quedans*] issued by the Victorias Milling Company, of Victorias, Negros Occidental, shall be used. In case it is impossible to pay using the substitute [*quedans*], the parties shall meet and agree on a suitable third alternate. In case of disagreement on the third alternate, the Lessors may terminate this contract at their option.
>
> B. The lease rentals shall be paid in the amounts and on the dates provided hereunder. The amounts are stated in Pounds per Kilogram or "1kg.":
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> | | |
> |---|---|
> | 1,000 1kg | on or before Nov. 15 of each crop year |
> | 1,0001kg | on or before Jan. 15 of each crop year |
> | 1,000 1kg | on or before Feb. 15 of each crop year |
> | 1,081.77 1kg | on or before Mar. 15 of each crop year |
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> C. The Lessors shall have the right to require the Lessees to pay the consideration of this Lease in cash instead of [*quedans*]. Towards this end, the Lessees shall be obliged to sell the [*quedans*] in such manner and/or to such buyers as the Lessees may choose.[53]

Clearly, the parties agreed that the rent shall be paid through sugar *quedans*. When petitioners previously received respondents' cash payments, the former merely exercised their right under paragraph 3(C) of the contract by requiring payment in cash instead of *quedans*. Petitioners' prior acquiescence to such mode of payment did not eliminate their right to demand payment in *quedans* especially when paragraph 3 of the contract accords preference for payment of sugar *quedans* over cash. Hence, respondents cannot object to petitioners' demand to be paid by way of sugar *quedans* despite the alleged practice of cash payment for 10 years.

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[53] *Rollo*, p. 56.

Be that as it may, petitioners' complaint and corresponding prayer thereon, consistently indicated cash payment in several amounts, and not in sugar *quedans*. Petitioners evidently chose to be paid in cash, consistent with their right under paragraph 3(C) of the contract. As such, the rent that is still due the petitioners and subject of this petition, should be paid by way of cash.

Having settled the manner of paying the rent due the petitioners, the Court will now determine whether they are entitled to the alleged deficiencies in the January and March rentals, as well as back rentals.

Petitioners insist that respondents have a deficiency of ₱272,760.00 in their January 15, 2010 rental based on the bidding price of sugar *quedans* of VADMP Cooperative. We reject this claim for lack of any legal basis.

First, paragraph 3(C) of the contract provides:

> The Lessors shall have the right to require the Lessees to pay the consideration of this Lease in cash instead of [*quedans*]. Towards this end, the **Lessees shall be obliged to sell the [*quedans*] in such manner and/or to such buyers as the Lessees may choose**.[54] (emphasis supplied)

Paragraph 3(C) categorically obliges the lessees to sell the *quedans* to a buyer of their choice to get the cash value thereof. Thus, petitioners cannot impose the bidding price of sugar *quedans* of VADMP Cooperative. The right to determine the manner of selling the *quedans* and to whom it will be sold, was clearly given to respondents and not to petitioners.

Second, Art. 1235 of the Civil Code states that when the obligee accepts the performance, knowing its incompleteness or irregularity, and without expressing any protest or objection, the obligation is deemed fully complied with. It is only when the acts of creditor, *at the time of the incomplete or irregular payment by the debtor, or within a reasonable time thereafter*, show that the former is not satisfied with or agreeable to said payment or performance that the obligation shall not be deemed fully extinguished.[55]

Herein records show that petitioners received respondents' payment amounting to ₱1,638,550.90, and issued the corresponding receipt[56] without

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[54] Id.
[55] *Esguerra v. Villanueva*, 129 Phil. 575, 580 (1967).
[56] *Rollo*, p. 487.

any qualification or reservation on January 15, 2010. They likewise received on February 26, 2010 the rental payment for the January to February 2010 crop period, also without any objection or reservation. Petitioners only raised the alleged deficiency sometime in March 2010 when respondents paid a substantially reduced rental fee. Notably, a reasonable amount of time had already lapsed when petitioners notified respondents of the alleged deficiency. As such, petitioners are already estopped and cannot be allowed to belatedly claim for the alleged deficient payment. Their receipt of the January 2010 rental payment, followed by the February 2010 payment, without any condition or reservation, constitute as their acceptance of respondents' full payment for January 2010.

As regards the March 15, 2010 rent, the Court agrees with petitioners that respondents' payment was insufficient. Since respondents' claim of reduced rent was barren of legal support, it follows that they should fully pay the stipulated rental fee for the said period.

To recall, respondents are contractually obliged to pay 1,081.77 1kg of sugar *quedans* on or before March 15, 2010. Out of the 1,081.77 1kg, respondents only tendered 328.87 1kg which, based on records, was consigned[57] with the RTC and later ordered released to petitioners by virtue of an Order[58] dated December 16, 2010.

