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FIRST DIVISION

[G.R. No. 63201. May 27, 1992]

PHILIPPINE NATIONAL BANK, *petitioner, vs.* **THE COURT OF FIRST INSTANCE OF RIZAL, PASIG — BRANCH XXI, PRESIDED BY JUDGE GREGORIO G. PINEDA, CHUNG SIONG PEK @ BONIFACIO CHUNG SIONG PEK AND VICTORIA CHING GENG TY @ VICTORIA CHENG GENG TY, AND THE REGISTER OF DEEDS OF RIZAL, PASIG, METRO MANILA AND/OR HIS DEPUTIES AND AGENTS,** *respondents.*

SYLLABUS

1. **REMEDIAL LAW; CIVIL PROCEDURE; PLEADINGS AND PRACTICES; SERVICE BY REGISTERED MAIL IS COMPLETE UPON ACTUAL RECEIPT BY THE ADDRESSEE; RULE WHEN ADDRESSEE FAILS TO CLAIM HIS MAIL. –** SECTION 8 of Rule 13 of the Rules of Court, as amended, provides that service by registered mail is complete upon actual receipt by the addressee; but if he fails to claim his mail from the post office within five (5) days from the date of first notice of the postmaster, service shall take effect at the expiration of such time. The fair and just application of that exception depends upon the conclusive proof that the first notice was sent by the postmaster to the addressee. The best evidence of that fact would be the certification from the postmaster.

2. **ID; ID; APPEALS; THE FACTUAL FINDINGS OF THE TRIAL COURT BEAR GREAT WEIGHT AND IS BINDING UPON THIS COURT. –** In the instant case, the respondent court found that the postmaster's certification stated that three (3) notices of the registered mail which contained the order of June 28, 1982 denying the motion for reconsideration of the order of April 22, 1982, were sent to petitioner PNB's counsel at Escolta, Manila which is the address stated in the record of the case. The factual findings of the trial court bear

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great weight and is binding upon this Court. Hence, as between the denial of the petitioners' counsel that he received the notice of the registered mail and the postmaster's certification that said notices were sent to him, the postmaster's claim should prevail. The postmaster has the official duty to send notices of registered mail and the presumption is that official duty was regularly performed.

3. **ID; ID; JURISDICTION; JURISDICTION OF SEC; CASES OVER WHICH THE SEC HAS EXCLUSIVE JURISDICTION AND AUTHORITY TO RESOLVE, ENUMERATED UNDER P.D. NO. 902-A; CASE AT BAR NOT COVERED. –** Petitioner alleges that it is not the respondent court but the Securities and Exchange Commission which has jurisdiction over the private respondents' motions, which raised as issue the corporate existence of PBM. xxx Private respondent's motion with the respondent court was for the cancellation of the entries on their titles on the ground that the contract of lease executed between them and PBM had expired. This action is civil in nature and is within the jurisdiction of the respondent court. The circumstance that PBM as one of the contracting parties is a corporation whose corporate term had expired and which fact was made the basis for the termination of the lease is not sufficient to confer jurisdiction on the Securities and Exchange Commission over the case. Presidential Decree No. 902-A, as amended, enumerates the cases over which the SEC has exclusive jurisdiction and authority to resolve. The case at bar is not covered by the enumeration.

4. **CIVIL LAW; CONTRACTS; LEASE; CONTRACT OF LEASE EXPRESSLY PROVIDES THE TERM OF THE LEASE; MUST BE INTERPRETED ACCORDING TO ITS LITERAL MEANING AND SHOULD NOT BE INTERPRETED BEYOND ITS OBVIOUS INTENDMENT. –** Anent the issue of whether the cancellation of the entries on respondent's certificates of title is valid and proper, We find that the respondent court did not act in excess of its jurisdiction, in ordering the same. The contract of lease expressly provides that the term of the lease shall be twenty years from the execution of the contract but can be extended for another period of twenty years at the option of the lessee should the corporate term be

