



Republic of the Philippines
Supreme Court
 Manila

SECOND DIVISION

ILOILO JAR CORPORATION,
 Petitioner,

G.R. No. 219509

Present:

- versus -

CARPIO, J., Chairperson,
 PERALTA,
 MENDOZA,
 LEONEN, and
 JARDELEZA*, JJ.

**COMGLASCO CORPORATION/
 AGUILA GLASS,**
 Respondent.

Promulgated:

18 JAN 2017

X ----- X

DECISION

MENDOZA, J.:

This petition for review on *certiorari* seeks to reverse and set aside the January 30, 2015 Decision¹ and June 17, 2015 Resolution² of the Court of Appeals (CA) in CA-G.R. CV No. 01475, which overturned the February 17, 2005 Amended Order³ of the Regional Trial Court, Branch 37, Iloilo City (RTC).

The Antecedents:

On August 16, 2000, petitioner Iloilo Jar Corporation (*Iloilo Jar*), as lessor, and respondent Comglasco Corporation/Aguila Glass (*Comglasco*), as lessee, entered into a lease contract over a portion of a warehouse building, with an estimated floor area of 450 square meters, located on a parcel of land identified as Lot 2-G-1-E-2 in Barangay Lapuz, La Paz District, Iloilo City. The term of the lease was for a period of three (3) years or until August 15, 2003.⁴

* Per Special Order No. 2416 dated January 4, 2017.

¹ Penned by Associate Justice Pamela Ann Abella Maxino with Associate Justice Gabriel T. Ingles and Associate Justice Renato C. Francisco, concurring; *rollo*, pp.47-57.

² Id. at 41-44.

³ Penned by Judge Jose D. Azarraga, id. at 104-107.

⁴ Id. at 22.

W

On December 1, 2001, Comglasco requested for the pre-termination of the lease effective on the same date. Iloilo Jar, however, rejected the request on the ground that the pre-termination of the lease contract was not stipulated therein. Despite the denial of the request for pre-termination, Comglasco still removed all its stock, merchandise and equipment from the leased premises on January 15, 2002. From the time of the withdrawal of the equipment, and notwithstanding several demand letters, Comglasco no longer paid all rentals accruing from the said date.⁵

On September 14, 2003, Iloilo Jar sent a final demand letter to Comglasco, but it was again ignored. Consequently, Iloilo Jar filed a civil action for breach of contract and damages before the RTC on October 10, 2003.⁶

On June 28, 2004, Comglasco filed its Answer⁷ and raised an affirmative defense, arguing that by virtue of Article 1267 of the Civil Code (*Article 1267*),⁸ it was released from its obligation from the lease contract. It explained that the consideration thereof had become so difficult due to the global and regional economic crisis that had plagued the economy. Likewise, Comglasco admitted that it had removed its stocks and merchandise but it did not refuse to pay the rentals because the lease contract was already deemed terminated. Further, it averred that though it received the demand letters, it did not amount to a refusal to pay the rent because the lease contract had been pre-terminated in the first place.

On July 15, 2004, Iloilo Jar filed its Motion for Judgment on the Pleadings⁹ arguing that Comglasco admitted all the material allegations in the complaint. It insisted that Comglasco's answer failed to tender an issue because its affirmative defense was unavailing.

The RTC Order

In its August 18, 2004 Order,¹⁰ the RTC granted the motion for judgment on the pleadings. It opined that Comglasco's answer admitted the material allegations of the complaint and that its affirmative defense was unavailing because Article 1267 was inapplicable to lease contracts.

Comglasco moved for reconsideration but its motion was denied by the RTC in its January 24, 2005 Order.¹¹ After formal defects in the original

⁵ Id. at 23.

⁶ Id.

⁷ Id. at 87-90.

⁸ Article 1267. When the service has become so difficult as to be manifestly beyond the contemplation of the parties, the obligor may also be released therefrom, in whole or in part.

⁹ Id. at 91-96.

¹⁰ Id. at 97-100.

¹¹ Id. at 101-103.

V

order were raised, the RTC issued the assailed February 17, 2005 Amended Order wherein the total amount of unpaid rentals to be paid was modified from ₱1,333,200.00 to ₱333,300.00. Further, it changed the following: (a) award of attorney's fees from ₱200,000.00 to ₱75,000.00; (b) litigation expenses from ₱50,000.00 to ₱30,000.00; and (c) exemplary damages from ₱400,000.00 to ₱200,000.00.

