SUPREME COURT
THIRD DIVISION

MANILA BAY CLUB CORPORATION,
***Petitioner*,**

-versus-

G.R. No. 110015
July 11, 1995

THE COURT OF APPEALS, MODESTA SABENIANO and MIRIAM SABENIANO, JUDITH SABENIANO, JOY DENNIS SABENIANO, et. al.,
***Respondents*.**
x----------x

D E C I S I O N

FRANCISCO, *J.*:

A ten-year lease contract, commencing in March 4, 1988 and set to expire on March 4, 1998, over the subject building situated at 1408 Roxas Boulevard, Pasay City was executed by and between the private respondents Sabenianos as owners-lessors and petitioner Manila Bay Club Corporation as lessee.[1]

The lease agreement, however, was short-lived because private respondents, in a letter dated May 28, 1990, unilaterally terminated the lease with the request that petitioner vacate the leased premises and peacefully surrender its possession, on the following grounds:

"x x x

1. Failure on the part of the LESSEE until this very late date, to insure the leased building which is a violation of the requirement of paragraph 22 of the CONTRACT OF LEASE and highly prejudicial to the interest of the LESSOR;

2. For unpaid accumulated rentals in arrears, amounting to the appreciable sum of P151,575.57 and failure on your part as LESSEE to issue all the postdated checks agreed upon in the original and amended contract, dated March 15, 1988;

3. For failure on the part of the LESSEE to pay the fees, taxes and other assessments on the improvements as required by paragraph 16 of the Contract of Lease, which is also prejudicial to the owner-lessor."[2]

Private respondents invoked the "Special Clause" of the lease contract as found in paragraph 19 thereof to justify in their action. It reads:

> "19. If the rental herein stipulated or any the part thereof at any time, shall be in arrears or unpaid, or if the tenant shall at any time fail or neglect to perform or comply with of the covenants, conditions, agreements or restriction stipulated or if the tenants shall become bankrupt or insolvent or shall compound with his creditors, then and in any of such above cases, this lease contract shall become automatically terminated and cancelled and the said premises shall be peacefully vacated by the LESSEE for the LESSOR to hold and enjoy henceforth as if these presents have not been made and it shall be lawful for the LESSOR or any person duly authorized in his behalf, without any formal notice or demand to enter into and upon said leased premises or any part thereof without prejudice on the part of the LESSOR to exercise all rights on the contract of lease and those given by law. And upon such cancellation of the contract, the LESSEE hereby grants to the LESSOR the legal right to enter and take possession of the leased premises as though the term of the lease contract has expired."

Feeling aggrieved by premature termination of the lease, petitioner on June 8, 1990 filed a complaint with the Makati Regional Trial Court for "Specific Performance with Prayer for Preliminary Injunction and Damages" against private respondents, alleging in substance that private respondents unilateral cancellation of the lease contract was arbitrary and capricious, for petitioner did not violate any of its provisions. Petitioner thus prayed that private respondents be ordered to desist from further harassing petitioner, honor the lease contract, and to pay exemplary damages, professional fee and costs.[3]

On the other hand, private respondents in their answer claimed that petitioner:

1) failed to pay monthly rentals as they fell due, in violation of paragraph 2;

"Monthly Rental"

2. The rate of the monthly rental shall be Thirty Five Thousand Pesos (P35,000.00), with an annual acceleration rate of Five (5) percent of the succeeding three (3) years, and Seven (7) percent for the remaining four (4) years which shall be paid in advance by the LESSEE to the LESSOR every fourth (4th) day of every month effective immediately upon the signing of this Contract of Lease without the necessity of demand. Overdue monthly rentals shall earn interest at any rate of five (5) percent per month, Continuous non-payment of rent for a period of three (3) months shall be understood as an automatic cancellation of the lease agreement without prejudice to the LESSEE to redeem such non-payment subject to a corresponding penalty charges and surcharge as provided for in this agreement."

