

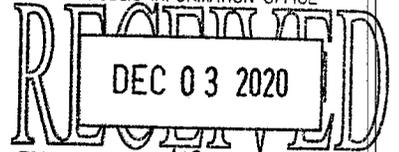


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MISAELO DOMINGO C. BATTUNG III  
Division Clerk of Court  
Third Division

DEC 03 2020

Republic of the Philippines  
Supreme Court  
Manila

SUPREME COURT OF THE PHILIPPINES  
PUBLIC INFORMATION OFFICE



THIRD DIVISION

BY: YCA  
TIME: 2:00 PM

CJH DEVELOPMENT G.R. No. 224006  
CORPORATION,  
Petitioner,

-versus-

CORAZON D. ANICETO,  
Respondent.

X-----X X-----X  
CORAZON D. ANICETO, G.R. No. 224472  
Petitioner,

Present:

-versus-

LEONEN, J., Chairperson,  
GISMUNDO,\*  
CARANDANG.

CJH DEVELOPMENT ZALAMEDA, and  
CORPORATION, ATTY. MA. GAERLAN, JJ.  
GEORGINA ALVAREZ, and ATTY.  
HILARIO BELMES,  
Respondents.

Promulgated:  
July 6, 2020

Mis-DC Batt

X-----X

DECISION

LEONEN, J.:

A stipulation in a lease contract that authorizes the lessor to take possession of the leased premises is valid and binding, even when there is no judicial action.

\* On official leave.

Before this Court are two consolidated Petitions for Review<sup>1</sup> assailing the Decision<sup>2</sup> and Resolution<sup>3</sup> of the Court of Appeals, which reversed the Regional Trial Court Decision<sup>4</sup> and found Camp John Hay Development Corporation (CJH Development) liable to pay Corazon Aniceto (Aniceto) ₱2,183,625.00, the value of the personal properties seized by the corporation when the parties' Lease Contract expired.

Aniceto owned El Rancho Café and Restaurant (El Rancho), which then stood on Camp John Hay in Baguio City. CJH Development had allowed her to use a junkyard within the vicinity, on which she built her restaurant from October to December 2003.<sup>5</sup>

On December 1, 2003, Aniceto and CJH Development formally entered into a Lease Contract effective until November 30, 2004. When the lease expired, it was renewed on a monthly basis.<sup>6</sup> On November 18, 2005, Aniceto and CJH Development entered into another Lease Contract that would last until November 17, 2006.<sup>7</sup>

Pertinently, under Article VI, Section 1 of the Lease Contract, all permanent improvements made by Aniceto shall form an integral part of the premises and become CJH Development's property upon the termination of the lease.<sup>8</sup> Moreover, under Article X, when the contract is terminated, Aniceto must promptly deliver the premises to CJH Development devoid of occupants, furniture, articles, and effects of any kind; otherwise, CJH Development can enter the premises and take inventories of Aniceto's

<sup>1</sup> *Rollo* (G.R. No. 224472), pp. 10–52 and *rollo* (G.R. No. 224006), pp. 10–38.

<sup>2</sup> *Rollo* (G.R. No. 224472), pp. 103–116. The July 27, 2015 Decision was penned by Associate Justice Franchito N. Diamante and concurred in by Associate Justices Japar B. Dimaampao and Socorro B. Inting of the Special Eighth Division of the Court of Appeals, Manila.

<sup>3</sup> *Id.* at 143–145. The March 8, 2016 Resolution was penned by Associate Justice Franchito N. Diamante and concurred in by Associate Justices Japar B. Dimaampao and Socorro B. Inting of the Former Special Eighth Division of the Court of Appeals, Manila.

<sup>4</sup> *Id.* at 79–101. The December 11, 2013 Decision was penned by Presiding Judge Antonio C. Reyes of the Regional Trial Court of Baguio City, Branch 61.

<sup>5</sup> *Rollo* (G.R. No. 224472), pp. 78–79.

<sup>6</sup> *Id.* at 79.

<sup>7</sup> *Id.* at 68–77.

<sup>8</sup> *Id.* at 71–72. Article VI, Section 1 of the Lease Contract reads:

ARTICLE VI

IMPROVEMENTS & ALTERATIONS

Section 1. Improvements and Alterations. The LESSEE, with the written consent and approval of the LESSOR, may introduce improvements or alterations on the Leased Premises. For this purpose, the LESSEE shall:

- a) Shall submit to the LESSOR detailed engineering plans for improvements or alterations which shall be subject to the review and approval of the LESSOR, prior to start of work;
- b) Require its contractor to apply for accreditation with the LESSOR;
- c) Require its contractor and employees to undergo a safety and environmental briefing.

It is expressly understood that the actual cost of the permanent improvements or alterations introduced shall be for the account of the LESSEE.

All permanent improvements or alterations made on the Leased Premises shall upon completion thereof, form an integral part of the Leased Premises, and shall not be removed therefrom, but shall belong to and become the exclusive property of the LESSOR and the LESSEE shall have no right to reimbursement of the cost or value thereof.

merchandise. The merchandise will then be placed in the bodega for Aniceto's retrieval.<sup>9</sup>

When the term of this Lease Contract lapsed, the parties amended it to extend for six more months, or until May 17, 2007.<sup>10</sup>

Before the second lease expired, Aniceto asked for another extension from Federico S. Alquiros (Alquiros), the officer-in-charge of CJH Development. The request was denied. Nevertheless, El Rancho continued to operate on a monthly basis, with Aniceto paying advance rentals up to February 28, 2008.<sup>11</sup>

However, on January 30, 2008, Alquiros wrote Aniceto, informing her to vacate the premises as it would undergo land development. Aniceto was given until March 1, 2008 to remove all furniture, equipment, and furnishing within the premises.<sup>12</sup>

In February 2008, Aniceto twice tried to convince Alquiros to extend the lease, reasoning that El Rancho would not get in the way of the land development. On both occasions, Alquiros denied the requests, reminding Aniceto instead to vacate the premises.<sup>13</sup> On February 28, 2008, a day before the deadline, Aniceto sent yet another request for extension. This was rejected all the same, and she was given 24 hours to vacate the premises.<sup>14</sup>

Thus, before the Regional Trial Court of Baguio City, Aniceto filed a Complaint seeking to enjoin the closure and demolition of El Rancho. The

<sup>9</sup> Id. at 74. Article X Section of the Lease Contract reads:

ARTICLE X  
TERMINATION OF LEASE

Section 1. Termination or Expiration of Lease. The LESSEE, at the expiration or termination of the term of this Contract or cancellation of this Contract as herein provided, shall promptly deliver the said Leased Premises to the LESSOR in good condition, reasonable wear and tear excepted, devoid of all occupants, furniture, articles and effects of any kind, subject to Section 1, Article VI hereof.

Section 2. Non-compliance. Non-compliance on the part of the LESSEE with the terms and conditions of this Article will give the LESSOR the right to enter the Leased Premises and LESSEE hereby expressly appoints LESSOR as his duly authorized Attorney-in-Fact with power and authority to cause the Leased Premises to be opened in the presence of a peace officer to take inventories of the LESSEE's merchandise and to place the same in LESSOR's bodega so that the LESSOR can take full possession of the said premises. LESSEE hereby expressly agrees to pay all reasonable expenses incurred by LESSOR in connection therewith including storage fees; Provided, further that failure of LESSEE to claim said merchandise and equipment within thirty (30) days from date of transfer to LESSOR's bodega, LESSOR is hereby given the right to dispose of said property in private sale and to apply the proceeds to whatever indebtedness of LESSEE to LESSOR and the balance, if any, shall be given to LESSEE. LESSOR shall not incur civil and/or criminal liabilities whatsoever by exercising its rights granted under these provisions. The rights granted to the LESSOR in this section, may be exercised by the LESSOR's duly authorized employees, agents or representatives and, in so doing, they shall not incur civil and/or criminal liabilities whatsoever.