Aggrieved, Comglasco appealed before the CA.

The CA Ruling

In its January 30, 2015 decision, the CA *reversed* the amended order of the RTC. The appellate court was of the view that judgment on the pleadings was improper as Comglasco's answer tendered an issue considering that Iloilo Jar's material allegations were specifically denied therein. Further, the CA opined that even if the same were not specifically denied, the answer raised an affirmative issue which was factual in nature. It disposed:

IN LIGHT OF ALL THE FOREGOING, the instant appeal is GRANTED. The Order dated August 18, 2004; the Order dated January 24, 2005; and the Order dated February 17, 2005 of the Regional Trial Court, Branch 37, Iloilo City, in Civil Case No. 03-27960, are REVERSED.

Let the records be REMANDED to the RTC for the conduct of further proceedings.

SO ORDERED.¹²

Iloilo Jar moved for reconsideration, but its motion was denied by the CA in its assailed June 17, 2015 resolution.

Hence, this petition.

ISSUES

I

WHETHER OR NOT A DEFENSE RAISED IN THE ANSWER THAT IS NOT APPLICABLE TO THE CASE AT BAR CAN BE CONSIDERED AS APPROPRIATELY TENDERING AN ISSUE THAT NEED TO BE TRIED BY THE TRIAL COURT; AND

II

WHETHER OR NOT A JUDGMENT ON THE PLEADINGS IS APPROPRIATE AND VALID WHEN THE DEFENSE INTERPOSED BY THE DEFENDANT IN THE ANSWER IS NOT APPLICABLE AS A DEFENSE TO THE CAUSE OF ACTION AS STATED IN THE COMPLAINT.¹³

¹² Id. at 56-57.

¹³ Id. at 26.

Iloilo Jar argues that Comglasco's answer materially admitted the allegations of the former's complaint, particularly, that the latter had removed its merchandise from the lease premises and failed to pay subsequent rentals, after it had received the demand letters sent. It points out that Comglasco brushed aside its obligation by merely claiming that it was no longer bound by the lease contract because it was terminated due to the financial difficulties it was experiencing in light of the economic crisis. Iloilo Jar insisted that Comglasco cannot rely on Article 1267 because it does not apply to lease contracts, which involves an obligation to give, and not an obligation to do.

In its Comment,¹⁴ dated February 11, 2016, Comglasco countered that its answer raised material defenses which rendered judgment on the pleadings improper. It asserted that judgment on the pleadings may be had only when the answer fails to tender an issue or otherwise admits the material allegations of the adverse party's pleading. Comglasco argued that even if the allegations in the complaint were deemed admitted, the affirmative defenses it raised may give rise to factual controversies or issues which should be subject to a trial.

In its Reply,¹⁵ dated September 28, 2016, Iloilo Jar reiterated that judgment on the pleadings was warranted because Comglasco's answer failed to specifically deny the allegation in the complaint, and that the affirmative defense alleged therein was improper because Article 1267 is inapplicable to a lease contract. As such, it stressed that Comglasco's answer failed to tender an issue.

The Court's Ruling

The Court finds merit in the petition.

*Rules of Procedure
strictly complied with;
Exceptions*

It must be remembered that the right to appeal is not a natural right but merely a statutory privilege; a party appealing is, thus, expected to comply with the requirements of relevant rules otherwise he would lose the statutory right to appeal.¹⁶

¹⁴ Id. at 199-205.

¹⁵ Id. 212-229.

¹⁶ *Magsino v. de Ocampo*, G.R. No. 166944. August 18, 2014, 733 SCRA 202, 210.

11

A review of the records reveals that Iloilo Jar received the Notice of Resolution of the assailed CA resolution on July 9, 2015. Pursuant to Section 2 Rule 45 of the Rules of Court,¹⁷ it had fifteen (15) days from receipt of the resolution or until July 24, 2015 to file its petition for review on *certiorari* before the Court.

On the said date, however, Iloilo Jar filed a motion for extension to file the said petition. In its September 2, 2015 Resolution,¹⁸ the Court granted that same and extended for thirty (30) days reckoned from the expiration of the reglementary period within which to file the petition, with a warning that it would be the last extension to be given. In other words, Iloilo Jar had until August 23, 2015 to file its petition for review on *certiorari*.