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extended in accordance with law. Clearly, the option of the lessee to extend the lease for another period of twenty years can be exercised only if the lessee as corporation renews or extends its corporate term of existence in accordance with the Corporation Code which is the applicable law. Contracts are to be interpreted according to their literal meaning and should not be interpreted beyond their obvious intendment. Thus, in the instant case, the initial term of the contract of lease which commenced on March 1, 1954 ended on March 1, 1974. PBM as lessee continued to occupy the leased premises beyond that date with the acquiescence and consent of the respondents as lessor. Records show however, that PBM as a corporation had a corporate life of only twenty-five (25) years which ended on January 19, 1977. xxx Considering the foregoing in relation to the contract of lease between the parties herein, when PBM's corporate life ended on January 19, 1977 and its 3-year period for winding up and liquidation expired on January 19, 1980, the option of extending the lease was likewise terminated on January 19, 1977 because PBM failed to renew or extend its corporate life in accordance with law. From then on, the respondents can exercise their right to terminate the lease pursuant to the stipulations in the contract.

5. MERCANTILE LAW; CORPORATIONS; A CORPORATION SHALL EXIST FOR A PERIOD NOT EXCEEDING FIFTY (50) YEARS FROM THE DATE OF INCORPORATION UNLESS SOONER DISSOLVED OR UNLESS SAID PERIOD IS EXTENDED; EFFECT WHEN THE PERIOD OF CORPORATE LIFE EXPIRES. – Section 11 of Corporation Code provides that a corporation shall exist for a period not exceeding fifty (50) years from the date of incorporation unless sooner dissolved or unless said period is extended. Upon the expiration of the period fixed in the articles of incorporation in the absence of compliance with the legal requisites for the extension of the period, the corporation ceases to exist and is dissolved *ipso facto*. When the period of corporate life expires, the corporation ceases to be a body corporate for the purpose of continuing the business for which it was organized. But it shall nevertheless be continued as a body corporate for three years after the time when it would have been so dissolved, for the purpose of prosecuting and defending

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suits by or against it and of enabling it gradually to settle and close its affairs, to dispose of and convey its property and to divide its assets.

6. REMEDIAL LAW; SPECIAL CIVIL ACTIONS; Q*UO WARRANTO*; *QUO WARRANTO* PROCEEDING UNDER RULE 66 OF THE RULES OF COURT, AS AMENDED, MAY BE INSTITUTED BY THE SOLICITOR GENERAL ONLY FOR THE INVOLUNTARY DISSOLUTION OF A CORPORATION ON THE FOLLOWING ENUMMERATED GROUNDS, ENUMERATED. – There is no need for the institution of a proceeding for *quo warranto* to determine the time or date of the dissolution of a corporation because the period of corporate existence is provided in the articles of incorporation. When such period expires and without any extension having been made pursuant to law, the corporation is dissolved automatically insofar as the continuation of its business is concerned. The *quo warranto* proceeding under Rule 66 of the Rules of Court, as amended, may be instituted by the Solicitor General only for the involuntary dissolution of a corporation on the following grounds: a) when the corporation has offended against a provision of an Act for its creation or renewal; b) when it has forfeited its privileges and franchises by non-user; c) when it has committed or omitted an act which amounts to a surrender of its corporate rights, privileges or franchises; d) when it has misused a right, privilege or franchise conferred upon it by law, or when it has exercised a right, privilege or franchise in contravention of law. Hence, there is no need for the SEC to make an involuntary dissolution of a corporation whose corporate term had ended because its articles of incorporation had in effect expired by its own limitation.