Under Art. 1233 of the Civil Code, a debt shall not be understood to have been paid unless the thing or service in which the obligation consists has been *completely* delivered or rendered, as the case may be. Thus, respondents are still liable to pay the deficiency of 752.90 1kg worth of sugar *quedans* which corresponds to the 42.65 hectares allegedly occupied by the NFSW members.

Aside from paying the deficiency of 752.90 1kg, respondents are also liable to pay interest pursuant to Art. 1253[59] of the Civil Code. Thus, respondents must pay the balance of 752.90 1kg worth of sugar *quedans* with interest, from March 15, 2010 until fully paid.

Herein parties agreed under paragraph 9[60] of the contract, that in case of failure to pay the lease rentals, interest rate of 25% *per annum* shall be

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[57] Id. at 185-186.
[58] Id. at 221-222.
[59] Art. 1253. If the debt produces interest, payment of the principal shall not be deemed to have been made until the interests have been covered.
[60] *Rollo*, p. 58; 9. REMEDIAL MEASURES. x x x
In addition, in case of the failure of the Lessees to pay the lease rentals as and when required,

imposed until full payment. However, the Court deems it appropriate to equitably reduce the stipulated interest as it would appear that respondents' liability will amount to almost thrice the principal debt.

To illustrate, assuming that the price of sugar *quedans* will be pegged at ₱1,600.00/lkg, multiplied by the unpaid portion of 752.90 lkg, will result to ₱1,204,640.00 which represents the deficient rental fee due the petitioners. Applying the stipulated 25% interest (₱301,160.00) and multiplying it by 12 years (from March 2010 until 2022), the total interest will be at ₱3,613,920.00. Considering that the interest alone would already amount to thrice the principal obligation of ₱1,204,640.00, it becomes imperative for the Court to intervene and remedy the iniquitous situation.

In several cases, the Court had reduced the stipulated interest when the total amount of interest alone far exceeds the principal debt.[61] Similar to *Trade & Investment Development Corporation of the Philippines v. Roblett Industrial Construction Corp.*,[62] the resulting interest charge in the present case will turn out to be excessive in the context of its base computation period, and hence, unwarranted in fact and in operation.[63] Thus, the Court finds an interest rate of 12% *per annum* would be more reasonable under the circumstances.

As regards the alleged back rentals for the remainder of crop year 2010 to 2011, as well as 2011 to 2012, and 2012 to 2013, the Court denies the same for being premature. Courts cannot grant a relief not prayed for in the pleadings or in excess of what is being sought by the party,[64] and without first ascertaining the evidence presented in support thereof.[65] Due process considerations require that judgments must conform to and be supported by the pleadings.[66] "It is elementary that a judgment must conform to, and be supported by, both the pleadings and the evidence, and be in accordance with the theory of the action on which the pleadings are framed and the case was tried. The judgment must be *secundum allegata et probata.*"[67]

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interest shall be charged, without need of demand, on the due and unpaid sugar [*quedans*] at the rate of Twenty-five (25%) per cent *per annum* until fully paid. Payment of this interest shall be made in the agreed sugar [*quedans*] in the proportion set by a competent government authority at the time payment was due but unpaid, or at the time payment is actually made, at the sole option of the Lessors.

[61] *Development Bank of the Philippines v. Court of Appeals*, 398 Phil. 413, 428 (2000); *Trade & Investment Development Corporation of the Philippines v. Roblett Industrial Construction Corp.*, 523 Phil. 360, 366 (2006).

[62] Supra.

[63] Id. at 367.

[64] *Chinatrust (Phils.) Commercial Bank v. Turner*, 812 Phil. 1, 11 (2017).

[65] *Gaffney v. Butler*, 820 Phil. 789, 801 (2017).

[66] Id. at 801.

[67] *Jose Clavano, Inc. v. Housing and Land Use Regulatory Board*, 428 Phil. 208, 225 (2002).

It bears emphasis that petitioners filed their complaint in April 2010, hence, their cause of action for the remainder of 2010 onwards had not yet accrued. The records likewise bear that they did not amend their complaint to include the supposed nonpayment of rentals after March 2010 as additional causes of action before the RTC rendered its decision in 2014. Hence, there can be no merit to their claim of nonpayment of rentals.

Petitioners are not entitled to damages.

Art. 2232 of the Civil Code provides that in contracts and quasi-contracts, the court may award exemplary damages if the defendant acted in a wanton, fraudulent, reckless, oppressive, or malevolent manner. Similarly, Art. 2234 states that while the amount of the exemplary damages need not be proved, the plaintiff must show that he is entitled to moral, temperate, or compensatory damages before the court may consider the question of whether or not exemplary damages should be awarded.