On August 24, 2015, Iloilo Jar again filed another motion for extension¹⁹ requesting an additional thirty (30) days. In its November 25, 2015 Resolution,²⁰ the Court again granted the same and gave another 30-day extension reckoned from August 24, 2015. Thus, it had until September 23, 2015 to file its petition.

Iloilo Jar, unfortunately, filed its petition for review only on September 24, 2015,²¹ one day past the twice extended filing period. Again, procedural rules are not lightly brushed aside as its strict compliance is necessary for the orderly administration of justice. Thus, even if the filing of the petition was merely late for a day, it is still a violation of the rules on appeal, which generally leads to its outright denial.

The tardy filing, notwithstanding, the Court may still entertain the present appeal. Procedural rules may be disregarded by the Court to serve the ends of substantial justice. When a petition for review is filed a few days late, application of procedural rules may be relaxed, where strong considerations of substantial justice are manifest in the petition, in the exercise of the Court's equity jurisdiction.²² In *CMTC International Marketing Corporation v. Bhagis International Trading Corporation*,²³ the Court did not strictly apply procedural rules as it would serve the interest of justice, elucidating:

¹⁷ The petition shall be filed within fifteen (15) days from notice of the judgment or final order or resolution appealed from, or of the denial of the petitioner's motion for new trial or reconsideration filed in due time after notice of the judgment. On motion duly filed and served, with full payment of the docket and other lawful fees and the deposit for costs before the expiration of the reglementary period, the Supreme Court may for justifiable reasons grant an extension of thirty (30) days only within which to file the petition.

¹⁸ *Rollo*, p. 17.

¹⁹ *Id.* 176-181.

²⁰ *Id.* at 190.

²¹ *Id.* at 33.

²² *Montajes v. People*, 684 Phil. 1, 10-11 (2012).

²³ 700 Phil. 575 (2012).

Time and again, this Court has emphasized that procedural rules should be treated with utmost respect and due regard, since they are designed to facilitate the adjudication of cases to remedy the worsening problem of delay in the resolution of rival claims and in the administration of justice. **From time to time, however, we have recognized exceptions to the Rules, but only for the most compelling reasons where stubborn obedience to the Rules would defeat rather than serve the ends of justice.**

XXXX

Ergo, where strong considerations of substantive justice are manifest in the petition, the strict application of the rules of procedure may be relaxed, in the exercise of its equity jurisdiction. Thus, a rigid application of the rules of procedure will not be entertained if it will obstruct rather than serve the broader interests of justice in the light of the prevailing circumstances in the case under consideration.²⁴ [Emphases supplied]

The merits of Iloilo Jar's petition for review warrant a relaxation of the strict rules of procedure if only to attain justice swiftly. A denial of its petition will cause the remand of the case, which based on the circumstances, will unnecessarily delay the proceedings. Thus, the Court deems it wise to let Iloilo Jar's procedural lapse pass.

*Judgment on the
pleadings vis-à-vis
Summary Judgment*

Section 1, Rule 34 of the Revised Rules of Court governs motions for judgment on the pleadings. It reads:

SECTION 1. Judgment on the pleadings. – Where an answers 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. [Emphasis supplied]

On the other hand, under Rule 35 of the Rules of Court, a party may move for summary judgment if there are no genuine issues raised.

In *Basbas v. Sayson*,²⁵ the Court differentiated judgment on the pleadings from summary judgment in that the former is appropriate if the answer failed to tender an issue and the latter may be resorted to if there are no genuine issues raised, to wit:

²⁴ Id. at 581-582.

²⁵ 671 Phil. 662 (2011).

Simply stated, what distinguishes a judgment on the pleadings from a summary judgment is the presence of issues in the Answer to the Complaint. When the Answer fails to tender any issue, that is, if it does not deny the material allegations in the complaint or admits said material allegations of the adverse party's pleadings by admitting the truthfulness thereof and/or omitting to deal with them at all, a judgment on the pleadings is appropriate. **On the other hand, when the Answer specifically denies the material averments of the complaint or asserts affirmative defenses, or in other words raises an issue, a summary judgment is proper provided that the issue raised is not genuine.** "A 'genuine issue' means an issue of fact which calls for the presentation of evidence, as distinguished from an issue which is fictitious or contrived or which does not constitute a genuine issue for trial."