7. CIVIL LAW; SPECIAL CONTRACTS; LEASE; ARTICLE 1678 OF THE CIVIL CODE GOVERNS THE RIGHTS OF THE LESSOR AND THE LESSEE OVER THE IMPROVEMENTS WHICH THE LATTER CONSTRUCTED ON THE LEASED PREMISES. – The rights of the lessor and the lessee over the improvements which the latter constructed on the leased premises are governed by Article 1678 of the Civil Code which provides: "Art. 1678. If the lessee makes, in good faith, useful improvements which are suitable to the use for which the lease is intended, without

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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. x x x"

8. ID; ID; ID; ID; ARTICLE 1678 NOT APPLICABLE BECAUSE THE PARTIES HEREIN HAVE STIPULATED IN THE CONTRACT THEIR OWN TERMS AND CONDITIONS CONCERNING THE IMPROVEMENTS. – The aforequoted provision gives the lessee the right to remove the improvements if the lessor chooses not to pay one-half of the value thereof. However, in the case at bar, the law will not apply because the parties herein have stipulated in the contract their own terms and conditions concerning the improvements, to wit, that the lessee, namely PBM, bound itself to remove the improvements before the termination of the lease. Petitioner PNB, as assignee of PBM succeeded to the obligation of the latter under the contract of lease. It could not possess rights more than what PBM had as lessee under the contract. Hence, petitioner was duty bound to remove the improvements before the expiration of the period of lease as what we have already discussed in the preceding paragraphs. Its failure to do so when the lease was terminated was tantamount to a waiver of its rights and interests over the improvements on the leased premises."

D E C I S I O N

MEDIALDEA, *J.*:

This is a petition for *certiorari* under Rule 65 of the Rules of Court seeking to annul and set aside the orders of respondent Court of First Instance of Rizal, Pasig, Branch 21 (now Regional Trial Court) dated April 22, 1982, September 14, 1982 and January 12, 1983 in LRC Case No. R-2744 on the ground that they had been issued without or in excess of jurisdiction and with grave abuse of discretion.

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The antecedent facts of this case are as follows:

Private respondents are the registered owners of three parcels of land in Pasig, Metro Manila covered by OCT No. 853, TCT Nos. 32843 and 32897 of the Registry of Deeds of Rizal.

On March 1, 1954, private respondents entered into a contract of lease with Philippine Blooming Mills, Co., Inc., (PBM for brevity) whereby the latter shall lease the aforementioned parcels of land as factory site. PBM was duly organized and incorporated on January 19, 1952 with a corporate term of twenty-five (25) years. This leasehold right of PBM covering the parcels of land was duly annotated at the back of the above stated certificates of title as Entry No. 9367/T-No. 32843.

The contract of lease provides that the term of the lease is for twenty years beginning from the date of the contract and "is extendable for another term of twenty years at the option of the LESSEE should its term of existence be extended in accordance with law." (p. 76, *Rollo*). The contract also states that the lessee agrees to "use the property as factory site and for that purpose to construct whatever buildings or improvements may be necessary or convenient and/or xxx for any purpose it may deem fit; and before the termination of the lease to remove all such buildings and improvements" (pp. 76-77 *Rollo*).

In accordance with the contract, PBM introduced on the land, buildings, machineries and other useful improvements. These constructions and improvements were registered with the Registry of Deeds of Rizal and annotated at the back of the respondents' certificates of title as Entry No. 85213/T-No. 43338.

On October 11, 1963, PBM executed in favor of Philippine National Bank (PNB for brevity), petitioner herein, a deed of assignment, conveying and transferring all its rights and interests under the contract of lease which it executed with private respondents. The assignment was for and in consideration of the loans granted by PNB to PBM. The deed of assignment was registered and annotated at the back of the private respondents' certificates of title as Entry No. 85215/T-No. 32843.

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On November 6, 1963 and December 23, 1963 respectively, PBM executed in favor of PNB a real estate mortgage for a loan of ₱100,000.00 and an addendum to real estate mortgage for another loan of ₱1,590,000.00, covering all the improvements constructed by PBM on the leased premises. These mortgages were registered and annotated at the back of respondents' certificates as Entry No. 85214/T-No. 43338 and Entry No. 870971/T-No. 32843, respectively.

