



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

JAN 20 2021

Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

LETICIA ELIZONDO EUPENA,
Petitioner,

G.R. No. 211078

Present:

LEONEN, J.,
Chairperson,
GESMUNDO,*
CARANDANG,
ZALAMEDA, and
GAERLAN, JJ.

- versus -

LUIS G. BOBIER,
Respondent.

Promulgated:
July 8, 2020

Mis PDC Batt

DECISION

CARANDANG, J.:

This is a Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court (Rules) assailing the Decision² dated October 11, 2013 and the Resolution³ January 24, 2014 of the Court of Appeals (CA) in CA-G.R. SP No. 129493. The Decision and Resolution of the CA reversed the Regional Trial Court's (RTC) Decision⁴ dated March 4, 2013 and dismissed the complaint for unlawful detainer filed by petitioner Leticia Elizondo Eupena (Eupena) against respondent Luis G. Bobier (Bobier).⁵

Facts of the Case

On February 11, 2011, Eupena filed a Complaint⁶ for unlawful detainer against Bobier. Eupena claimed to be the owner of a parcel of land designated as Block 3, Lot 3, Phase 6 of Golden City Subdivision in Taytay,

* On official leave.

¹ Rollo, pp. 7-17.

² Penned by Associate Justice Ramon R. Garcia, with the concurrence Associate Justices Amelita G. Tolentino and Danton Q. Bueser; id. at 21-31.

³ Id. at 32-33.

⁴ Penned by Presiding Judge Marie Claire Victoria Mabutas-Sordan; CA rollo, pp. 115-122.

⁵ Rollo, p. 31.

⁶ Id. at 79-81.

Rizal and evidenced by Transfer Certificate of Title (TCT) No. 698957.⁷ She alleged to have leased the subject property to Bobier and presented a Contract of Lease⁸ dated November 22, 2005 (lease contract). The monthly rent was fixed at ₱3,000.00 from October 1, 2005 to September 30, 2006. Although the written contract was not renewed, the lease was extended on a monthly basis.

Bobier started to default on his rent payments in May 2010. Eupena sent a demand letter⁹ dated January 28, 2011 seeking payment of ₱27,000.00 as rent in arrears. Because of Bobier's refusal to heed Eupena's demand, Eupena asked that the court order Bobier to vacate the subject land and pay "(1) ₱27,000.00 as rent in arrears; (2) ₱50,000.00 as attorney's fees; and (3) the cost of suit."¹⁰

Bobier denied Eupena's ownership over the subject land. In his Verified Answer,¹¹ Bobier averred that he was the owner of the land and merely sought Eupena's financial assistance when he could not complete his amortization payments over the land's purchase.

According to Bobier, he purchased the land from Extraordinary Development Corporation (EDC) in 1995 under a lease-to-own arrangement for ₱438,200.00. At that time, he was an overseas contract worker deployed in Saudi Arabia. Under the arrangement, Bobier was to make monthly payments of ₱6,543.99.¹² He had been diligent in paying until 2001, when he started experiencing some financial difficulty. In a Notice of Cancellation¹³ dated July 1, 2002 (Notice) and following Republic Act No. 6552,¹⁴ EDC gave Bobier 15 days from receipt of the Notice to settle his unpaid amortizations covering January 7, 2002 to June 7, 2002. Fearing the loss of his house and lot, Bobier and his wife approached Eupena. At that time, Eupena was the co-worker and *kumadre* of Bobier's wife.

On September 6, 2004, Bobier executed a Special Power of Attorney (SPA),¹⁵ which states:

I, LUIS G. BOBIER, xxx do hereby name, constitute, and appoint LETICIA E. EUPENA, xxx to be my true and lawful attorney, and in my name, place, and stead, to do and perform the following acts:

TO CLAIM, COLLECT AND RECEIVE FROM EXTRAORDINARY DEVELOPMENT CORPORATION XXX THE TITLE ISSUED IN MY NAME AS REGISTERED OWNER OF REAL PROPERTY KNOWN

⁷ Id. at 83 and 105.

⁸ Id. at 85-86.