2) used the leased premises for gambling and prostitution, prohibited under paragraph 8;

"8. The LESSEE hereby expressly agrees and warrants that he shall use the premises exclusively for the following purposes: restaurant, catering, gym, recreation, and other

services which are contrary to public laws, morals and that which is legal, and lawful. Such purposes as gambling and prostitution or any other practices of similar nature is strictly prohibited." and

3) failed to secure an insurance policy on the leased premises for the benefit of private respondents as lessors, as provided for in paragraph 22;

"Effectivity of this Lease

x x x

22. The building must be insured and the insurance premium must be for the account of the LESSEE. The appraised value of the present status of the building by the insurance company shall be the amount of insurance of which the beneficiary shall be for the benefit of the LESSOR. The appraised value of the improvements or renovation made by the insurance company shall accrue to the benefit of the LESSEE."

By reason of these violations, specifically that pertaining to paragraph 22, private respondents argued that the lease contract was deemed terminated and cancelled pursuant to the "Special Clause" in paragraph 19 providing for automatic termination and cancellation, thereby entitling private respondents to take the possession of the leased premises.

The trial Court held that petitioner was not in default nor in arrears in payment of rentals to private respondents, and that evidence is wanting to prove the leased premises were being used by petitioner for gambling and prostitution activities. However, the trial court found that petitioner violated the "insurance clause" (paragraph 22) of the contract. It declared that:

"The evidence shows and the plaintiff (petitioner) even admitted in its memorandum, that it failed to secure an appraisal to the leased building in its original condition or at the time of the execution of the contract for the purpose of insuring

the same for the benefit of the defendants (private respondents).

While it is true as pointed out by the plaintiff, that it has insured the leased building in question from the very inception of the lease contract, the Court notes that the beneficiary of said insurance policies was the Manila bay Club Corporation and not the defendants-lessor as agreed upon in the contract. (See paragraph 22, Contract of Lease, Exhibits "A", "K" and "L"). Although nothing had happened on the insured building the fact of the matter is that the defendants who owned the building were unnecessarily exposed to the insurable risk during the period of the insurance policies referred to, and that in case of loss the defendants would not have collected the proceeds on the insurance.

Plaintiff, also argued that it had insured the subject building with the Fortune Assurance and Indemnity Corporation for the period of June 15, 1990 to June 15, 1991 with the defendant as the beneficiary (Exhibit "J-1"). Examination of said insurance policy (Exhibit "J") however, shows that it was dated June 1, 1990 or after the defendant Modesta R. Sabeniano had written the plaintiff on May 28, 1990 (Exhibit "C") informing the latter that their contract was considered terminated (under paragraph 19 of their lease contract) by reason of violation of the terms thereof."

Consequently, the trial court in its Decision dated October 17, 1991[4] dismissed the complaint, declared the lease contract terminated as of May 28, 1990, and ordered petitioner to immediately return possession of the leased premises to private respondents and pay monthly rentals of P250,000.00 commencing on May 28, 1990 with 10% interest per annum, P20,000.00 attorney's fees and litigation expenses.

Petitioner appealed to respondent Court of Appeals which, in its now-assailed Decision dated March 25, 1993[5] affirmed with modification the lower court's decision. The decretal portions provides:

"WHEREFORE, with the following modification:

(a) deleting the ten (10%) per cent interest per annum on the monthly rental or P250, 000.00; and

(b) deleting the award of P20,000.00 attorney's fees, the decision is hereby AFFIRMED in all other respects. No pronouncement as to costs.

SO ORDERED.

Petitioner's motion for reconsideration was likewise denied in a Resolution dated May 7, 1993.[6] Hence, this petition for review on certiorari with petitioner assigning the following errors, to wit:

I

IN HOLDING THAT THE PETITIONER HAD VIOLATED PARAGRAPH 22 OF THE CONTRACT OF LEASE DATED MARCH 4, 1988, ANNEX "D" HEREOF, AND THAT AS A CONSEQUENCE, THE PRIVATE RESPONDENTS WERE JUSTIFIED IN RESCINDING THE SAID CONTRACT OF LEASE, THE RESPONDENT COURT OF APPEALS COMMITTED A REVERSIBLE ERROR IN THAT IT DECIDED A QUESTION OF SUBSTANCE IN A WAY PROBABLY NOT IN ACCORD WITH LAW, THE PETITIONER NOT HAVING COMMITTED ANY VIOLATION WHATSOEVER OF THE CONTRACT OF LEASE.