In this case, petitioners have not shown that they are entitled to moral, temperate, or compensatory damages. Thus, there is no reason to award exemplary damages. Likewise, there is no basis in awarding attorney's fees and litigation expenses in their favor pursuant to Art. 2208[68] of the Civil Code, especially considering that both parties have committed their own omissions that led to the present controversy. Each shall, therefore, bear their respective costs and litigation expenses.

Case should be remanded to the RTC to determine the value of the sugar quedans.

To recapitulate, respondents are only liable to pay the balance of the

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[68] Art. 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

(1) When exemplary damages are awarded;
(2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;
(3) In criminal cases of malicious prosecution against the plaintiff;
(4) In case of a clearly unfounded civil action or proceeding against the plaintiff;
(5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;
(6) In actions for legal support;
(7) In actions for the recovery of wages of household helpers, laborers and skilled workers;
(8) In actions for indemnity under workmen's compensation and employer's liability laws;
(9) In a separate civil action to recover civil liability arising from a crime;
(10) When at least double judicial costs are awarded;
(11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.

In all cases, the attorney's fees and expenses of litigation must be reasonable.

March 15, 2010 rent in the amount of 752.90 1kg worth of sugar *quedans*. Petitioners insist that the unit price should be fixed at ₱1,640.00 which was the bidding price as of March 15, 2010. However, estoppel prevents petitioners from asserting the bidding price as basis for the value of the *quedans*. Respondents further claim that petitioners are estopped from resorting to another basis for computing the value of the sugar *quedans*.

The Court agrees with respondents.

Generally, estoppel is a doctrine that restrains a person from adopting an inconsistent position, attitude, or action if it will cause injury to another. One who, by his or her acts, representations or admissions, or by his or her own silence when he ought to speak out, intentionally or through culpable negligence, persuades another to believe certain facts to exist and such other rightfully relies and acts on such belief, can no longer deny the existence of such fact as it will prejudice the latter.[69]

Here, both testimonial and documentary evidence show that petitioners have unqualifiedly accepted cash payment from respondents where the price of sugar was based on its average price during the covered rental period. Records also bear that petitioners have been shouldering the corresponding liens on the sugar *quedans* based on the customary system in the sugar industry,[70] and that the same had been consistently deducted from the rentals due them.[71] Due to petitioners' silence and acceptance of the said computation over the years, respondents relied and believed in good faith that the basis of their computations was proper. Hence, petitioners are now estopped and cannot deny said computation.

Moreover, the parties' contract is silent as regards the manner of fixing the price of sugar. Paragraph 3 thereof only provided for the proportion of the sugar classification as may be determined by a competent government authority, which respondents had been following, by relying on the declaration made by the Sugar Regulatory Administration.[72] Also, when respondents are required to pay in cash under paragraph 3(C), they are only required to sell the *quedans* based on their discretion.

Patently, the records are bereft of any basis to determine (1) the proportion of the sugar classification as of March 15, 2010, (2) the average price of sugar during the covered rental period for which the cash equivalent of the 752.90 sugar *quedans* may be determined, and (3) the corresponding

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[69] *De los Santos v. Vibar*, 580 Phil. 393, 404 (2008).
[70] *Rollo*, p. 676.
[71] Id. at 104-111, 113-116, 118-123, 125-126, 128-130, 132-136, and 138-144.
[72] Id. at 424.

liens that may be deducted per sugar classification. Hence, this case should be remanded to the RTC to conduct the appropriate proceedings and determine the said values.

WHEREFORE, the petition is **PARTIALLY GRANTED**. The April 7, 2017 Decision and the February 27, 2018 Resolution of the Court of Appeals, Cebu City in CA-G.R. CV No. 05479 are **REVERSED** and **SET ASIDE**.

Respondents Kent Javelosa and Exequiel Marañon are **ORDERED** to **PAY** petitioners Francisco Bongco and Gerardo Bongco the cash equivalent of 752.90 1kg of sugar *quedans* for the period of March 15, 2010, with interest at 12% *per annum* until full payment.

The case is hereby **REMANDED** to the court of origin to ascertain (1) the proportion of the sugar classification as of March 15, 2010, (2) the average price of sugar during the covered rental period, for purposes of determining the cash equivalent of 752.90 1kg of sugar *quedans*, and (3) the corresponding liens that may be deducted per sugar classification.

All monetary awards shall be subject to the legal interest rate of 6% *per annum* from finality of this Resolution until fully paid, following recent jurisprudence on the matter.

No costs.

SO ORDERED." ***Hernando, J.,*** *on wellness leave;* ***Zalameda, J.,*** *designated as Acting Working Chairperson per Special Order No. 2939 dated November 24, 2022.*

By authority of the Court:

LIBRADA C. BUENA
Division Clerk of Court

by:

MARIA TERESA B. SIBULO
Deputy Division Clerk of Court

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The Hon. Presiding Judge
Regional Trial Court, Branch 44
Bacolod City, 6100 Negros Occidental
(Civil Case No. 10-13559)

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