⁹ Id. at 87.

¹⁰ Id. at 81.

¹¹ Id. at 88-95.

¹² Including interest. See *CA rollo*, pp. 50, 53.

¹³ *CA rollo*, p. 55.

¹⁴ Otherwise known as the "Realty Installment Buyer Act."

¹⁵ *Rollo*, pp. 103-104.

AS PHASE 6 BLOCK 3 LOT 3 OF THE GOLDEN CITY SUBDIVISION, TAYTAY, RIZAL, UPON FULL PAYMENT OF MY OUTSTANDING OBLIGATION WITH THE SAID DEVELOPER, TO SERVE AS COLLATERAL FOR THE LOAN THAT I CONTRACTED WITH SAID LETICIA EUPENA FOR THE PAYMENT OF MY SAID OUTSTANDING OBLIGATION.

x x x x¹⁶

Bobier only discovered that Eupena was able to transfer the title of the property to the latter's name when he received a copy of the complaint. Bobier thus alleged that Eupena automatically appropriated the subject lot and should not be entitled to the prayer in Eupena's Complaint.

Ruling of the Municipal Trial Court

In a Decision¹⁷ dated May 4, 2012, the Municipal Trial Court (MTC) granted Eupena's Complaint and ordered Bobier to vacate the premises, peacefully surrender possession to Eupena peacefully, and pay Eupena: (1) ₱27,000.00 as rental arrears and (2) ₱20,000.00 as attorney's fees, and the cost of suit.¹⁸

The MTC explained that since the lease contract clearly shows the agreement for Bobier to lease Eupena's property, then Bobier was estopped from assailing the Eupena's ownership over the land.¹⁹

Bobier appealed with the RTC, claiming that the SPA only gave Eupena the authority "to retrieve the title issued in [respondent's] name and no other."²⁰ He accused Eupena of keeping the loan agreement from him because it contained "a provision regarding the automatic execution of a deed of absolute sale if and when [Bobier] fails to pay the loan[.]"²¹

Ruling of the Regional Trial Court

In its March 4, 2013 Decision,²² the RTC affirmed the MTC's decision *in toto*. The RTC ruled that there was no *pactum commissorium*²³ because the automatic appropriation clause prohibited by Article 2088²⁴ of the Civil Code was not present in the SPA.

¹⁶ Id. at 103.

¹⁷ Penned by Judge Wilfredo V. Timola; *CA rollo*, 68-71.

¹⁸ Id. at 71.

¹⁹ Id. at 70.

²⁰ Id. at 118.

²¹ Id. at 118-119.

²² *Supra* note 4.

²³ Defined as an agreement of forfeiture. Black's Law Dictionary 1108, 6th ed., 1891-1991.

²⁴ Under Article 2088 of the Civil Code, "[t]he creditor cannot appropriate the things given by way of pledge or mortgage, or dispose of them. Any stipulation to the contrary is null and void."

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The RTC did not give credit to Bobier's allegation that he signed the lease contract "with the understanding that the rentals will serve as his payments to [Eupena]."²⁵ The lease contract was clear. It did not allow rental payments to be applied to Bobier's loan with petitioner.²⁶

Unfazed, Bobier elevated the matter to the CA via a Petition for Review under Rule 42 of the Rules. Similar to the issues raised before the RTC, Bobier claimed that the RTC erroneously disregarded the SPA and improperly ruled that there was no *pactum commissorium* in the instant case.²⁷

Ruling of the Court of Appeals

The CA granted the petition and dismissed the Complaint against Bobier. The appellate court found the elements of *pactum commissorium* present because the title of the subject lot was transferred under Eupena's name just over a year after the SPA was executed. "The existence of the loan and the transfer of the property from x x x Bobier to x x x Eupena lead to no other conclusion but that the latter appropriated the property when the former failed to pay his indebtedness."²⁸ The CA noted that Eupena failed to address the claim of a *pactum commissorium* and did not state how the property was transferred to her name.²⁹

Thus, the CA provisionally declared petitioner's title void.³⁰ Without a valid title, the CA then dismissed petitioner's Complaint for unlawful detainer against respondent.