II

IN SUSTAINING RESCISSION ON ACCOUNT OF THE PETITIONER'S ALLEGED VIOLATION OF PARAGRAPH 22 OF THE CONTRACT OF LEASE DATED MARCH 4, 1988, ANNEX "D" HEREOF, ASSUMING, WITHOUT ADMITTING THAT THE PETITIONER HAD VIOLATED PARAGRAPH 22 OF THE SAID CONTRACT, THE RESPONDENT COURT COMMITTED A REVERSIBLE ERROR IN THAT IT DECIDED A QUESTION IN A WAY PROBABLY NOT IN ACCORD WITH LAW, THE PETITIONER'S VIOLATION, IF ANY, HAVING BEEN SLIGHT OR CASUAL TO PRELUDE RESCISSION.

III

IN GRANTING DAMAGES, THE RESPONDENT COURT OF APPEALS COMMITTED A REVERSIBLE ERROR IN THAT THERE IS NO BASIS FOR THE AWARD OF DAMAGES.

IV

IN DISMISSING THE PETITIONER'S APPEAL, WHICH WAS MERITORIOUS, THE RESPONDENT COURT OF APPEALS COMMITTED A REVERSIBLE ERROR.[7]

The first assigned error touches on the issue of whether or not petitioner violated the "insurance clause" (paragraph 22) of the lease contract. With an outright dismissal of the petition in mind, private respondents argue that the question is purely factual no longer reviewable by, and thus binding on the Court. Respondent Court of Appeals' findings, as quoted hereunder, essentially affirming those made by the trial court that petitioner committed a breach of the "insurance clause", should therefore be upheld and left undisturbed.

"Assailing the trial court's rationalization, appellant contends that while the lease contract did call for the building to be insured, it was incumbent upon the lessors, the defendants herein, to provide the plaintiff with the appraised value of the building to be insured. But no such appraised value was furnished plaintiff appellee from the execution of the contract in March 1988 up to the time the case reached the court. Nonetheless, according to plaintiff-appellant, the building was insured for P2,500,000.00 from the period June 15, 1988 to June 15, 1989; and for the period from June 15, 1989 to June 15, 1990 plaintiff-appellant obtained insurance for the building in the amount of P2,500,000.00 (the sum of P1,250,000.00 for defendants-lessors, and P1,250,000.00 for plaintiff-lessee). And for the period from June 15, 1990 to June 15, 1991, plaintiff-appellant continued the insurance on the building for P2,500,000.00, with one-half thereof payable to defendants-lessors. Thus, according to plaintiff-appellant it had substantially complied with par. 22 of the lease contract and if there was any delay in the allocation of the amount of the insurance

policy, such delay was attributable to defendants who did not provide plaintiff-appellant with the appraised value of the building.

We reject plaintiff-appellant's proposition. Under the factual features of this case, for the fire insurance policy for the period of June 15, 1988, to June 15, 1989, in the amount of P5,000,000.00, the assured was only the Manila Bay Club Corporation, plaintiff-appellant herein (Exhibit "K"). In the same vein, in the fire insurance policy for June 15, 1989 to June 15, 1990 in the sum of P5,000,000.00, the assured was plaintiff-appellant Manila Bay Club Corporation and no other else (Exhibit "L").

Clearly, from the inception of the contract of lease on March 4, 1990, or two years, plaintiff-appellant already violated paragraph 22 of the contract that the building must be insured and the insurance premium must be for the account of the lessors. In fact, in its letter of May 21, 1990, plaintiff-appellant admitted that:

> "We are still working out with an Insurance Company for segregating the coverage for issuance of policy purposes." (par. III Exhibit "F"; also Exhibit "3")

It will be noted that plaintiff-appellant filed the instant case on June 8, 1990 against defendants-appellants for specific performance. At the time this action was instituted, plaintiff-appellant had not yet segregated the coverage of the insurance for the benefit of defendants-lessors. The fire insurance policy for P1,250,000.00 payable to defendants-lessors (Exhibit "J") became effective only on June 15, 1990 when the case was already being litigated in the court below.