<sup>10</sup> Id. at 79.

<sup>11</sup> Id.

<sup>12</sup> Id.

<sup>13</sup> Id. at 79-80.

<sup>14</sup> Id. at 80.

Complaint was lodged against CJH Development; its Legal and Corporate Service Senior Vice President, Atty. Ma. Georgina Alvarez (Atty. Alvarez); its legal officer, Atty. Hilario Belmes (Atty. Belmes), and Alquiros.<sup>15</sup>

On March 4, 2008, the trial court issued a 72-hour Temporary Restraining Order, directing CJH Development to cease and desist from closing El Rancho. On March 6, 2008, it issued a *status quo* order. Eventually, however, it denied the application for the issuance of a writ of preliminary injunction.<sup>16</sup>

While Aniceto was seeking reconsideration of the denial, on May 1, 2008, El Rancho was demolished.<sup>17</sup>

Thus, the trial court denied her Motion for Reconsideration for mootness.<sup>18</sup> Meanwhile, the case itself became a complaint for damages.<sup>19</sup> Aniceto sought actual damages worth ₱4,983,625.00 for the demolition of the structure and the personal properties taken from El Rancho. This amount was broken down as follows: (a) ₱2,500,000.00 for the value of the structures; (b) ₱300,000.00 for the landscaping, (c) ₱ 46,000.00 for the value of the signage; and (d) ₱2,137,625.00 for the value of personal properties.<sup>20</sup>

In its Answer, CJH Development argued that Aniceto had no cause of action because the lease had long expired on May 17, 2007. The monthly extension, it said, was only allowed pursuant to the hold-over provision of the Lease Contract. It also maintained that the demolition was legal and within its rights as owner of El Rancho's structure, citing Article VI, Section 1 and Article X, Section 2 of the Lease Contract.<sup>21</sup>

When the parties failed to arrive at an amicable settlement, trial proceeded.<sup>22</sup> From this, the Regional Trial Court issued its December 11, 2013 Decision<sup>23</sup> ruling in favor of Aniceto. It disposed as follows:

**WHEREFORE**, this Court finds for the plaintiff and **RESOLVES** to:

1. **DECLARE** as contrary to law, good customs and public policy the demolition made by the defendants of the El Rancho and the taking of all properties found therein.

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<sup>15</sup> Id. at 78.

<sup>16</sup> Id. at 81.

<sup>17</sup> Id. at 80.

<sup>18</sup> Id. at 105.

<sup>19</sup> Id. at 78.

<sup>20</sup> Id. at 95.

<sup>21</sup> Id. at 80.

<sup>22</sup> Id. at 106.

<sup>23</sup> Id. at 79-101.

2. **DECLARE Section 2, Article X** of the Lease dated November 18, 2005 without force and effect being contrary to law.
3. **ORDER** the defendants CJHDevCo, Atty. Ma. Georgina Alvarez, and Atty. Hilario Belmes, jointly and severally, **TO PAY** the plaintiff: (a) actual damages in the amount of P2,183,625.00, being the uncontested value of the personal properties owned by the plaintiff kept at the Roosevelt Building of CJHDevCo, less the value of any undamaged properties defendant CJHDevCo will turn over to the plaintiff; (b) the amount of P1,000,000.00 by way of moral damages; (c) the amount of P500,000.00 by way of exemplary damages; (d) P200,000.00 as attorney's fees; and (e) the costs.

**SO ORDERED.**<sup>24</sup> (Emphasis in the original)

The trial court held that the demolition was illegal and may not be justified by the Lease Contract. It held that Article X, Section 2 of the contract was illegal as it ignored the basic demands of due process.<sup>25</sup>

The trial court further denounced how the restaurant was demolished while the case was pending, saying that this act grossly violated the rules on forcible entry and unlawful detainer and usurped the power of the courts.<sup>26</sup>

Thus, the trial court found bad faith in CJH Development and its lawyers, finding them liable under the abuse of rights principle laid down in Articles 19, 20, and 21 of the New Civil Code.<sup>27</sup> It awarded damages for the restaurant's demolition, which it found to have caused damage and injury on Aniceto.<sup>28</sup> It, however, spared Alquiros, whom it ruled was just a layperson without knowledge of the law and who merely relied on the advice of his legal advisers.<sup>29</sup>

In assessing the actual damages, the trial court gave more weight to Aniceto's inventory than the company's incomplete inventory. However, it explained that the value of the demolished structures and landscape could not be awarded to Aniceto as these were deemed owned by CJH Development based on the Lease Contract. Only the value of the personal properties amounting to P2,183,625.00 may be awarded to Aniceto, less the value of personal properties kept by CJH Development for Aniceto's retrieval.<sup>30</sup> The trial court also awarded P1,000,000.00 as moral damages, P500,000.00 as exemplary damages, P200,000.00 as attorney's fees, and costs of suit.<sup>31</sup>

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<sup>24</sup> Id. at 101.

<sup>25</sup> Id. at 82-84.

<sup>26</sup> Id. at 84-85.

<sup>27</sup> Id. at 86.

<sup>28</sup> Id. at 91.

<sup>29</sup> Id. at 94-95.

<sup>30</sup> Id. at 100.

<sup>31</sup> Id. at 101.

On appeal, the Court of Appeals, in its July 27, 2015 Decision,<sup>32</sup> set aside the Regional Trial Court Decision. It disposed:

**WHEREFORE**, in view of the foregoing, the appeal is hereby **GRANTED**. The Decision dated December 11, 2013 of the Baguio City Regional Trial Court, Branch 61, in Civil Case No. 6648-R is hereby **REVERSED AND SET ASIDE**.

However, [CJH Development] is hereby ORDERED to pay the amount of Php2,183,625.00 representing the value of personal properties taken from plaintiff-appellee during the demolition undertaken on April 29 to May 1, 2008. In addition, the value of the personal properties, if any, which are still kept at Roosevelt Building of [CJH Development] shall be deducted from the aforesaid amount, provided that [CJH Development] shall turn them over in an undamaged state and in the same condition as when they were removed from the leased premises.

**SO ORDERED.**<sup>33</sup> (Emphasis in the original)

Relying on Article VI, Section 1 of the Lease Contract, the Court of Appeals ruled that CJH Development was well within its rights as owner to demolish the restaurant. It ruled that since the contract had already expired on May 17, 2007, the company's removal of the structure was valid.<sup>34</sup>

The Court of Appeals also found that CJH Development only demolished the restaurant after Aniceto's application for preliminary injunction had been denied. It also noted that the *status quo* order had expired a month before the demolition, and that Aniceto had been informed several times to vacate the premises until March 1, 2008. Hence, it ruled that the demolition on April 29, 2008 did not need a court action.<sup>35</sup>

In deleting the award of damages, the Court of Appeals ascribed good faith to CJH Development. It held that Aniceto had no clear right to retain possession since the lease had expired. Since the application for preliminary injunction had been denied, it found that CJH Development may proceed with the demolition even if a motion for reconsideration was still pending.<sup>36</sup> More telling of good faith, the Court of Appeals noted, was that Aniceto's employees and the Baguio City police even witnessed the demolition.<sup>37</sup>

Absolving the company lawyers, the Court of Appeals maintained that these officers may not be held jointly and severally liable with the corporation

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<sup>32</sup> Id. at 103–116.

<sup>33</sup> Id. at 115.

<sup>34</sup> Id. at 108.

<sup>35</sup> Id. at 109.