Eupena filed the instant petition for review on *certiorari*. She maintained that the CA should have declared her as the owner of the property for purposes of determining possession *de facto* because of the TCT in her name. Bobier's defense of a *pactum commissorium* is a collateral attack on Eupena's title that should not be entertained.³¹ Moreover, Bobier is estopped from assailing the Eupena's ownership by virtue of their lease contract. Under Section 2(b),³² Rule 131 of the Rules, a tenant cannot deny his/her land owner's title.

²⁵ CA rollo, p. 121.

²⁶ Id.

²⁷ Id. at 197.

²⁸ Id. at 200.

²⁹ Id. at 200-201.

³⁰ Id. at 201.

³¹ Id. at 15-16.

³² Sec. 2. *Conclusive Presumptions*. — The following are instances of conclusive presumptions:

x x x x

(b) The tenant is not permitted to deny the title of his landlord at the time of the commencement of the relation of landlord and tenant between them.



Ruling of the Court

An action for unlawful detainer is filed only for the purpose of recovering physical possession or possession *de facto*. Such action is summary in nature to provide for a peaceful, speedy, and expeditious means of preventing an alleged illegal possessor from unjustly continuing possession during the long period it would take to properly resolve the issue of ownership or one's right to possession (a.k.a. possession *de jure*).³³

When the defendant raises the defense of ownership and the question of possession cannot be resolved without passing upon the issue of ownership, a determination of ownership should be made but only to determine the issue of possession.³⁴ Any pronouncement made by the court over the issue of ownership in such cases is merely provisional and is made only to determine the principal issue of possession *de facto*. Thus, a defendant's defense of ownership will not constitute a collateral attack on the plaintiff's title.

Bobier alleged that he purchased the land from EDC and that Eupena's right over the property only stems from the SPA indicating that the property shall be used as a collateral to Bobier's loan with Eupena. The loan agreement was never presented during trial, which Bobier claimed Eupena suppressed from him. Bobier denied executing a Deed of Sale in Eupena's favor. He insisted that Eupena secured a TCT under her name because she automatically appropriated the lot.

Bobier's allegations do not only show his ownership over the lot but also accuse Eupena of fraudulently acquiring title over the same. The nature of Bobier's averments show the inseparable link between ownership and possession that the trial courts should have determined.

Instead of categorically denying Bobier's allegations, Eupena simply based her claim of ownership (and right to possession) on TCT No. 698957 and the lease contract. Eupena had every opportunity, from the MTC to the CA to rebut Bobier's assertions but failed to do so.

The MTC and RTC hastily concluded that Bobier's signature in the lease agreement estopped him from questioning Eupena's ownership over the property. Citing *Samelo v. Manotok Services, Inc.*³⁵ and *Tamio v. Ticson*,³⁶ the RTC held that a lessee is barred from questioning the lessor's ownership following Section 2(b), Rule 131 of the Rules.³⁷

In order for Section 2(b), Rule 131 of the Rules to become operative, there must be proof that a lessor-lessee relationship exists. "A presumption

³³ *Jose v. Alfuerto*, 699 Phil. 307, 326 (2012), citing *Spouses Refugia v. CA*, 327 Phil. 982, 1004 (1996).

³⁴ *Go v. Looyuko*, 713 Phil. 125, 131 (2013), citing Section 16, Rule 70 of the Rules of Court.

³⁵ 689 Phil. 411 (2012).

³⁶ 485 Phil. 434 (2004).

³⁷ *Id.*

is conclusive x x x upon the presentation of the evidence.”³⁸ In *Datalift Movers, Inc. v. Belgravia Realty & Dev’t. Corp.*,³⁹ We ruled that “[a]s long as the lessor-lessee relationship between the petitioners [the lessees] exists x x x, the former, as lessees, cannot by any proof, however strong, overturn the conclusive presumption that Belgravia [as lessor] has valid title to or better right of possession to the subject leased premises than they have.”⁴⁰

This leads Us to ask: Was Eupena able to prove the existence of a lessor-lessee relationship?