Consequently, We find no fault or error by the trial court when it ruled that plaintiff-appellant violated the lease contract for failure to secure insurance policy on the leased premises for the benefit of the defendants-lessors. Moreover, Mr. Danilo Aquino, a witness for plaintiff-appellant admitted that there was a violation of paragraph 22 of the lease contract, to wit:

"COURT:

Can you show to the Court, which particular insurance policy that complies with that particular paragraph?

"WITNESS:

The Fortune Insurance Policy, June 15, 1988, 1989, that was the insurance policy we get.

"ATTY. VILLANUEVA:

So you are referring to Exhibit "K"?

"WITNESS:

However, we were not able to make the necessary endorsement and we were able to make it of the latest insurance policy upon receiving the notice from the lessor that they are demanding the Corporation to secure the necessary fire insurance policy.

"COURT:

Repeat, it should be exclusively for the benefit of the lessor, did you or did you not comply with that?

"WITNESS:

We were not able to comply with that, Your Honor.

"ATTY. VILLANUEVA:

Now, under Exhibit "K", which pertains to insurance policy which you took for the year 1988 to 1989 , there was no mention about the compliance of this provision, am I correct?

"WITNESS:

Yes, sir.

"ATTY. VILLANUEVA:

Same thing with the insurance policy for 1989 to 1990, there was no compliance of that specific provision, am I correct?

"WITNESS:

Yes, sir.

"ATTY. VILLANUEVA:

Now, were the lessors conveying that is a ground for termination that was the time you secured an insurance policy with the corresponding endorsement in favor of the lessor, am I correct?

"WITNESS:

Yes, sir.

"ATTY. VILLANUEVA:

But was there any appraisal that you make to determine the value of the building then existing without renovation?

"WITNESS:

There was an appraiser, sir.

"COURT:

Prior to the renovation?

"WITNESS:

Yes, Your Honor.

"ATTY. VILLANUEVA:

What was the appraised value of the lessor's property according to your appraisal now?

"WITNESS:

One Million Sixty Four Thousand Four Hundred Pesos Only (P1,064,400.00), sir." (TSN, pp. 34-38, March 5, 1991).

Plaintiff-appellant further argues that it was the obligation of defendants-lessors to provide plaintiff-appellant with the appraised value of the building for the insurance purpose.

We are not persuaded by this agreement. paragraph 22 of the contract of lease is clear and explicit. This provision calls for the appraised value of the present status of the building by the insurance company which shall be the amount of the insurance. Nowhere in paragraph 22 of the lease contract is there stipulated that defendants-lessors should furnish the plaintiff-appellant with the appraised value of the building to be insured. The appraisal of the building is a task devolving upon the insurance company. It is basic and fundamental that if the terms of the contract are plain and readily understandable, there can be no room for interpretation. (Republic vs. Sandigan , 203 SCRA 310). When the terms of a contract leaves no doubt as to the intention of the parties, the literal meaning of the stipulations shall control. (Hondrado, Jr. vs. Court of Appeals, 198 SCRA 326; Papa vs. Allonzo, 198 SCRA 564)."

Petitioner on the other hand strongly maintains that it is a question of law reviewable and reversible by the Court.

On this particular point, we agree with petitioner. What a question of law or a question of fact is has been consistently defined by the Court in this wise:

"For a question to be one of law it must involve no examination of the probative value of the evidence presented by the litigants or any of them. And the distinction is well-known: There is a question of law in a given case when the doubt or difference

> arises as to what the law is on a certain state of facts; there is a question of fact when the doubt arises as to the truth or the falsehood of alleged facts."[8]

Here, petitioner has made it very clear that it is not disputing respondent Court of Appeals' and the trial court's findings vis-a-vis its failure to designate private respondents as beneficiaries in the insurance policies it procured on the leased building at the inception of the lease contract. And from the arguments raised herein by petitioner, this Court is indeed not called upon to re-examine and appreciate anew any evidence presented below, (e.g., the insurance policies, other documents and oral testimony, etc.), and thereafter arrive at a contrary finding. What petitioner is challenging is solely the respondent Court of Appeals' conclusion drawn from these undisputed facts, i.e., that petitioner's omission to designate private respondents as beneficiaries constituted a breach of paragraph 22 of the lease contract. This Court in the early case of "Cunanan vs. Lazatin" (74 Phil. 719) has ruled that:

> "There is no question of facts here because the facts are admittedly proven. Whether or not the conclusion drawn by the Court of Appeals from those facts is correct, is a question of law which this Court is authorized to pass upon."

