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Republic of the Philippines
Supreme Court
Manila

SUPREME COURT OF THE PHILIPPINES
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SECOND DIVISION

DOMESTIC PETROLEUM RETAILER CORPORATION, Petitioner,	**G.R. No. 210641**
	Present:
- versus -	CARPIO, *J.*, *Chairperson*, PERLAS-BERNABE, CAGUIOA, J. REYES, JR., and LAZARO-JAVIER, *JJ.*
MANILA INTERNATIONAL AIRPORT AUTHORITY, Respondent.	Promulgated: 27 MAR 2019

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DECISION

CAGUIOA, *J.*:

Before the Court is a Petition for Review on *Certiorari*[1] (Petition) under Rule 45 of the Rules of Court filed by petitioner Domestic Petroleum Retailer Corporation (petitioner DPRC) against respondent Manila International Airport Authority (respondent MIAA), assailing the Decision[2] dated May 31, 2013 (assailed Decision) and Resolution[3] dated November 29, 2013 (assailed Resolution) promulgated by the Court of Appeals (CA) Special Second Division and Former Special Second Division, respectively, in CA-G.R. CV No. 98378, which affirmed the Decision[4] dated August 15, 2011 of the Regional Trial Court, Pasay City, Branch 119 (RTC) in Civil Case No. R-PSY-08-08963.

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1 *Rollo*, pp. 9-24.

2 Id. at 26-42. Penned by Associate Justice Remedios A. Salazar-Fernando, with Associate Justices Normandie B. Pizarro and Zenaida T. Galapate-Laguilles concurring.

3 Id. at 44-45.

4 Id. at 61-72. Penned by Judge Pedro De Leon Gutierrez.

The Facts and Antecedent Proceedings

As narrated by the CA in its assailed Decision, and as culled from the records of the case, the essential facts and antecedent proceedings of the instant case are as follows:

> On December 23, 2008, [petitioner DPRC] filed a Complaint[5] for "Collection of Sums of Money" against [respondent MIAA] before the [RTC,] averring that: on June 4, 1998, [petitioner DPRC] and [respondent MIAA] entered into a Contract of Lease whereby the former leased from the latter a 1,631.12-square meter parcel of land and a 630.88-square meter building both located at Domestic Road, Pasay City[.]
>
> [Petitioner DPRC] was obliged to pay monthly rentals of ₱75,357.74 for the land and ₱33,310.46 for the building; [petitioner DPRC] faithfully complied with its obligation to pay the monthly rentals since the start of the lease contract[.]
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> [O]n April 2, 1998, [respondent MIAA] passed Resolution No. 98-30 which took effect on June 1, 1998 increasing the rentals paid by its concessionaires and lessees[.] [Respondent MIAA] issued Administrative Order No. 1[,] Series of 1998 reflecting the new schedule of fees, charges, and rates[.] [Petitioner] DPRC initially refused to pay the increased rentals which was decreed without prior notice and hearing[.]
>
> [O]n November 19, 1998, [respondent MIAA] demanded its payment of ₱655,031.13 as rental in arrears which was based on the increase prescribed in Resolution No. 98-30 with 2% interest compounded monthly[.] [Respondent MIAA] also demanded payment of ₱628,895.43 after recomputing and deducting the amount of ₱26,135.70 from the original amount of ₱655,031.13[.]
>
> [O]n December 8, 1998, [petitioner DPRC] protested in writing to [respondent MIAA] the increased rentals and the computation[.] [H]owever, it also signified its intention to comply in good faith with the terms and conditions of the lease contract by paying the amount charged[.] [O]n December 11, 1998, [petitioner DPRC] paid [respondent MIAA] ₱628,895.43 which was based on the new rates[.]
>
> [On December 1, 2004, the First (1st) Division of the Court promulgated its Decision in the case of *Manila International Airport Authority v. Airspan Corporation, et al.*,[6] docketed as G.R. No. 157581. In the said case, the Court nullified Resolution Nos. 98-30 and 99-11 issued by respondent MIAA for non-observance of the notice and hearing requirements for the fixing rates required by the Administrative Code.]
>
> [O]n December 21, 2005, [petitioner DPRC] advised [respondent] MIAA of its intention to stop paying the increased rental rate, and on January 1, 2006, it stopped paying the increased rental rate[,] but continued paying the original rental rate prescribed in the lease contract[.] [Petitioner DPRC's] decision to stop paying the increased rental rate was based on the

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5 Id. at 133-142.

6 486 Phil. 1136 (2004).