<sup>36</sup> Id. at 110.

<sup>37</sup> Id. at 113.

unless they have exceeded their authority. It opined that Attys. Alvarez and Belmes only acted within their duty to protect the company's interests.<sup>38</sup>

The Court of Appeals, however, agreed with the trial court that the value of permanent improvements should be deducted from the damages claimed by Aniceto. It deducted the following: (1) the value of the permanent improvements, particularly the structures and the landscape, amounting to ₱2,800,000.00, deemed owned by CJH Development; and (2) the value of the personal articles and goods that may be returned to Aniceto.<sup>39</sup>

The Court of Appeals further ruled that CJH Development should return the personal properties in an undamaged state and in the same condition as when they were removed from the restaurant.<sup>40</sup>

Both parties moved for reconsideration, but these were denied by the Court of Appeals in its March 8, 2016 Resolution.<sup>41</sup>

Hence, both parties went before this Court with their Petitions for Review on Certiorari. CJH Development's was docketed as G.R. No. 224006,<sup>42</sup> while Aniceto's was docketed as G.R. No. 224472.<sup>43</sup> The cases were eventually consolidated.<sup>44</sup>

In her Petition, Aniceto mainly argues that the provisions of the Lease Contract are illegal and without force and effect.<sup>45</sup>

She contends that Article X, Section 2 violates due process. Moreover, for giving CJH Development the right to unilaterally take possession of the premises, she says that the contract went against law, morals, good customs, public order, and public policy.<sup>46</sup> She likewise assails Article VI, Section 1 for allowing the lessor to have an unbridled right over the property. She claims that the provision cannot protect CJH Development from civil or criminal liabilities in their exercise of its right.<sup>47</sup> In demolishing the restaurant, Aniceto claims, CJH Development disregarded the court and violated the rules on forcible entry and unlawful detainer.<sup>48</sup>

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<sup>38</sup> Id.

<sup>39</sup> Id. at 114.

<sup>40</sup> Id.

<sup>41</sup> Id. at 143-145.

<sup>42</sup> *Rollo* (G.R. No. 224006), pp. 10-38.

<sup>43</sup> *Rollo* (G.R. No. 224472), pp. 10-52.

<sup>44</sup> Id. at 7.

<sup>45</sup> Id. at 18.

<sup>46</sup> Id. at 19-20.

<sup>47</sup> Id. at 20-21.

<sup>48</sup> Id. at 21-22.

Aniceto likewise imputes bad faith to CJH Development for demolishing the establishment without any court order. Asserting that the corporation was wrong to take the law into its own hands, she avers that it violated the abuse of rights principle.<sup>49</sup> She did not spare Attys. Belmes and Alvarez, saying that as lawyers, the two cannot feign innocence and claim that they saw no legal impediment against the demolition.<sup>50</sup>

Lastly, Aniceto claims that she is entitled to the damages awarded by the trial court. As to the actual damages, she asserts that she presented a list of structures demolished and goods taken during the demolition, which should be given more weight and credence than CJH Development's inventory.<sup>51</sup>

In its Comment,<sup>52</sup> CJH Development counters that stipulations allowing the eviction of the lessee without court intervention are valid. It further avers that the stipulation allowing CJH Development to regain possession of the premises upon default is a resolatory condition, which is valid.<sup>53</sup>

Citing jurisprudence,<sup>54</sup> CJH Development avers that Aniceto, whose lease has expired, cannot maintain an action against it even if the ouster was done extrajudicially.<sup>55</sup> It points out that under the law, parties may enter into contracts and agree on stipulations that will govern their affairs. As such, when CJH Development and Aniceto entered into the lease contract, they agreed that upon default, the lessor can extrajudicially regain possession of the premises.<sup>56</sup>

Moreover, CJH Development claims that it acted in good faith when it proceeded with the demolition. It invokes Article 1306 of the Civil Code, under which a stipulation granting ownership of improvements to the lessor is valid.<sup>57</sup> Thus, it maintains that when it removed the structures of the restaurant, it was authorized under the Lease Contract to do so. It then reiterates that the removal was done after the *status quo* order had expired and Aniceto's application for preliminary injunction had been denied, and that it was witnessed by Aniceto's employees and police officers.<sup>58</sup>

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<sup>49</sup> Id. at 22–26.

<sup>50</sup> Id. at 30–31.

<sup>51</sup> Id. at 31–32.

<sup>52</sup> Id. at 164–206.

<sup>53</sup> Id. at 181.

<sup>54</sup> Id. at 182–189 citing *Consing v. Jamandre*, 159-A Phil. 291 (1975) [Per J. Esguerra, First Division]; *Viray v. Intermediate Appellate Court*, 275 Phil. 870 (1991) [Per J. Narvasa, First Division]; *Irao v. By the Bay, Inc.*, 580 Phil. 288 (2008) [Per J. Carpio Morales, Second Division]; and *Republic v. Peralta*, 669 Phil. 81 (2011) [Per J. Carpio, Second Division].

<sup>55</sup> Id. at 184.

<sup>56</sup> Id. at 190.

<sup>57</sup> Id.

<sup>58</sup> Id. at 191.

CJH Development further maintains that it was constrained to remove the structures because Aniceto refused to vacate the premises and to remove her personal properties despite several notices. Thus, it cannot be said that CJH Development disregarded the court and acted in bad faith.<sup>59</sup> Absent bad faith, it cannot be held liable under the abuse of rights principle.<sup>60</sup>

CJH Development also maintains that Attys. Alvarez and Belmes are not personally liable to pay damages,<sup>61</sup> given that the corporation has a personality of its own. Thus, it asserts that without bad faith or gross negligence on their part, they have no liability.<sup>62</sup>

In her Reply,<sup>63</sup> Aniceto reiterates that CJH Development took the law into its own hands when it demolished the restaurant and took possession of her personal properties despite her protest.<sup>64</sup>

Meanwhile, in its own Petition, CJH Development argues that while Aniceto's personal properties must be returned, it must not be held liable for any deterioration, damage, or loss of these items.<sup>65</sup> It reasons that these personal properties include perishable food items and materials made of wood, which have already rotted,<sup>66</sup> and which had long been available for Aniceto's retrieval.<sup>67</sup>

Moreover, CJH Development maintains that the removal of the properties is consistent with the Lease Contract, citing Article X, Section 1 that says the premises, upon turnover, must be "devoid of any occupants, furniture, equipment and/or furnishing except the permanent improvements introduced thereon."<sup>68</sup> Citing the same provision, it insists that Aniceto had agreed to pay all reasonable expenses CJH Development incurred in storing the removed properties.<sup>69</sup>

CJH Development further narrates that when it entered the premises, Aniceto's employees were asked to remove all the personal items, but they refused. Thus, they were constrained to take the properties and store them in the bodega. When they asked the representatives to sign the inventories they prepared, the latter refused again.<sup>70</sup> CJH Development asserts that it would

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<sup>59</sup> Id. at 191–193.

<sup>60</sup> Id. at 196.

<sup>61</sup> Id.

<sup>62</sup> Id. at 197.

<sup>63</sup> Id. at 214–216.

<sup>64</sup> Id. at 215.

<sup>65</sup> Id. at 29.

<sup>66</sup> Id. at 38.

<sup>67</sup> Id. at 29.

<sup>68</sup> Id. at 31.

<sup>69</sup> Id. at 32.