PBM filed a petition for registration of improvements in the titles of real property owned by private respondents docketed as Case No. 6530.

On October 7, 1981, private respondents filed a motion in the same proceedings which was given a different case number to wit, LRC Case No. R-2744, because of the payment of filing fees for the motion. The motion sought to cancel the annotations on respondents' certificates of title pertaining to the assignment of PBM to PNB of the former's leasehold rights, inclusion of improvements and the real estate mortgages made by PBM in favor of PNB, on the ground that the contract of lease entered into between PBM and respondents-movants had already expired by the failure of PBM and/or its assignee to exercise the option to renew the second 20-year lease commencing on March 1, 1974 and also by the failure of PBM to extend its corporate existence in accordance with law. The motion also states that since PBM failed to remove its improvements on the leased premises before the expiration of the contract of lease, such improvements shall accrue to respondents as owners of the land.

On April 22, 1982, respondent court issued an order directing the cancellation of the inscriptions on respondents' certificates of title. The dispositive portion of the order provides:

"WHEREFORE, the Register of Deeds having jurisdiction over the movant's land Certificates of Title Nos. 853, 32843 and 32897 is hereby ordered, upon the payment of the corresponding fees, to cancel therein memoranda/inscriptions/entries Nos. 85213/T-No. 43338, 85215/T-No. 32843, 85214/T-No. 43338 and 87097/T-No. 32843.

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"SO ORDERED." (pp. 147-148, *Rollo*)

Petitioner PNB filed a motion for reconsideration of the above order of the respondent court but the latter denied it on June 28, 1982. On August 25, 1982, private respondents filed a motion for entry of final judgment and issuance of a writ of execution of the order of April 22, 1982.

On September 14, 1982, respondent court granted the aforesaid motion for entry of final judgment and ordered the Register of Deeds of Pasig, Rizal to cancel the entries on respondents' certificates of title stated in the order of April 22, 1982.

Petitioner PNB filed an omnibus motion to set aside the entry of judgment as ordered by the respondent court on the ground that it has no prior notice or knowledge of the order of respondent court dated June 28, 1982 which denied its motion for reconsideration of the order of April 22, 1982 and that while there was a certification from the Bureau of Posts that three registry notices were sent to petitioner's counsel, there was no allegation or certification whatsoever that said notices were actually received by the addressee.

On January 12, 1983, the respondent court denied the omnibus motion.

Hence, this petition.

Petitioner alleges that respondent court acted capriciously and arbitrarily in issuing the orders of September 14, 1982 and January 12, 1983 which considered its previous order of April 22, 1982 as having become final on the ground that it had no notice or knowledge that the order of June 28, 1982 denying its motion for reconsideration was issued; that the notices of registered mail allegedly containing the order of June 28, 1982 were not received by petitioner's counsel of record, and that the certification of the Bureau of Posts refers only to the fact that registry notices were sent, and not to the fact that the notices were actually received by the addressee.

In resolving this matter, the respondent court stated in the questioned order of January 12, 1983 as follows:

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"The respondent PNB filed a motion of May 20, 1982 to set aside the Order of April 22, 1982. This was denied by the Order of June 28, 1982. Then the movants filed a motion of August 25, 1982 for entry of judgment, based on the postmaster's certification that not only one but three notices of the registered mail containing a copy of the order of June 28, 1982 was sent to respondent PNB's counsel at the PNB Building at Escolta, Manila which is his address of record in this case. Consequently the entry of judgment Order of September 14, 1982.