"Dauan vs. Sec. of Agriculture and Natural Resources" (19 SCRA 223) likewise held that:

> "It is a rule now settled that the conclusion drawn from the facts is a conclusion of law which the courts may review."

And in the relatively recent case of "Binalay vs. Manalo" (195 SCRA 374 [1991]), the Court, speaking thru Justice Feliciano, reiterated the rule:

> "Jurisprudence is likewise settled that the Court of Appeals is the final arbiter of questions of fact. But whether a conclusion drawn from such findings of fact is correct, is a question of law cognizable by this Court."

However, while a review of the case is in order, we are not inclined to reverse.

By insisting that it is not disputing facts, petitioner in effect bound itself to ALL factual findings made by respondent Court of Appeals. This necessarily includes the testimony of petitioner's own witness, Mr. Danilo Aquino, declaring that petitioner indeed failed to comply with paragraph 22 of the contract requiring that private respondents be made beneficiaries of the insurance policies to be procured over the leased building, and that petitioner is well-aware that non-compliance is a ground for termination. We quote again that particular testimony.

"COURT:

Can you show to the Court, which particular insurance policy that complies with that particular paragraph?

"WITNESS:

The Fortune Insurance Policy, June 15, 1988, 1989, that was the insurance policy we get.

"ATTY. VILLANUEVA:

So you are referring to Exhibit "K"?

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"WITNESS:

Yes, sir.

"ATTY. VILLANUEVA:

Same thing with the insurance policy for 1989 to 1990, there was no compliance of that specific provision, am I correct?

"WITNESS:

Yes, sir.

"ATTY. VILLANUEVA:

Now, were the lessors conveying that is a ground for termination that was the time you secured an insurance policy with the corresponding endorsement in favor of the lessor, am I correct?

"WITNESS:

Yes, sir." (Emphasis supplied)

Mr. Aquino's testimony is clearly judicial admission against petitioner's own interest which stops petitioner from contending that its incipient failure to procure insurance for the benefit of private respondents does not constitute a violation of the lease contract, specifically the "insurance clause"

(paragraph 22). This is so because under Section 4, Rule 129 of the Rules of Court;

> "An admission, verbal or written, made by a party in the course of the proceedings in the same case, does not require proof. The admission may be contradicted only by showing that it was made through palpable mistake or that no such admission was made."

And that factual finding is as binding on this Court as it is on petitioner, for well-settled is the general rule that the jurisdiction of this Court in cases brought before it from the Court of Appeals is limited to reviewing or revising errors of law; findings of fact of the latter are conclusive.[9]

In assailing its imputed violation of the lease contract, petitioner now argues that from a reading of paragraph 22 which provides that:

> "22. The building must be insured and the insurance premium must be for the account of the LESSEE. The appraised value of the present status of the building by the insurance company shall be the amount of insurance of which the beneficiary shall be for the benefit of the LESSOR. The appraised value of the improvement or renovation made by the insurance company shall accrue to the benefit of the LESSEE."

nowhere is it expressly stated that the duty to procure the insurance on the leased building for private respondents' benefit devolves exclusively upon petitioner, thus intimating that private respondents should likewise be faulted for not having obtained the insurance themselves. Petitioner claims an ambiguity in the contract exists.

Petitioner's argument fails to impress. First, the express admission made by petitioner's witness Mr. Danilo Aquino as to its non-compliance with the "insurance clause" (paragraph 22) of the lease contract conclusively presupposes petitioner's full-awareness that such contractual duty rests on its shoulder. Second, to the May 17, 1990 letter of one private respondent, Modesta Sabeniano, reminding petitioner of its repeated failure to deliver to private respondents the Original Policy of the leased building as per the leased contract,[10]