We rule in the negative.

The peculiar circumstances of the instant petition bring Us to conclude that the mere existence of a lease agreement is not enough to prove the presence of a lessor-lessee relationship.

The following facts are undisputed: (1) Bobier initially contracted with EDC to purchase the subject lot; (2) due to financial difficulties since 2001, Bobier defaulted on his amortization payments with EDC; (3) Bobier secured a loan with Eupena, the proceeds of which will be used to pay for Bobier’s unpaid amortizations; (4) Bobier executed an SPA authorizing Eupena to receive the TCT under Bobier’s name upon Eupena’s full payment of Bobier’s outstanding obligation with EDC; (5) the SPA categorically stated that the TCT [again, under Bobier’s name] shall stand as collateral for Bobier’s loan with Eupena; (6) one year after the execution of the SPA and one month after Eupena secured TCT No. 698957, the parties executed a lease contract.

The abovementioned facts, along with Bobier’s unrefuted allegations that Eupena concealed: (1) the loan agreement; and (2) the deed of sale he allegedly executed in Eupena’s favor,⁴¹ show that Eupena possibly obtained TCT No. 698957 *via a pactum commissorium*. In fact, Eupena manifested the presence of a loan agreement, which the RTC (in a separate action for reconveyance) declared void for being a *pactum commissorium*.⁴² While the action for reconveyance is still the subject of a Notice of Appeal, such pronouncement corroborates Bobier’s claims.

Given the factual backdrop, the validity of the lease agreement becomes suspect. Even without presenting the loan agreement containing the void stipulation, the parties’ actions before the institution of the ejectment case reveals Eupena’s intention to automatically acquire the property.

³⁸ Riano, W., *Evidence (The Bar Lecture Series)* (2009), p. 429, citing 29 Am. Jur. 2d, *Evidence*, Section 183.

³⁹ 531 Phil. 554 (2006).

⁴⁰ *Id.* at 561-562.

⁴¹ *See rollo*, pp. 165-166. *See also CA rollo*, p. 100.

⁴² Docketed as Civil Case No. 11-9463 entitled *Luis G. Bobier v. Leticia Elizondo Eupena*. *See rollo*, pp. 187-193.

Following Our ruling in *Bustamante v. Sps. Rosel*,⁴³ this is also embraced under the concept of a *pactum commissorium*. Because Eupena illegally obtained TCT No. 698957, the lease agreement becomes void following Article 1409(1)⁴⁴ of the Civil Code. Under Article 1409(1), contracts whose purpose is contrary to law are void and inexistent from the beginning. Here, the lease agreement is the result of a *pactum commissorium*, resulting in its invalidity for violating Article 2088⁴⁵ of the Civil Code.

We are more inclined to believe that because of Bobier's need to pay EDC and his fear of losing the house and lot (which he has been paying for the past 6 years out of the 10-year lease-to-own contract with EDC),⁴⁶ Bobier was compelled to accede to Eupena's demand of signing the lease contract.⁴⁷ According to Bobier, he signed the lease contract with the understanding that the "rent payments" are, in reality, his loan payments to Eupena. The fact that the lease agreement (executed one month after the issuance of TCT No. 698957) indicated Bobier's residence as Phase 6, B3, Lot 3 of Golden City Subdivision, Taytay, Rizal – the very lot subject of the lease agreement – lends credence to his version of the events as against Eupena's complete lack of evidence to prove otherwise.

This Court has recognized the reality that "[a]ll persons in need of money are liable to enter into contractual relationships whatever the condition if only to alleviate their financial burden albeit temporarily. Hence, courts are duty bound to exercise caution in the interpretation and resolution of contracts lest the lenders devour the borrowers like vultures do with their prey."⁴⁸ While the lease agreement is clear in its terms, the factual milieu of this case militates against upholding its validity.