<sup>70</sup> Id. at 33.

be unjust to be required to pay for the personal properties which Aniceto could have retrieved long ago.<sup>71</sup>

CJH Development also prays that the actual damages of ₱2,183,625.00 be deleted.<sup>72</sup> It notes that Aniceto failed to prove the actual loss suffered, with the inventory she presented in court only self-serving.<sup>73</sup>

Lastly, CJH Development admits that it raises questions of fact, but asserts that its Petition falls under recognized exceptions, namely: (1) the Court of Appeals' inference is manifestly mistaken, absurd, or impossible; (2) its judgment is based on a misapprehension of facts; and (3) its findings of fact are premised on the absence of evidence and is contradicted by the evidence on records.<sup>74</sup>

In her Comment,<sup>75</sup> Aniceto counters that the Lease Contract is a contract of adhesion whose provisions she had no option but to accept. Thus, she says, the trial court correctly struck down the provisions for violating her right to due process, as well as the human relations principles.<sup>76</sup>

As to the award of damages, Aniceto echoes the Court of Appeals ruling that the inventory she presented prevails over CJH Development's incomplete list. She likewise maintains CJH Development's liability for the value of the personal properties it confiscated.<sup>77</sup>

In its Reply,<sup>78</sup> CJH Development maintains that the Court of Appeals' finding of fact must be revisited for being based on a misapprehension of facts. It notes that it submitted at least two inventories which the Court of Appeals failed to consider, and which Aniceto herself did not dispute. It also attacks Aniceto's inventory, claiming that it cannot be the basis of actual damages for being self-serving and inadmissible.<sup>79</sup>

Finally, CJH Development reiterates that it repeatedly notified Aniceto about retrieving the properties, but Aniceto failed to do so.<sup>80</sup> Since it was Aniceto who unjustifiably refused to take her personal properties, any deterioration, damage, and loss should be borne by her and not the corporation.<sup>81</sup>

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<sup>71</sup> Id. at 35.

<sup>72</sup> Id. at 38.

<sup>73</sup> Id. at 39-40.

<sup>74</sup> Id. at 30.

<sup>75</sup> *Rollo* (G.R. No. 224472), pp. 207-212.

<sup>76</sup> Id. at 209.

<sup>77</sup> Id. at 210.

<sup>78</sup> Id. at 222-232.

<sup>79</sup> Id. at 228.

<sup>80</sup> Id. at 224.

<sup>81</sup> Id. at 228.

The issues for this Court's resolution are the following:

First, whether or not questions of fact may be raised in the Rule 45 Petition of Camp John Hay Development Corporation;

Second, whether or not the assailed provisions of the Lease Contract are valid. Subsumed under this are the issues of whether or not the demolition and ejectment were validly made even without a court order, whether or not a contract may grant the lessor ownership over the permanent improvements, and whether or not the Lease Contract is a contract of adhesion;

Third, whether or not Camp John Hay Development Corporation is liable for personal properties of the lessee; and

Finally, whether or not Camp John Hay Development Corporation and its lawyers are liable for damages under the abuse of rights principle.

## I

Only questions of law may be raised in a Rule 45 petition.<sup>82</sup> As this Court is not a trier of facts, the lower courts' factual findings are generally binding upon it.<sup>83</sup> Nevertheless, jurisprudence has provided several exceptions to this rule:

(1) When the conclusion is a finding grounded entirely on speculation, surmises or conjectures; (2) When the inference made is manifestly mistaken, absurd or impossible; (3) Where there is a grave abuse of discretion; (4) When the judgment is based on a misapprehension of facts; (5) When the findings of fact are conflicting; (6) When the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee; (7) The findings of the Court of Appeals are contrary to those of the trial court; (8) When the findings of fact are conclusions without citation of specific evidence on which they are based; (9) When the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; and (10) The finding of fact of the Court of Appeals is premised on the supposed absence of evidence and is contradicted by the evidence on record.<sup>84</sup> (Citations omitted)

<sup>82</sup> RULES OF COURT, Rule 45, sec. 1 provides:

SECTION 1. *Filing of petition with Supreme Court.* — A party desiring to appeal by certiorari from a judgment or final order or resolution of the Court of Appeals, the Sandiganbayan, the Regional Trial Court or other courts whenever authorized by law, may file with the Supreme Court a verified petition for review on certiorari. The petition shall raise only questions of law which must be distinctly set forth.

<sup>83</sup> *Pascual v. Burgos*, 776 Phil. 167 (2016) [Per J. Leonen, Second Division].

<sup>84</sup> *Medina v. Asistio, Jr.*, 269 Phil. 225, 232 (1990) [Per J. Bidin, Third Division].

For these cases, a proper resolution would demand a scrutiny of the factual issues, which is generally beyond the ambit of a Rule 45 petition. CJH Development alleged that its case is an exception, for the following reasons: (1) the Court of Appeals' inference was manifestly mistaken, absurd, or impossible; (2) its judgment was based on a misapprehension of facts; and (3) its findings of fact were premised on the absence of evidence and was contradicted by the evidence on records.<sup>85</sup>

After a judicious review, this Court finds it necessary to review the facts to have a proper determination of these cases.

## II

When parties enter into contracts, they are free to stipulate on the terms and conditions of their agreement as they may deem convenient.<sup>86</sup> Contracts have the force of law between the contracting parties. Thus, whatever stipulations agreed upon in them must be complied with in good faith.<sup>87</sup>

However, the freedom to stipulate is not absolute.<sup>88</sup> Under Article 1306 of the Civil Code, parties cannot agree on stipulations that are "contrary to law, morals, good customs, public order, or public policy." It states:

ARTICLE 1306. The contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy.<sup>89</sup>

A contract of lease is a special form of contract in civil law. The Civil Code outlines a number of provisions that guide the parties and limit the stipulations that may be agreed upon in the lease contract. It specifies the rights and obligations of the lessor and the lessee, as well as the rules on the payment and ejectment.<sup>90</sup>

Under the Civil Code provisions on lease, when the lease has a definite period, it ceases on the day fixed without need for a demand from the lessor.<sup>91</sup>

<sup>85</sup> *Rollo* (G.R. No. 224006), p. 30.

<sup>86</sup> *Spouses Mallari v. Prudential Bank*, 710 Phil. 490 (2013) [Per J. Peralta, Third Division].

<sup>87</sup> *Bustamante v. Spouses Rosel*, 377 Phil. 436 (1999) [Per J. Pardo, First Division].

<sup>88</sup> *Spouses Mallari v. Prudential Bank*, 710 Phil. 490 (2013) [Per J. Peralta, Third Division].

<sup>89</sup> CIVIL CODE, art. 1306.

<sup>90</sup> CIVIL CODE, arts. 1646–1688.

<sup>91</sup> CIVIL CODE, art. 1669 provides:

ARTICLE 1669. If the lease was made for a determinate time, it ceases upon the day fixed, without the need of a demand.

The lessee, then, shall return the thing leased, as they received it, to the lessor.<sup>92</sup>

However, if at the end of the contract, the lessor allows the lessee to enjoy the lease for 15 days, there arises an implied lease and the terms of the original contract are revived.<sup>93</sup> It is presumed by law that the lessor is amenable to its renewal.<sup>94</sup> When there is an implied lease, the lease will continue based on the period of payment.<sup>95</sup> For instance, if the lease is paid monthly, the implied lease would only be renewed every month. The implied lease is a lease with a definite period, and it is “terminable at the end of each month upon demand to vacate by the lessor.”<sup>96</sup>

On the other hand, if the lessor refuses to renew the lease, it is necessary for him or her to furnish the lessee with a formal notice to vacate the premises.<sup>97</sup> If the lessee continues to possess the premises against the lessor’s will, the lessee would be holding the property illegally and a judicial action may be filed.<sup>98</sup> Moreover, the lessee “shall be subject to the responsibilities of a possessor in bad faith.”<sup>99</sup>

Under Article 1673, “[t]he lessor may judicially eject the lessee” in the following instances: (1) if the period agreed upon has expired; (2) if the lessee fails to pay the price stipulated; (3) if the lessee violates any of the conditions of the contract; and (4) if the thing leased suffered deterioration due to use or service not stipulated.<sup>100</sup>

<sup>92</sup> CIVIL CODE, art. 1665 provides:

ARTICLE 1665. The lessee shall return the thing leased, upon the termination of the lease, as he received it, save what has been lost or impaired by the lapse of time, or by ordinary wear and tear, or from an inevitable cause.