petitioner replied, in its letter dated May 21, 1990,[11] that it is "still working out with our Insurance Company for segregating the coverage for issuance of policy purposes." The tenor of petitioner's reply equally indicates, though not as categorical as the admission, acknowledgment of a responsibility on its part to insure the leased building. For if it were otherwise, in the face of private respondents' repeated demands on petitioner to secure the insurance, petitioner should have explained to private respondents that it is not solely duty-bound to insure the leased building and that private respondents might as well secure the insurance themselves. But petitioner did not, and instead immediately secured insurance policies for 1988-89 and 1989-90 with petitioner as beneficiary and not private respondents. And third, petitioner cannot successfully argue that the lease contract is a contract of adhesion solely prepared by private respondents and for which reason the ambiguity should be resolved against the latter. Private respondents Modesta Sabeniano testified that petitioner's lawyer, one Atty. Rivera, participated in the preparation of the lease contract.

"REDIRECT EXAMINATION BY ATTY. VILLANUEVA

Q: Mrs. Sabeniano, who is this Efren Lim you mentioned in your cross examination?

A: Chairman of the Manila Bay and the person whom I get in contact with Sir.

Q: And he is signatory to the contract?

A: Yes, sir.

Q: And this Atty. Rivera that you mentioned in the course of your cross examination before the contract was made.

A: He was introduced by Mr. Efren Lim as the lawyer of Manila Bay Sir, before the contract was made.

Q: What contract are you referring to?

A: Lease contract. He made the preparation, my son is Romwell.

Q: Are you talking, about the last proposal, lease contract, Exhibit "H-1"?

A: The old contract. This was his proposal He suggested I have to draft a contract for them to counter.

x x x

(T.S.N., April 25, 1991, pp. 56-57)"[12]

It becomes clear that the lease contract was, as claimed by private respondents, indeed the "product of mutual agreement between parties", and not a "take it or leave it" proposition adhered to helplessly by petitioner. Private respondent Modesta Sabeniano's testimony being a factual matter should be taken on its face value, for, to emphasize once again, petitioner is precluded from disputing facts. For these reasons, the purported ambiguity is resolved, unfortunately against petitioner.

Petitioner likewise argues that despite its failure to endorse the first two (2) fire insurance policies to private respondents, the latter are nonetheless amply protected since the insurance proceeds are deemed to be held "in trust" for private respondents. This issue of "trust" was, aptly pointed out by private respondents, never raised before the trial court. Consequently, it cannot be raised before this Court, for no question will be entertained on appeal unless it has been raised in the court below.[13] If this issue was ever raised, petitioner did so only in its Motion for Reconsideration[14] of respondents Court of Appeals' decision, the effect of which is as if it was never duly raised in that court at all. In "Delos Santos vs. Reyes (205 SCRA 487), the issue of estoppel was not raised by petitioner Delos Santos in the Brief he submitted before the Court of Appeals. It was thus held that petitioner Delos Santos cannot raise it for the first time in a petition for review before the Supreme Court.

Coming now to the second assignment of error, petitioner essentially contends that private respondents cannot unilaterally rescind the

lease contract because its purported violation of the "insurance clause" (paragraph 22) was merely slight or casual.

We do not agree with petitioner. Under paragraph 19 of the lease contract, the lessee's (petitioner) failure or neglect to perform or comply with any of the covenants, conditions agreements or restriction stipulated shall result in the automatic termination and cancellation of the lease. It can be fairly judged from the tenor of paragraph 19 that the parties intended mandatory compliance with all the provisions of the contract. Among such provisions requiring strict observance is the "insurance clause" (paragraph 22) which expressly provides that "the building must be insured and the insurance premium must be for the account of the LESSEE." (Emphasis supplied). Thus, upon petitioner's failure to comply with the mandatory requirement of paragraph 22, private respondents were well-within their right to rescind the lease contract by express grant of paragraph 19. Certainly, there is nothing wrong if the parties to the lease contract agreed on certain mandatory provisions concerning their respective rights and obligations, such as the procurement of the insurance and the rescission clause. For it is well to recall that contracts are respected as the law between the contracting parties, and they may establish such stipulations, clauses, terms and conditions as they may want to include. As long as such agreements are not contrary to law, morals, good customs, public policy or public order they shall have the force of law between them.[15]

In this connection, none can be added to the respondent Court of Appeals' correct observation why petitioner's omission to designate private respondents as beneficiaries in the insurance policies it secures over the leased building is not merely a slight or casual breach, but a substantial one allowing private respondents to rescind the lease contract.