With the possibility of a *pactum commissorium*, Eupena's ownership over the subject land becomes invalid. The lease agreement, upon which the unlawful detainer complaint is based, is void. Eupena, thus, failed to prove the first element of an unlawful detainer – *i.e.*, that possession by Bobier was by a valid lease contract.⁴⁹

⁴³ 377 Phil. 436, 443 (1999). In the case of *Bustamante*, this Court held that Bustamante's (the creditor's) insistence that Sps. Rosel (the debtors) execute a Deed of Sale over the collateral and Bustamante's refusal to accept payment of the loan constituted a *pactum commissorium* even in the absence of a clause explicitly providing for an automatic appropriation of the mortgaged property.

⁴⁴ Art. 1409. The following contracts are inexistent and void from the beginning:

(a) Those whose cause, object or purpose is contrary to law, morals, good customs, public order or public policy; x x x

⁴⁵ Art. 2088. The creditor cannot appropriate the things given by way of pledge or mortgage, or dispose of them. Any stipulation to the contrary is null and void. (1859a)

⁴⁶ *Rollo*, p. 61.

⁴⁷ *Id.* at 66-67.

⁴⁸ *Bustamante v. Sps. Rosel*, supra note 43 at 445.

⁴⁹ *Fairland Knitcraft Corporation v. Po*, 779 Phil. 612 (2016), where this Court held:

A complaint sufficiently alleges a cause of action for unlawful detainer if it recites the following: (1) initially, possession of the property by the defendant was by contract with or by tolerance of the plaintiff; (2) eventually, such possession became illegal upon notice by the plaintiff to the defendant of the termination of the latter's right of possession; (3) thereafter, the defendant remained in possession of the property, and deprived the plaintiff of the enjoyment thereof; and (4) within one (1) year from the last demand on defendant to vacate the property, the plaintiff instituted the complaint for ejectment. (*Id.* at 624, citing *Zacarias v. Anacay*, 744 Phil. 201, 208-209 (2014).

WHEREFORE, the petition is **DENIED**. The Decision dated October 11, 2013 and the Resolution dated January 24, 2014 of the Court of Appeals in CA-G.R. SP No. 129493 are hereby **AFFIRMED**.

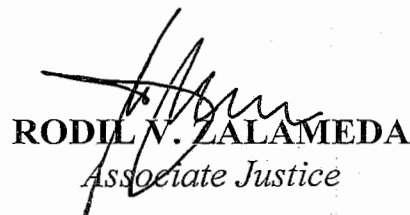
SO ORDERED.

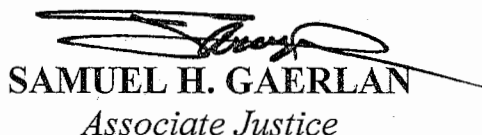

ROSMARID D. CARANDANG
Associate Justice

WE CONCUR:


MARVIC MARIO VICTOR F. LEONEN
Associate Justice

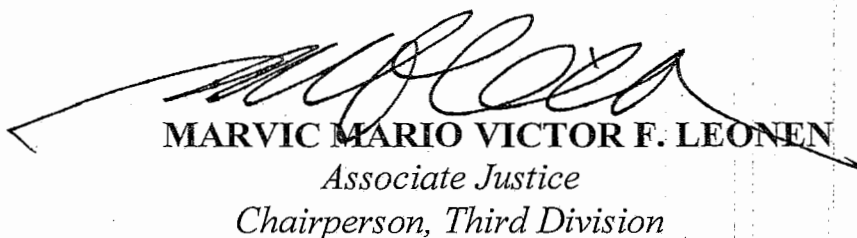
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Associate Justice


RODIL N. ZALAMEDA
Associate Justice


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Associate Justice

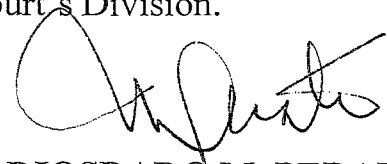
ATTESTATION

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.


MARVIC MARIO VICTOR F. LEONEN
Associate Justice
Chairperson, Third 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.



DIOSDADO M. PERALTA
Chief Justice

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MISAELO DOMINGO C. BATTUNG III
Division Clerk of Court
Third Division
JAN 20 2021