[Court's] Decision dated December 1, 2004 in the case of *Manila International Airport Authority vs. Airspan Corporation, et al.* x x x [Petitioner DPRC] paid [respondent] MIAA a total amount of ₱9,593,179.87, which is in excess of the stipulated monthly rentals from December 11, 1998 up to December 5, 2005[.]

[O]n June 22, 2006, [respondent] MIAA required the payment of ₱645,216.21 allegedly representing the balance of the rentals from January up to June 2006[.] [O]n July 27, 2006, [petitioner DPRC] sent its reply to [respondent] MIAA denying the unpaid obligation, reiterating that the rental could no longer be computed based on the nullified Resolution No. 98-30, and demanding for the refund of its overpayment in the amount of ₱9,593,179.87[.] [Respondent] MIAA ignored its demand[,] prompting [petitioner DPRC] to send a final written demand dated November 5, 2008[.] [The latter] was constrained to file [the Complaint for Collection of Sums of Money.]

x x x x

On August 15, 2011, the [RTC] rendered [its Decision, ruling in favor of petitioner DPRC. The dispositive portion of the RTC's Decision dated August 15, 2011 states the following:

> **WHEREFORE**, judgment is hereby rendered in favor of the plaintiff Domestic Petroleum Retailer Corporation and against defendant Manila International Airport Authority, ordering the latter to pay the former the following:
>
> (1) the principal amount of ₱9,593,179.87, plus legal interest computed from the time of the extra-judicial demand on July 27, 2006;
>
> (2) the sum of ₱300,00.00 (sic) as and for attorney's fees; and
>
> (3) the cost of suit.
>
> **SO ORDERED**.[7]]

Upon [petitioner] DPRC's motion, the [RTC] issued an Order dated November 17, 2011 clarifying its [D]ecision to read as follows: "(1) the principal amount of ₱9,593,179.87 plus 12% per annum legal interest computed from the time of the extrajudicial demand on July 27, 2006."

Hence, [respondent MIAA filed an appeal before the CA, arguing that (1) the decided case of *Manila International Airport Authority v. Airspan Corporation* does not apply as to the instant case; (2) the RTC erred in considering the receipts respondent MIAA issued as for alleged payment of the increased rental rate; and (3) prescription or laches has set in to bar petitioner DPRC from asserting its claim against respondent MIAA.][8]

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7 Id. at 71-72.

8 Id. at 27-34.

The Ruling of the CA

In the assailed Decision, the CA affirmed the RTC's Decision holding respondent MIAA liable to petitioner DPRC, but with a modification as to the amount. Instead of holding respondent MIAA liable for the entire amount of ₱9,593,179.87, the CA decreased respondent MIAA's liability to ₱3,839,643.05 plus legal interest at 12% per annum computed from the time of extrajudicial demand on July 27, 2006. The dispositive portion of the assailed Decision reads:

> **WHEREFORE**, premises considered, the Decision dated August 15, 2011 of the RTC, Branch 119, Pasay City in Civil Case No. R-PSY-08-08963 is **AFFIRMED WITH MODIFICATION** by ordering defendant-appellant Manila International Airport Authority to pay plaintiff-appellee Domestic Petroleum Retailer Corporation the principal amount of ₱3,839,643.05 paid during the period from January 9, 2003 to December 5, 2005, plus legal interest at 12% per annum computed from the time of the extra-judicial demand on July 27, 2006.
>
> In all other respects, the appealed decision so stands as **AFFIRMED**.
>
> SO ORDERED.[9]

In the assailed Decision, the CA found that the liability of respondent MIAA to petitioner DPRC for overpaid monthly rentals was in the nature of a quasi-contract of *solutio indebiti*. And because petitioner DPRC's claim against respondent MIAA is purportedly in the nature of *solutio indebiti*, the CA held that "the claim of refund must be commenced within six (6) years from date of payment pursuant to Article 1145(2)[10] of the Civil Code."[11]

Proceeding from such premise, the CA found that, despite the records showing that petitioner DPRC made overpayment in monthly rentals from December 11, 1998 up to December 5, 2005, such claim could not be fully awarded to petitioner DPRC due to prescription.

The CA explained that:

> As already stated, the claim for refund must be made within six (6) years from date of payment. Since [petitioner] DPRC demanded the refund of the increase in monthly rentals mistakenly paid only on July 27, 2006 and filed this case before the [RTC] only on December 23, 2008, it can recover only those paid during the period from January 9, 2003 to December 5, 2005[,] or a total amount of ₱3,839,643.05[,] broken down as follows:

Date of Payment	Amount Paid Under Protest inclusive of 5% Withholding Tax
January 9, 2003	106,297.33
February 5, 2003	106,297.33

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9 Id. at 41-42.