xxx

In this case, we note that while petitioners' Answer to respondents' Complaint practically admitted all the material allegations therein, it nevertheless asserts the affirmative defenses that the action for revival of judgment is not the proper action and that petitioners are not the proper parties. **As issues obviously arise from these affirmative defenses, a judgment on the pleadings is clearly improper in this case.**²⁶ [Emphases supplied]

In the case at bench, Comglasco interposed an affirmative defense in its answer. While it admitted that it had removed its stocks from the leased premises and had received the demand letter for rental payments, it argued that the lease contract had been pre-terminated because the consideration thereof had become so difficult to comply in light of the economic crisis then existing. Thus, judgment on the pleadings was improper considering that Comglasco's Answer raised an affirmative defense.

Although resort to judgment on the pleadings might have been improper, there was still no need to remand the case to the RTC for further proceedings. In *Wood Technology Corporation v. Equitable Banking Corporation (Wood Technology)*,²⁷ the Court ruled that summary judgment may be availed if no genuine issue for trial is raised, viz:

Summary judgment is a procedure aimed at weeding out sham claims or defenses at an early stage of the litigation. The proper inquiry in this regard would be whether the affirmative defenses offered by petitioners constitute genuine issues of fact requiring a full-blown trial. In a summary judgment, the crucial question is: are the issues raised by petitioners not genuine so as to justify a summary judgment? A **"genuine issue" means an issue of fact which calls for the presentation of evidence, as distinguished from**

²⁶ Id. at 682-683.

²⁷ 492 Phil. 106 (2005).

an issue which is fictitious or contrived, an issue that does not constitute a genuine issue for trial.²⁸ [Emphasis supplied]

It bears noting that in *Wood Technology*, the RTC originally rendered a judgment on the pleadings but was corrected by the Court to be a summary judgment because of the issue presented by the affirmative defense raised therein. In the said case, the Court, nonetheless, ruled in favor of the complainant therein because there was no genuine issue raised.

Similar to *Wood Technology*, the judgment rendered by the RTC in this case was a summary judgment, not a judgment on the pleadings, because Comglasco's answer raised an affirmative defense. Nevertheless, no genuine issue was raised because there is no issue of fact which needs presentation of evidence, and the affirmative defense Comglasco invoked is inapplicable in the case at bench.

A full blown trial would needlessly prolong the proceedings where a summary judgment would suffice. It is undisputed that Comglasco removed its merchandise from the leased premises and stopped paying rentals thereafter. Thus, there remains no question of fact which must be resolved in trial. What is to be resolved is whether Comglasco was justified in treating the lease contract terminated due to the economic circumstances then prevalent.

To evade responsibility, Comglasco explained that by virtue of Article 1267, it was released from the lease contract. It cited the existing global and regional economic crisis for its inability to comply with its obligation.

Comglasco's position fails to impress because Article 1267 applies only to obligations to do and not to obligations to give. Thus, in *Philippine National Construction Corporation v. Court of Appeals*,²⁹ the Court expounded:

Petitioner cannot, however, successfully take refuge in the said article, since it is applicable only to obligations "to do," and not to obligations "to give." An obligation "to do" includes all kinds of work or service; while an obligation "to give" is a prestation which consists in the delivery of a movable or an immovable thing in order to create a real right, or for the use of the recipient, or for its simple possession, or in order to return it to its owner.

The obligation to pay rentals or deliver the thing in a contract of lease falls within the prestation "to give"; xxx

²⁸ Id. at 115-116.

²⁹ 338 Phil. 691 (1997).

The principle of *rebus sic stantibus* neither fits in with the facts of the case. Under this theory, the parties stipulate in the light of certain prevailing conditions, and once these conditions cease to exist, the contract also ceases to exist. xxx

This article, which enunciates the doctrine of unforeseen events, is not, however, an absolute application of the principle of *rebus sic stantibus*, which would endanger the security of contractual relations. The parties to the contract must be presumed to have assumed the risks of unfavorable developments. **It is therefore only in absolutely exceptional changes of circumstances that equity demands assistance for the debtor.**³⁰ [Emphases and Underscoring supplied]

Considering that Comglasco's obligation of paying rent is not an obligation to do, it could not rightfully invoke Article 1267 of the Civil Code. Even so, its position is still without merit as financial struggles due to an economic crisis is not enough reason for the courts to grant reprieve from contractual obligations.