<sup>93</sup> CIVIL CODE, art. 1670 provides:

ARTICLE 1670. If at the end of the contract the lessee should continue enjoying the thing leased for fifteen days with the acquiescence of the lessor, and unless a notice to the contrary by either party has previously been given, it is understood that there is an implied new lease, not for the period of the original contract, but for the time established in articles 1682 and 1687. The other terms of the original contract shall be revived.

<sup>94</sup> *Arevalo Gomez Corp. v. Lao Hian Liang*, 232 Phil. 343 (1987) [Per J. Cruz, First Division].

<sup>95</sup> CIVIL CODE, art. 1687 provides:

ARTICLE 1687. If the period for the lease has not been fixed, it is understood to be from year to year, if the rent agreed upon is annual; from month to month, if it is monthly; from week to week, if the rent is weekly; and from day to day, if the rent is to be paid daily. However, even though a monthly rent is paid, and no period for the lease has been set, the courts may fix a longer term for the lease after the lessee has occupied the premises for over one year. If the rent is weekly, the courts may likewise determine a longer period after the lessee has been in possession for over six months. In case of daily rent, the courts may also fix a longer period after the lessee has stayed in the place for over one month.

<sup>96</sup> *Chua v. Court of Appeals*, 312 Phil. 857, 866 (1995) [Per J. Quiason, First Division].

<sup>97</sup> *Arevalo Gomez Corp. v. Lao Hian Liang*, 232 Phil. 343 (1987) [Per J. Cruz, First Division].

<sup>98</sup> *Gindoy v. Tapucar*, 166 Phil. 34 (1977) [Per J. Barredo, Second Division].

<sup>99</sup> CIVIL CODE, art. 1671 provides:

Article 1671. If the lessee continues enjoying the thing after the expiration of the contract, over the lessor’s objection, the former shall be subject to the responsibilities of a possessor in bad faith.

<sup>100</sup> CIVIL CODE, art. 1673 provides:

Article 1673. The lessor may judicially eject the lessee for any of the following causes:

(1) When the period agreed upon, or that which is fixed for the duration of leases under articles 1682 and 1687, has expired;

(2) Lack of payment of the price stipulated;

However, judicial action is not always required to eject the lessee.

In *Consing v. Jamandre*,<sup>101</sup> the petitioner-sublessee of a hacienda in Negros Occidental allegedly failed to pay the respondent-sublessor. Because of this, the respondent regained possession of the hacienda, relying on a provision of their lease contract stating that when the lessee fails to comply with any of its term and conditions, the lessor is authorized "to take possession of the leased premises including all its improvements without compensation to the [sublessee] and without necessity of resorting to any court action[.]"<sup>102</sup> The petitioner went to this Court, assailing its validity.<sup>103</sup>

This Court ruled that such stipulation in a lease contract, which authorized the sublessor to take possession of the premises without judicial action, is valid and binding because the stipulation is in the nature of a resolutive condition. It held:

This stipulation is in the nature of a resolutive condition, for upon the exercise by the Sub-lessor of his right to take possession of the leased property, the contract is deemed terminated. This kind of contractual stipulation is not illegal, there being nothing in the law proscribing such kind of agreement. As held by this Court in *Froilan vs. Pan Oriental Shipping Co.*:

Under Article 1191 of the Civil Code, in case of reciprocal obligations, the power to rescind the contract where a party incurs in default, is impliedly given to the injured party. Appellee maintains, however, that the law contemplates of rescission of contract by judicial action and not a unilateral act by the injured party; consequently, the action of the Shipping Administration contravenes said provision of the law. This is not entirely correct, because there is also nothing in the law that prohibits the parties from entering into agreement that violation of the terms of the contract would cause cancellation thereof, even without court intervention. In other words, it is not always necessary for the injured party to resort to court for rescission of the contract. As already held, judicial action is needed where there is absence of special provision in the contract granting to a party the right of rescission."

Judicial permission to cancel the agreement was not, therefore, necessary because of the express stipulation in the

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(3) Violation of any of the conditions agreed upon in the contract;

(4) When the lessee devotes the thing leased to any use or service not stipulated which causes the deterioration thereof; or if he does not observe the requirement in No. 2 of article 1657, as regards the use thereof.

The ejectment of tenants of agricultural lands is governed by special laws.

<sup>101</sup> 159-A Phil. 291 (1975) [Per J. Esguerra, First Division].

<sup>102</sup> Id. at 298.

<sup>103</sup> Id.

contract of sub-lease that the sub-lessor, in case of failure of the sub-lessee to comply with the terms and conditions thereof, can take-over the possession of the leased premises, thereby cancelling the contract of sub-lease. Resort to judicial action is necessary only in the absence of a special provision granting the power of cancellation.<sup>104</sup> (Citations omitted)

*Consing* teaches that while Article 1673 provides for judicial action to eject the lessee, it is only required if the lease contract has no special provision granting the cancellation of the lease.<sup>105</sup>

*Viray v. Intermediate Appellate Court*<sup>106</sup> reiterated this doctrine. There, a similar provision, which authorized the sublessor repossession without court action, was assailed for contravening public policy. In upholding its validity, this Court held that there was no law against extrajudicial ejectment. In fact, stipulations may authorize the use of "all necessary force" or "reasonable force" for the sublessor to repossess the lessor of the premises:

This Court ruled that the stipulation "is in the nature of a resolatory condition, for upon the exercise by the Sub-lessor of his right to take possession of the leased property, the contract is deemed terminated;" and that such a contractual provision "is not illegal, there being nothing in the law proscribing such kind of agreement."

Similarly, there is considerable authority in American law upholding the validity of stipulations of this nature.

"Although the authorities are not in entire accord, the better view seems to be, even in jurisdictions adopting the view that the landlord cannot forcibly eject a tenant who wrongfully holds without incurring civil liability, that nevertheless, where a lease provides that if the tenants holds over after the expiration of his term, the landlord may enter and take possession of the premises, using all necessary force to obtain the actual possession thereof, and that such entry should not be regarded as a trespass, be sued for as such, or in any wise be considered unlawful, the landlord may forcibly expel the tenant upon the termination of the tenancy, using no more force than is necessary, and will not be liable to the tenant therefor, such a condition in a lease being valid."

". . . although there is contrary authority, the rule supported by a substantial number of cases is that despite the effect of forcible entry and detainer statutes, where a lease expressly gives a landlord a right to use such reasonable force as is necessary in making re-entry and dispossessing a

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<sup>104</sup> Id.

<sup>105</sup> Id.

<sup>106</sup> 275 Phil. 870 (1991) [Per J. Narvasa, First Division].

tenant, when the landlord becomes entitled to possession because of the termination of the term, the landlord can use force in making re-entry and dispossessing the tenant.”<sup>107</sup>  
(Citations omitted)

The more recent case of *Republic v. Peralta*<sup>108</sup> is likewise illuminating. The petitioner-lessor again argued that a judicial action was not required to evict the lessees because the contract allowed for extrajudicial ejectment upon the expiration of the lease contract.<sup>109</sup> Again, this Court upheld the contract provision as valid, declaring that since such stipulations form “the law between the parties, they must be respected.”<sup>110</sup>

Similarly, the cases here put in issue the legality of some provisions in the parties’ Lease Contract.