10 Art. 1145. The following actions must be commenced within six years:
(1) Upon an oral contract;
(2) Upon a quasi-contract.

11 *Rollo*, p. 40.

March 5, 2003	106,297.33
April 4, 2003	106,297.33
May 5, 2003	106,297.33
June 5, 2003	106,297.33
July 4, 2003	106,297.33
August 5, 2003	106,297.33
September 5, 2003	129,126.87
October 4, 2003	105,931.02
November 5, 2003	105,931.02
December 5, 2003	105,931.02
January 5, 2004	105,931.02
February 5, 2004	105,931.02
March 5, 2004	105,931.02
April 5, 2004	105,931.02
May 5, 2004	105,931.02
June 4, 2004	105,931.02
July 5, 2004	105,931.02
August 5, 2004	105,931.02
September 6, 2004	105,931.02
October 5 ,2004	105,931.02
November 5, 2004	105,931.02
December 6, 2004	105,931.02
January 5, 2005	105,931.02
February 4, 2005	105,931.02
March 4, 2005	105,931.02
April 5, 2005	105,931.02
May 5, 2005	105,931.02
June 5, 2005	105,931.02
July 5, 2005	105,931.02
August 5, 2005	105,931.02
September 5, 2005	105,931.02
October 5, 2005	105,931.02
November 7, 2005	105,931.02
December 5, 2005	105,931.02
TOTAL	₱3,839,643.05

> [Petitioner] DPRC has, by reason of the six (6) years prescriptive period, lost its right to recover the amount of ₱5,753,536.82 paid during the period from December 11, 1998 to December 5, 2002.[12]

Unsatisfied, petitioner DPRC filed a Motion for Partial Reconsideration[13] dated June 28, 2013, which was denied by the CA in the assailed Resolution.

Hence, the instant Petition.

The Court notes that, based on the records, respondent MIAA has not filed an appeal of the assailed Decision and Resolution promulgated by the CA.

However, respondent MIAA filed its Comment[14] (On the Petition for Review) dated July 8, 2014, to which petitioner DPRC responded with its Reply[15] dated November 17, 2014.

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12 Id. at 40-41.
13 Id. at 90-94.
14 Id. at 121-132.
15 Id. at 161-166.

Issues

The only issue raised by petitioner DPRC in the instant Petition is whether the CA was correct in amending the RTC's Decision, modifying the amount of respondent MIAA's liability from the full amount of ₱9,593,179.87 to just ₱3,839,643.05 plus legal interest at 12% per annum computed from the time of extra-judicial demand on July 27, 2006, on the basis of the application of the six-year prescriptive period governing the quasi-contract of *solutio indebiti*.

The Court's Ruling

The Court finds merit in the instant Petition.

The CA posited the view that the quasi-contract of *solutio indebiti* applies as to the instant case because petitioner "DPRC's payment of the increased rental to [respondent MIAA], who was found to have no authority to increase fees, charges and rates without the approval of the DOTC Secretary, due to a mistake in the interpretation and imposition of Administrative Order No. 98-30, which was later found to be invalid for lack of the required prior notice and public hearing, gives rise to the application of the principle of *solutio indebiti* under Articles 2154, 2155 and 2156 of the Civil Code in this case."[16]

Article 2154 of the Civil Code explains the concept of the quasi-contract of *solutio indebiti*:

> Art. 2154. If something is received when there is no right to demand it, and it was unduly delivered through mistake, the obligation to return it arises.

The quasi-contract of *solutio indebiti* harks back to the ancient principle that no one shall enrich himself unjustly at the expense of another.[17]

In order to establish the application of *solutio indebiti* in a given situation, **two conditions must concur**: (1) a payment is made when **there exists no binding relation** between the payor who has no duty to pay, and the person who received the payment, and (2) **the payment is made through mistake**, and not through liberality or some other cause.[18]

In the instant case, the Court finds that the essential requisites of *solutio indebiti* are not present.

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16 Id. at 39-40.
17 *Power Commercial and Industrial Corp. v. Court of Appeals*, 340 Phil. 705, 718 (1997).
18 *Moreño-Lentfer v. Hans Jurgen Wolff*, 484 Phil. 552, 560 (2004).

There exists a binding relation between petitioner DPRC and respondent MIAA.