In *COMGLASCO Corporation/Aguila Glass v. Santos Car Check Center Corporation*,³¹ the Court ruled that the economic crisis which may have caused therein petitioner's financial problems is not an absolute exceptional change of circumstances that equity demands assistance for the debtor. It is noteworthy that Comglasco was also the petitioner in the above-mentioned case, where it also involved Article 1267 to pre-terminate the lease contract.

Thus, the RTC was correct in ordering Comglasco to pay the unpaid rentals because the affirmative defense raised by it was insufficient to free it from its obligations under the lease contract. In addition, Iloilo Jar is entitled to attorney's fees because it incurred expenses to protect its interest. The trial court, however, erred in awarding exemplary damages and litigation expenses.

Exemplary damages may be recovered in contractual obligations if the defendant acted in wanton or fraudulent, reckless, oppressive or malevolent manner.³² As discussed, Comglasco defaulted in its obligation to pay the rentals by reason of its erroneous belief that the lease contract was pre-terminated because of the economic crisis. The same, however, does not prove that Comglasco acted in wanton or fraudulent, reckless, oppressive or malevolent manner.³³ On the other hand, attorney's fees may be recovered in case the plaintiff was compelled to incur expenses to protect his interest because of the defendant's acts or omissions.

³⁰ Id. at 700-701.

³¹ G.R. No. 202989, March 25, 2015, 754 SCRA 481.

³² Article 2208(2) of the Civil Code.

³³ *Ramos v. China Southern Airlines Co. Ltd.*, G.R. No. 213418, September 21, 2016.

Further, the interest rate should be modified pursuant to recent jurisprudence.³⁴ The monetary awards shall be subject to 12% interest *per annum* until June 30, 2013 and 6% *per annum* from July 1, 2013 until fully satisfied.

A Final Note

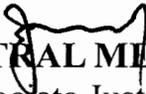
A lawyer, as an officer of the court, is expected to observe utmost respect and deference to the Court. As such, he must ensure that he faithfully complies with rules of procedure especially since they are in place to aid in the administration of justice. This duty to be subservient to the rules of procedure is manifested in numerous provisions³⁵ of the Code of Professional Responsibility.

The Court admonishes Iloilo Jar' counsel for repeatedly failing to comply with the rules of procedure and court processes. *First*, he belatedly filed the petition for review. *Second*, Iloilo Jar's counsel failed to file its Reply within the time originally allotted prompting the Court to require him to show cause why he should not be held in contempt.³⁶ Personal obligations, heavy workload does not excuse a lawyer from complying with his obligations particularly in timely filing the pleadings required by the Court.

WHEREFORE, the January 30, 2015 Decision and June 17, 2015 Resolution of the Court of Appeals are **REVERSED** and **SET ASIDE**. The February 17, 2005 Amended Order of the Regional Trial Court, Branch 37, Iloilo City, is **AFFIRMED WITH MODIFICATION** in that the award of exemplary damages and litigation expenses is **DELETED**. The monetary award shall be subject to 12% *per annum* until June 30, 2013 and 6% *per annum* from July 1, 2013 until fully satisfied.

Atty. Raleigh Silvino L. Manikan is **ADMONISHED** for his repeated failure to observe the rules of procedure, with a **WARNING** that a repetition to strictly comply with procedural rules shall be dealt with more severely.

SO ORDERED.

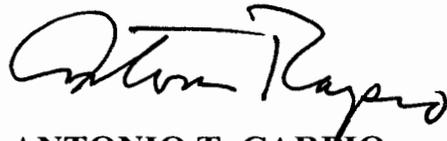

JOSE CATRAL MENDOZA
Associate Justice

³⁴ *Oyster Plaza Hotel v. Melivo*, G.R. No. 217455, October 5, 2016, citing *Nacar v. Gallery Frames*, 716 Phil. 267 (2013).

³⁵ Canon 1, Rule 10.03, Canon 12, Rule 12.03, Rule 18.02 and Rule 18.03.

³⁶ *Rollo*, p. 211.

WE CONCUR:



ANTONIO T. CARPIO
Associate Justice
Chairperson



DIOSDADO M. PERALTA
Associate Justice



MARVIC M.V.F. LEONEN
Associate Justice



FRANCIS H. JARDELEZA
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO
Chief Justice