First, Aniceto contends that Article X, Sections 1 and 2, which gave CJH Development authority to extrajudicially regain possession of the premises, must be struck down for violating due process and being illegal. Second, Aniceto argues that Article VI, Section 1, which granted CJH Development ownership over the permanent improvements, is likewise illegal.

## II (A)

The provisions on the termination of Lease Contract, which Aniceto claims violate due process and the law, state:

### ARTICLE X TERMINATION OF LEASE

Section 1. Termination or Expiration of Lease. The LESSEE, at the expiration or termination of the term of this Contract or cancellation of this Contract as herein provided, shall promptly deliver the said Leased Premises to the LESSOR in good condition, reasonable wear and tear excepted, devoid of all occupants, furniture, articles and effects of any kind, subject to Section 1, Article VI hereof.

Section 2. Non-compliance. *Non-compliance on the part of the LESSEE with the terms and conditions of this Article will give the LESSOR the right to enter the Leased Premises and LESSEE hereby expressly appoints LESSOR as his duly authorized Attorney-in-Fact with power and authority to cause the Leased Premises to be opened in the presence of a peace officer to take inventories of the LESSEE’s merchandise and to place the same in LESSOR’s bodega so that the*

<sup>107</sup> Id. at 877–878.

<sup>108</sup> 669 Phil. 81 (2011) [Per J. Carpio, Second Division].

<sup>109</sup> Id.

<sup>110</sup> Id. at 88.

***LESSOR can take full possession of the said premises.*** LESSEE hereby expressly agrees to pay all reasonable expenses incurred by LESSOR in connection therewith including storage fees; Provided, further that failure of LESSEE to claim said merchandise and equipment within thirty (30) days from date of transfer to LESSOR's bodega, LESSOR is hereby given the right to dispose of said property in private sale and to apply the proceeds to whatever indebtedness of LESSEE to LESSOR and the balance, if any, shall be given to LESSEE. LESSOR shall not incur civil and/or criminal liabilities whatsoever by exercising its rights granted under these provisions. The rights granted to the LESSOR in this section, may be exercised by the LESSOR's duly authorized employees, agents or representatives and, in so doing, they shall not incur civil and/or criminal liabilities whatsoever.<sup>111</sup> (Emphasis supplied)

Here, before the second lease lapsed on May 17, 2007, Aniceto asked CJH Development to renew the Lease Contract. While CJH Development refused the request, it still allowed Aniceto to keep occupying the premises. Only on January 30, 2008 did it notify her to vacate the premises.<sup>112</sup> From then on, despite Aniceto's persistent requests to renew the lease, CJH Development refused and reminded her to vacate the premises, and that she had until March 1, 2008 to do so.

Clearly, there was an implied lease between the parties. When the lease expired on May 17, 2007, CJH Development acquiesced to Aniceto's continued occupancy. It did not send a notice to vacate and even accepted Aniceto's monthly payments until February 28, 2008. As it was paid monthly, the implied lease ran on a month-to-month renewal, in accordance with Article 1687 of the Civil Code. It follows that the lease would be terminated by the end of each month, and CJH Development may choose not to renew the lease and demand repossession of the premises.

In sending the notice to vacate on January 30, 2008, CJH Development signified that it no longer wished to continue the lease. By then, the month-to-month implied lease was terminated. The lessee can no longer insist on staying in the premises against the lessor's will because there is no longer a contract of lease to speak of.

Thus, when Aniceto refused to surrender the premises, the Lease Contract provided CJH Development recourse. Article X, Section 2 authorized it to enter the premises and extrajudicially regain possession if Aniceto failed to promptly deliver the premises upon the termination of the Lease Contract.

This provision is neither unconstitutional nor illegal, contrary to Aniceto's assertions. As this Court has consistently held, the lessee may be

<sup>111</sup> *Rollo* (G.R. No. 224472), p. 74.

<sup>112</sup> *Id.* at 79.

ejected from the leased premises without any court action *as long as there is a stipulation to this effect.*

Due process was not violated here, considering that the lessor owns the property and merely allowed the lessee to occupy and possess it for a certain period. There is no deprivation of property without due process when the law<sup>113</sup> and the provision of the lease contract allow the lessor to immediately repossess the property when the lease is terminated.

More so, in an implied lease, the lessee cannot unreasonably insist on continuing it. Nor can the lessee keep on badgering the lessor into renewing the lease when the contract has already expired. Even if the lease was repeatedly renewed, it does not give the lessee a better right over the property. The lessor, as the property owner, may decide not to renew the implied lease and devote the property to other use.

## II (B)

Aniceto also assails Article VI, Section 1 of the Lease Contract for supposedly giving CJH Development ownership over the permanent improvements, and therefore an unbridled right over the property. The section states:

### ARTICLE VI IMPROVEMENTS & ALTERATIONS

Section 1. Improvements and Alterations. The LESSEE, with the written consent and approval of the LESSOR, may introduce improvements or alterations on the Leased Premises. For this purpose, the LESSEE shall:

- a) Shall submit to the LESSOR detailed engineering plans for improvements or alterations which shall be subject to the review and approval of the LESSOR, prior to start of work;
- b) Require its contractor to apply for accreditation with the LESSOR;
- c) Require its contractor and employees to undergo a safety and environmental briefing.

It is expressly understood that the actual cost of the permanent improvements or alterations introduced shall be for the account of the LESSEE.

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<sup>113</sup> CIVIL CODE, arts. 1665 and 1669 provide:

ARTICLE 1665. The lessee shall return the thing leased, upon the termination of the lease, as he received it, save what has been lost or impaired by the lapse of time, or by ordinary wear and tear, or from an inevitable cause.

ARTICLE 1669. If the lease was made for a determinate time, it ceases upon the day fixed, without the need of a demand.

*All permanent improvements or alterations made on the Leased Premises shall upon completion thereof, form an integral part of the Leased Premises, and shall not be removed therefrom, but shall belong to and become the exclusive property of the LESSOR and the LESSEE shall have no right to reimbursement of the cost or value thereof.*<sup>114</sup> (Emphasis supplied)

Article 1678 of the Civil Code provides the rule on improvements introduced by the lessee upon the premises. It states:

ARTICLE 1678. If the lessee makes, in good faith, useful improvements which are suitable to the use for which the lease is intended, without altering the form or substance of the property leased, the lessor upon the termination of the lease shall pay the lessee one-half of the value of the improvements at that time. Should the lessor refuse to reimburse said amount, the lessee may remove the improvements, even though the principal thing may suffer damage thereby. He shall not, however, cause any more impairment upon the property leased than is necessary.

With regard to ornamental expenses, the lessee shall not be entitled to any reimbursement, but he may remove the ornamental objects, provided no damage is caused to the principal thing, and the lessor does not choose to retain them by paying their value at the time the lease is extinguished.<sup>115</sup>

In *Land Bank of the Philippines v. AMS Farming Corporation*,<sup>116</sup> this Court explained that a lessee who builds on the leased premises is treated differently from a builder in good faith. Unlike a lessee, a builder in good faith believed that he or she owned the land. Under Articles 448 and 546 of the Civil Code, the builder in good faith is granted the rights of retention and reimbursement for the necessary and useful expenses spent on the improvements.<sup>117</sup>

On the other hand, a lessee is conclusively presumed to know that he or she does not own the land. If the lessee introduces improvements on the leased premises, the law only grants him or her the right to remove these improvements, or be paid 50% of their value in case the lessor decides to retain. Because the lessee is deemed to have known the nature of occupation and possession of the premises, he or she is deemed to have introduced the improvements at his or her own risk. The lessee knows that at some point, the life of the lease contract will end, and the lessor will eventually demand the premises back.<sup>118</sup>

<sup>114</sup> *Rollo* (G.R. No. 224472), pp. 72-73.