"xxx xxx xxx"

"The respondent PNB's counsel at the hearing of said incidents on October 12, 1982 admitted that the aforesaid registered notices could have been received by PNB's regular Receiving Section at the PNB Building at the Escolta but could not have been forwarded by said Receiving Section to said counsel's Litigation and Collection Division, Legal Department at an upper floor of the same building. Thus the presumption that official duty was regularly performed by the postmaster was not overcome, as most recently reiterated by the Supreme Court in *Feraren vs. Santos* promulgated on April 27, 1982, 113 SCRA 707 xxx." (p. 195, *Rollo*)

Section 8 of Rule 13 of the Rules of Court, as amended, provides that service by registered mail is complete upon actual receipt by the addressee; but if he fails to claim his mail from the post office within five (5) days from the date of first notice of the postmaster, service shall take effect at the expiration of such time. The fair and just application of that exception depends upon the conclusive proof that the first notice was sent by the postmaster to the addressee. The best evidence of that fact would be the certification from the postmaster (*Barrameda v. Castillo*, L-27211, July 6, 1977, 78 SCRA 1).

In the instant case, the respondent court found that the postmaster's certification stated that three (3) notices of the registered mail which contained the order of June 28, 1982 denying the motion for reconsideration of the order of April 22, 1982, were sent to petitioner PNB's counsel at Escolta, Manila which is the address stated in the record of the case. The factual findings of the trial court bear great weight and is binding upon this Court. Hence, as between the denial of the petitioners' counsel

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that he received the notice of the registered mail and the postmaster's certification that said notices were sent to him, the postmaster's claim should prevail. The postmaster has the official duty to send notices of registered mail and the presumption is that official duty was regularly performed (*Aportadera, Sr. v. Court of Appeals*, G.R. No. 41358, March 16, 1988, 158 SCRA 695).

Petitioner alleges that it is not the respondent court but the Securities and Exchange Commission which has jurisdiction over the private respondents' motion, which raised as issue the corporate existence of PBM. Petitioner further submits that the respondent court committed grave abuse of discretion in ordering the cancellation of entries in the certificates of title of respondents on the following grounds: 1) the motion for cancellation would amount to a collateral attack upon the due incorporation of PBM which cannot be done legally, 2) the contract of lease between PBM as petitioner's assignor and private respondents did not expire since PBM exercised its option to renew the lease with the acquiescence of private respondents, and 3) respondent court's ruling that ownership over the improvements passed from PBM to private respondents upon the expiration of lease violates the law and the contract between the parties.

Even if We were to set aside the questioned orders directing the entry of finality of the order canceling entries in the titles, petitioner's case must still fail on the merits.

Private respondent's motion with the respondent court was for the cancellation of the entries on their titles on the ground that the contract of lease executed between them and PBM had expired. This action is civil in nature and is within the jurisdiction of the respondent court. The circumstance that PBM as one of the contracting parties is a corporation whose corporate term had expired and which fact was made the basis for the termination of the lease is not sufficient to confer jurisdiction on the Securities and Exchange Commission over the case. Presidential Decree No. 902-A, as amended, enumerates the cases over which the SEC has exclusive jurisdiction and authority to resolve. The case at bar is not covered by the enumeration.

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Anent the issue of whether the cancellation of the entries on respondent's certificates of title is valid and proper, We find that the respondent court did not act in excess of its jurisdiction, in ordering the same.

The contract of lease expressly provides that the term of the lease shall be twenty years from the execution of the contract but can be extended for another period of twenty years at the option of the lessee should the corporate term be extended in accordance with law. Clearly, the option of the lessee to extend the lease for another period of twenty years can be exercised only if the lessee as corporation renews or extends its corporate term of existence in accordance with the Corporation Code which is the applicable law. Contracts are to be interpreted according to their literal meaning and should not be interpreted beyond their obvious intendment. Thus, in the instant case, the initial term of the contract of lease which commenced on March 1, 1954 ended on March 1, 1974. PBM as lessee continued to occupy the leased premises beyond that date with the acquiescence and consent of the respondents as lessor. Records show however, that PBM as a corporation had a corporate life of only twenty-five (25) years which ended on January 19, 1977. It should be noted however that PBM allowed its corporate term to expire without complying with the requirements provided by law for the extension of its corporate term of existence.