> "Paragraph 22 of the lease contract demands that plaintiff-appellant must insure the building subject of the lease with defendants-lessors as beneficiaries thereof. For two years, the insurance policies taken on the properties were in the name of plaintiff-appellant, as the beneficiary. Had the building suffered damages either by fire or other calamities during the existence of the insurance coverage from 1988 to 1989, the favored party

> would indeed be plaintiff-appellant. While the insurance coverage will work injustice to defendants-lessors, it would unjustly enrich the plaintiff-appellant. Certainly under such milieu, the defendants-lessors would be left in the open, holding an empty bag. To Our mind, therefore, non-fulfillment of the stipulations in paragraph 22 of the lease contract is not a mere casual or slight breach but a substantial one that goes into the very core of the contract of lease, next in priority to the payment of the agreed rentals."[16]

Petitioner in its third assignment of errors assails the P250,000.00 monthly rental adjudged against it by the trial court and as affirmed by respondent Court of Appeals, claiming that there was no basis for such finding.

Again, we disagree. In reaching that amount, the trial court took into consideration the following factors: 1) prevailing rates in the vicinity 2) location of the property; 3) use of the property; 4) inflation rate; and 5) the testimony of private respondent Modesta Sabeniano that she was offered by a Japanese-Filipino investor a monthly rental of P400,000.00 for the leased premises then occupied by petitioner.[17] Petitioner for its part should have presented its controverting evidence below to support what it believes to be the fair rental value of the leased building since the burden of proof to show that the rental demanded is unconscionable or exorbitant rests upon the lessee.[18] But petitioner failed to do so. Hence, the valuation made by the trial court, as affirmed by respondent Court of Appeals, stands.

It is worth stressing at this juncture that the trial court had the authority to fix the reasonable value for the continued use and occupancy of the leased premises after the termination of the lease contract, and that it was not bound by the stipulated rental in the contract of lease since it is equally settled that upon termination or expiration of the contract of lease the rental stipulated therein may no longer be the reasonable value for the use and occupation of the premises as a result or by reason of the charge or rise in values.[19] Moreover, the trial court can take judicial notice of the general increase in rentals of real estate especially of the business establishments[20] like the leased building owned by private respondents.

The crux of the petition having been disposed of, petitioner's last assignment of errors requires no further discussion.

WHEREFORE, for lack of merit, the petition is hereby **DENIED**, and the challenged decision of respondent Court of Appeals is **AFFIRMED** in toto.

SO ORDERED.

Feliciano, Romero, Melo and Vitug, *JJ.*, concur.

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[1] Annex D, p. 125, Rollo.
[2] Rollo, p. 87.
[3] Annex H, p. 140, Rollo.
[4] Annex I, p. 146, Rollo.
[5] Annex A, p. 63, Rollo.
[6] Annex B, p. 82, Rollo.
[7] Rollo, pp. 31-33.
[8] Ramos vs. Pepsi-Cola Bottling Co., 19 SCRA 289; Hernandez vs. CA, 149 SCRA 67; Medina vs. Asistio, Jr., 191 SCRA 218; Cheesman vs. IAC, 193 SCRA 93.
[9] Delos Santos vs. Reyes, 205 SCRA 437.
[10] Exhibit E. pp. 2-3 respondent CA Decision.
[11] Exhibit F, pp. 3-5, respondent CA Decision.
[12] Private respondents' Memorandum, pp. 27-28.
[13] Ravelo vs. CA, 207 SCRA 254 (1992).
[14] Annex J, p. 157, Rollo.
[15] Pe vs. IAC 195 SCRA 137.
[16] Respondent CA's Decision p. 15; Rollo, p. 78,
[17] Rollo, pp. 154-155, RTC Decision.
[18] Shoemart vs. CA, 190 SCRA 189, 197 (1990).
[19] Licmay vs. Court of Appeals, 215 SCRA 1 (1992).
[20] Commander Realty, Inc. vs. Court of Appeals, 168 SCRA 181 (1988).