<sup>115</sup> CIVIL CODE, art. 1678.

<sup>116</sup> 590 Phil. 170 (2008) [Per J. Chico-Nazario, Third Division].

<sup>117</sup> *Id.*

<sup>118</sup> *Id.*

Moreover, the reimbursement to the lessee is predicated on the lessor's choice to appropriate the improvements introduced by the lessee. The lessee cannot compel the lessor to retain the improvement or pay the reimbursement. The lessee may only remove the improvements if the lessor refused to appropriate and reimburse.<sup>119</sup>

Here, the last sentence of the Lease Contract's Article VI, Section 1 provides that CJH Development does not have to reimburse Aniceto for her permanent improvements on the premises.

This outright violates Article 1678, which mandates the lessor to choose whether or not to appropriate the improvement. If so, the lessee must be reimbursed half of its value; if not, the lessee has the right to remove the improvements. Either way, the lessor cannot own the improvement without paying the lessee. Hence, CJH Development cannot insist on a blanket provision that grants it ownership over the structure of the restaurant. For this, the last sentence of Article VI, Section 1 must be struck down.

In any case, it appears that CJH Development decided not to appropriate and use the permanent improvement introduced by Aniceto. Hence, it is not liable to reimburse Aniceto for the demolished structures.

We likewise agree with the Court of Appeals that the demolition of the restaurant did not go against the authority of the trial court.

As explained by the Court of Appeals, the 72-hour Temporary Restraining Order directing CJH Development to desist from closing the restaurant had already expired at the time of the demolition. Moreover, the *status quo* order had likewise lapsed and Aniceto's application for preliminary injunction had been denied. Hence, there was no legal obstacle for CJH Development to take possession of the premises.

## II (C)

Additionally, in assailing the provisions, Aniceto argues that the lease contract is a contract of adhesion, and thus, against public policy.

This argument deserves scant consideration.

An adhesion contract is a contract unilaterally prepared and drafted in advance by one party. In this kind of contract, "parties are not given a real

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<sup>119</sup> *Spouses Guzman v. Court of Appeals*, 258 Phil. 410 (1989) [Per J. Cortes, Third Division].

arms' length opportunity to transact[.]”<sup>120</sup> Hence, the weaker party has no option but to accept the terms and conditions already inserted in the contract. For this reason, the party may not have understood all the terms and stipulations prescribed.<sup>121</sup>

Nevertheless, contracts of adhesion are not void per se. They may be as binding on the parties as any ordinary contract. In *Ong Lim Sing, Jr. v. FEB Leasing & Finance Corporation*.<sup>122</sup>

[W]hile we affirm that the subject lease agreement is a contract of adhesion, such a contract is not void per se. It is as binding as any ordinary contract. A party who enters into an adhesion contract is free to reject the stipulations entirely. If the terms thereof are accepted without objection, then the contract serves as the law between the parties.<sup>123</sup>

Here, Aniceto failed to show how CJH Development dominated her when they entered into the contract. There was no showing that Aniceto was unaware of the contract's provisions or that the provisions were vaguely worded. Aniceto even seemed to understand the implications of the contract, as shown when she entered into a second lease with CJH Development, as well as in the further extensions made by amending the contract.

As parties to the Lease Contract, Aniceto and CJH Development entered into stipulations they found convenient. Without showing that the provisions are against law, morals, good customs, public order, or public policy, the contract has the force of law and must be binding upon the parties.

### III

Article X, Section 2 of the Lease Contract not only gives CJH Development the right to repossess the premises, but also the authority to “take inventories of Aniceto's merchandise and to place the same in [CJH Development's] bodega”<sup>124</sup> for Aniceto's retrieval. It further states that Aniceto will shoulder all reasonable expenses incurred by CJH Development in safekeeping the merchandise, including storage fees.

Yet, the Court of Appeals ruled that CJH Development was liable to return or pay the value of the personal properties it stored in its bodega.

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<sup>120</sup> *Ong Lim Sing, Jr. v. FEB Leasing & Finance Corp.*, 551 Phil. 768, 775 (2007) [Per J. Nachura, Third Division].

<sup>121</sup> *Id.*

<sup>122</sup> 551 Phil. 768 (2007) [Per J. Nachura, Third Division].

<sup>123</sup> *Id.* at 781

<sup>124</sup> *Rollo* (G.R. No. 224472), p. 74. Article X, Section 2 of the Lease Contract.

Such finding has no basis in law.

While the agreement of the parties is akin to a contract of deposit, the special rules on deposit cannot apply because safekeeping is not the principal purpose of the contract.<sup>125</sup> Hence, we find guidance in the general provisions on obligations.

Under Article 1262 of the Civil Code, an obligation to deliver a determinate thing shall be extinguished if it was lost or destroyed without fault and delay on the part of the obligor.<sup>126</sup> If the thing is lost while in the custody of the obligor, the law presumes that the loss was due to the obligor's fault, unless there is proof to the contrary.<sup>127</sup> This presumption lies because the obligor "has the custody and care of the thing can easily explain the circumstances of the loss."<sup>128</sup>

Here, CJH Development was authorized under the Lease Contract to take Aniceto's personal properties found in the premises; in turn, Aniceto is obliged to retrieve them. However, due to Aniceto's refusal to do so, the properties deteriorated over time.

CJH Development has proven that the deterioration of Aniceto's personal properties was not its fault. When CJH Development entered the premises, Aniceto's employees were present. When it asked them to remove all the items, the employees refused. Hence, the corporation itself took the articles and goods and placed them in its bodega for Aniceto's retrieval. When it prepared the inventories, Aniceto's employees also refused to sign them.

Aniceto did not deny these allegations. She only insists that her inventory must be upheld over the list submitted by CJH Development.

It is clear, then, that CJH Development only acted within its authority. The Lease Contract states that upon its termination, the premises must be

<sup>125</sup> CIVIL CODE, art. 1962 provides:

ARTICLE 1962. A deposit is constituted from the moment a person receives a thing belonging to another, with the obligation of safely keeping it and of returning the same. If the safekeeping of the thing delivered is not the principal purpose of the contract, there is no deposit but some other contract.

<sup>126</sup> CIVIL CODE, art. 1262 provides:

ARTICLE 1262. An obligation which consists in the delivery of a determinate thing shall be extinguished if it should be lost or destroyed without the fault of the debtor, and before he has incurred in delay.

When by law or stipulation, the obligor is liable even for fortuitous events, the loss of the thing does not extinguish the obligation, and he shall be responsible for damages. The same rule applies when the nature of the obligation requires the assumption of risk.

<sup>127</sup> CIVIL CODE, art. 1265 provides:

ARTICLE 1265. Whenever the thing is lost in the possession of the debtor, it shall be presumed that the loss was due to his fault, unless there is proof to the contrary, and without prejudice to the provisions of article 1165. This presumption does not apply in case of earthquake, flood, storm or other natural calamity.

<sup>128</sup> *Co v. Court of Appeals*, 353 Phil. 305, 314 (1998) [Per J. Martinez, Second Division].

returned by Aniceto, “devoid of all occupants, furniture, articles and effects of any kind[.]”<sup>129</sup> It was Aniceto’s unjustified refusal to retrieve the properties that caused them to sit idle and deteriorate over time, rotten to be of any use.