Section 11 of Corporation Code provides that a corporation shall exist for a period not exceeding fifty (50) years from the date of incorporation unless sooner dissolved or unless said period is extended. Upon the expiration of the period fixed in the articles of incorporation in the absence of compliance with the legal requisites for the extension of the period, the corporation ceases to exist and is dissolved *ipso facto* (16 Fletcher 671 cited by Aguedo F. Agbayani, *Commercial Laws of the Philippines*, Vol. 3, 1988 Edition p. 617). When the period of corporate life expires, the corporation ceases to be a body corporate for the purpose of continuing the business for which it was organized. But it shall nevertheless be continued as a body corporate for three years after the time when it would have been so dissolved, for the purpose of prosecuting and

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defending suits by or against it and of enabling it gradually to settle and close its affairs, to dispose of and convey its property and to divide its assets (Sec. 122, Corporation Code). There is no need for the institution of a proceeding for *quo warranto* to determine the time or date of the dissolution of a corporation because the period of corporate existence is provided in the articles of incorporation. When such period expires and without any extension having been made pursuant to law, the corporation is dissolved automatically insofar as the continuation of its business is concerned. The *quo warranto* proceeding under Rule 66 of the Rules of Court, as amended, may be instituted by the Solicitor General only for the involuntary dissolution of a corporation on the following grounds: a) when the corporation has offended against a provision of an Act for its creation or renewal; b) when it has forfeited its privileges and franchises by non-user; c) when it has committed or omitted an act which amounts to a surrender of its corporate rights, privileges or franchises; d) when it has misused a right, privilege or franchise conferred upon it by law, or when it has exercised a right, privilege or franchise in contravention of law. Hence, there is no need for the SEC to make an involuntary dissolution of a corporation whose corporate term had ended because its articles of incorporation had in effect expired by its own limitation.

Considering the foregoing in relation to the contract of lease between the parties herein, when PBM's corporate life ended on January 19, 1977 and its 3-year period for winding up and liquidation expired on January 19, 1980, the option of extending the lease was likewise terminated on January 19, 1977 because PBM failed to renew or extend its corporate life in accordance with law. From then on, the respondents can exercise their right to terminate the lease pursuant to the stipulations in the contract.

We now come to the question of the ownership over the improvements constructed by PBM over the leased premises, which improvements were mortgaged in favor of PNB, petitioner herein.

The rights of the lessor and the lessee over the improvements which the latter constructed on the leased premises is governed by Article 1678 of the Civil Code which provides:

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"Art. 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.

xxx xxx xxx"

The aforequoted provision gives the lessee the right to remove the improvements if the lessor chooses not to pay one-half of the value thereof. However, in the case at bar, the law will not apply because the parties herein have stipulated in the contract their own terms and conditions concerning the improvements, to wit, that the lessee, namely PBM, bound itself to remove the improvements before the termination of the lease. Petitioner PNB, as assignee of PBM succeeded to the obligation of the latter under the contract of lease. It could not possess rights more than what PBM had as lessee under the contract. Hence, petitioner was duty bound to remove the improvements before the expiration of the period of lease as what we have already discussed in the preceding paragraphs. Its failure to do so when the lease was terminated was tantamount to a waiver of its rights and interests over the improvements on the leased premises.

In view of the foregoing, this Court finds that respondent court did not act with grave abuse of discretion in directing the cancellation of entries on private respondents' certificates of title as set forth in the questioned order.

ACCORDINGLY, the petition is *DISMISSED* and the assailed orders of respondent court dated April 22, 1982, September 14, 1982 and January 12, 1983 are *AFFIRMED*.

SO ORDERED.

Cruz (Chairman), Griño-Aquino, and *Bellosillo, JJ.*, concur.