The personal articles and goods were no longer capable of being returned to Aniceto, but CJH Development cannot be held liable to pay their value. CJH Development is released from its obligation to safekeep and return the items if these were destroyed and lost without fault and delay on its part.<sup>130</sup> Aniceto must solely bear the loss she brought on herself, through her unjustified refusal to comply with her obligation. Thus, the award of damages for the value of the personal properties must be deleted.

#### IV

Lastly, this Court affirms the Court of Appeals’ ruling that CJH Development and its lawyers are not liable for damages under the abuse of rights principle.

The abuse of rights principle is enshrined in the Civil Code:

ARTICLE 19. Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.

ARTICLE 20. Every person who, contrary to law, wilfully or negligently causes damage to another, shall indemnify the latter for the same.

ARTICLE 21. Any person who wilfully causes loss or injury to another in a manner that is contrary to morals, good customs or public policy shall compensate the latter for the damage.

These articles provide a standard to which one must adhere in the exercising rights and performing duties.<sup>131</sup>

As stated in *Globe Mackay Cable and Radio Corporation v. Court of Appeals*,<sup>132</sup> these Civil Code provisions provide “basic principles that are to be observed for the rightful relationship between human beings and for the stability of the social order.”<sup>133</sup> This Court said:

<sup>129</sup> *Rollo* (G.R. No. 224006), p. 32.

<sup>130</sup> CIVIL CODE, arts. 1262 and 1265.

<sup>131</sup> *GF Equity Inc. v. Valenzona*, 501 Phil. 153 (2005) [Per J. Carpio Morales, Third Division].

<sup>132</sup> 257 Phil. 783 (1989) [Per J. Cortes, Third Division].

<sup>133</sup> *Id.* at 788.

The framers of the Code, seeking to remedy the defect of the old Code which merely stated the effects of the law, but failed to draw out its spirit, incorporated certain fundamental precepts which were “designed to indicate certain norms that spring from the fountain of good conscience” and which were also meant to serve as “guides for human conduct [that] should run as golden threads through society, to the end that law may approach its supreme ideal, which is the sway and dominance of justice[.]”<sup>134</sup>

Moreover, in *De Guzman v. National Labor Relations Commission*:<sup>135</sup>

The exercise of a right ends when the right disappears, and it disappears when it is abused, especially to the prejudice of others. The mask of a right without the spirit of justice which gives it life is repugnant to the modern concept of social law. It cannot be said that a person exercises a right when he unnecessarily prejudices another or offends morals or good customs. Over and above the specific precepts of positive law are the supreme norms of justice which the law develops and which are expressed in three principles: *honeste vivere, alterum non laedere and jus suum quique tribuere*; and he who violates them violates the law. For this reason, it is not permissible to abuse our rights to prejudice others.<sup>136</sup> (Citation omitted)

Article 19 puts a “primordial limitation on all rights[.]”<sup>137</sup> It mandates that the norms of human conduct be observed in the exercise of one’s rights.<sup>138</sup>

While a right may be granted by law, it may not be exercised in a way that causes damage to another, giving rise to a legal wrong. Article 19, which only lays down a rule of conduct, is read together with Articles 20 and 21, which authorize an action for damages. Article 20 pertains to damage arising from a violation of law, while Article 21 provides damages for those who suffered material and moral injury.<sup>139</sup>

To be awarded damages under the abuse of rights principle, the following elements must be proven: (1) there is a legal right or duty; (2) the legal right or duty was exercised in bad faith; and (3) it was done for the sole intent of prejudicing or injuring another.<sup>140</sup>

Bad faith is not merely bad judgment or simple negligence, but a “dishonest purpose or some moral obliquity and conscious doing of a wrong, a breach of known duty due to some motives or interest or [ill will] that

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<sup>134</sup> Id.

<sup>135</sup> 286 Phil. 885 (1992) [Per J. Cruz, First Division].

<sup>136</sup> Id. at 893–894.

<sup>137</sup> *Albenson Enterprises Corp. v. Court of Appeals*, 291 Phil. 17, 27 (1993) [Per J. Bidin, Third Division].

<sup>138</sup> Id.

<sup>139</sup> *Globe Mackay Cable and Radio Corp. v. Court of Appeals*, 257 Phil. 783 (1989) [Per J. Cortes, Third Division].

<sup>140</sup> *Padillo v. Rural Bank of Nabunturan, Inc.*, 701 Phil. 697 (2013) [Per J. Perlas-Bernabe, Second Division].

partakes of the nature of fraud.”<sup>141</sup> Similarly, malice “implies an intention to do ulterior and unjustifiable harm. Malice is bad faith or bad motive.”<sup>142</sup>

Here, CJH Development has no liability under the abuse of rights principle. It was not shown to have acted in bad faith or with malice in pursuing its rights under the Lease Contract. Aniceto has not proven how the company’s actions were tainted with an ill motive to cause her harm. In entering and regaining possession of the premises, CJH Development only exercised its right as the owner of the land.

Even before CJH Development demolished the premises, it sent Aniceto several notices to vacate. When it removed the personal properties, Aniceto’s employees and the Baguio City police were present. CJH Development also requested Aniceto to retrieve her properties, but she, for unknown reasons, refused to do so.

Neither did the lawyers act in bad faith in advising CJH Development to demolish the restaurant and remove Aniceto’s properties. As discussed, the entry and repossession of the premises are within CJH Development’s contractual rights. As lawyers, Attys. Alvarez and Belmes only advised their client to protect its interests under the law.

In sum, the circumstances here do not demonstrate bad faith or malice, nor any unjustifiable harm caused to Aniceto. Hence, the Court of Appeals correctly deleted the award of damages.

**WHEREFORE**, the Petition for Review of Corazon D. Aniceto is **DENIED**, but the Petition for Review of Camp John Hay Development Corporation is **GRANTED**. The Court of Appeals’ July 27, 2015 Decision and March 8, 2016 Resolution in CA-G.R. CV No. 102139 are **AFFIRMED with MODIFICATION**. The award of damages worth ₱2,183,625.00, which represents the value of the personal properties, is deleted for lack of legal basis. The remaining personal properties stored with Camp John Hay Development Corporation, if any, shall be turned over to Corazon D. Aniceto.

**SO ORDERED.**

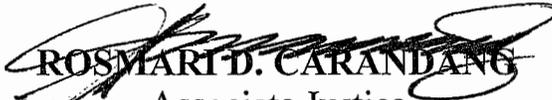
  
**MARVIC M.V.F. LEONEN**  
Associate Justice

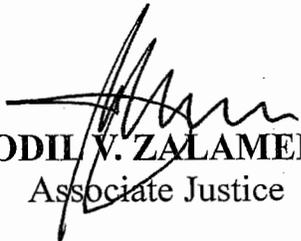
<sup>141</sup> *Development Bank of the Phils. v. Court of Appeals*, 487 Phil. 9, 30 (2004) [Per J. Callejo, Sr., Second Division].

<sup>142</sup> *Id.*

WE CONCUR:

On official leave  
**ALEXANDER G. GESMUNDO**  
Associate Justice

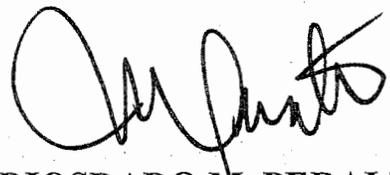
  
**ROSMARI D. CARANDANG**  
Associate Justice

  
**RODIL V. ZALAMEDA**  
Associate Justice

  
**SAMUEL H. GAERLAN**  
Associate Justice

**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.

  
**DIOSDADO M. PERALTA**  
Chief Justice

**CERTIFIED TRUE COPY**

*Mis PDC Batt*  
**MISAELO DOMINGO C. BATTUNG III**  
Division Clerk of Court  
Third Division

DEC 03 2020