First and foremost, it is undisputed by all parties that respondent MIAA and petitioner DPRC are mutually bound to each other under a Contract of Lease, which both parties entered on June 4, 1998, covering the 1,631.12-square-meter parcel of land and a 630.88-square-meter building both located at Domestic Road, Pasay City. Hence, with respondent MIAA and petitioner DPRC having the juridical relationship of a lessor-lessee, it cannot be said that in the instant case, the overpayment of monthly rentals was made when there existed no binding juridical tie or relation between the payor, *i.e.*, petitioner DPRC, and the person who received the payment, *i.e.*, respondent MIAA. In fact, respondent MIAA itself acknowledged in its Comment that there was a "pre-existing contractual relation" between itself and petitioner DPRC.[19]

The Court's Decision in *National Commercial Bank of Saudi Arabia v. Court of Appeals*[20] is instructive.

In the said case, therein petitioner National Commercial Bank of Saudi Arabia (NCBSA) filed a case against therein respondent Philippine Banking Corporation (PBC) to recover the duplication in the payment of the proceeds of a letter of credit, under which NCBSA obliged itself to pay PBC subject to compliance with certain conditions provided in the letter of credit.

Assailing the lower court's decision granting NCBSA's complaint for recovery of money, therein respondent PBC argued that "[therein petitioner] NCBSA's complaint is 'based on the quasi-contract of *solutio indebiti*,' hence, it prescribes in six years and, therefore, when NCBSA filed its complaint nine years after the cause of action arose, it had prescribed."[21]

In denying the aforesaid argument and upholding NCBSA's claim of refund against PBC due to double payment, the Court held that, since *solutio indebiti* applies only where no binding relation exists between the payor and the person who received the payment, *solutio indebiti* was not applicable because the parties therein were bound by a contract, *i.e.*, a letter of credit. As such, **the cause of action against PBC was deemed to be based on the violation of a contract instead of a quasi-contract**:

> Technicality aside, *en passant*, on the merits of PBC's Motion for Reconsideration of the trial court's decision, the trial court did not err in brushing aside its main defense of prescription — that NCBSA's complaint is "based on the quasi-contract of *solutio indebiti*," hence, it prescribes in six years and, therefore, when NCBSA filed its complaint nine years after the cause of action arose, it had prescribed.

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19 See *rollo*, p. 127.
20 444 Phil. 615 (2003).
21 Id. at 624.

> *Solutio indebiti* applies where: (1) a payment is made when there exists no binding relation between the payor, who has no duty to pay, and the person who received the payment, and (2) the payment is made through mistake, and not through liberality or some other cause. **In the case at bar, PBC and NCBSA were bound by their contract, the letter of credit, under which NCBSA obliged itself to pay PBC, subject to compliance by the latter with certain conditions provided therein. As such, the cause of action was based on a contract, and the prescriptive period is ten, not six years.**[22]

Similarly, in *Genova v. De Castro*,[23] despite holding that the therein petitioner is entitled to a refund of what he had previously paid to the therein respondent, the Court held that *solutio indebiti* was not applicable because the first element was not present, considering that petitioner therein made payments to respondent therein pursuant to an underlying agreement to repurchase property that governed the relation of the parties therein.[24]

Applying the foregoing to the instant case, akin to *National Commercial Bank of Saudi Arabia v. Court of Appeals*, the Court finds that the cause of action of petitioner DPRC is based on the violation of a contractual stipulation in the parties' Contract of Lease, and not due to the existence of a quasi-contract.

As admitted by respondent MIAA in its Comment, the overpayment made by petitioner DPRC is rooted in Section 2.06 of the Contract of Lease, which provided that petitioner DPRC's monthly rentals shall be subject to price escalation on the condition that respondent MIAA will issue a valid Administrative Order calling for the price escalation and that petitioner DPRC will be given prior notice of such price escalation.

Hence, by filing its Complaint, petitioner DPRC invoked the Contract of Lease and alleged that respondent MIAA violated the aforementioned contractual stipulation, considering that the latter imposed a price escalation of monthly rentals despite reneging on its contractual obligation to first issue a valid Administrative Order and give petitioner DPRC prior notice.

No less than the CA in the assailed Decision held that, pursuant to the agreement of the parties in their Contract of Lease, "an Administrative Order must be issued by [respondent] MIAA and [petitioner] DPRC should be notified of the said increase in rental and other charges thirty (30) days before their imposition."[25] The CA agreed with the RTC that there exists a valid cause of action against respondent MIAA because "the requirements provided in x x x the lease contract itself were not satisfied in this case."[26]

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22 Id. at 624. Emphasis supplied.
23 454 Phil. 662 (2003).
24 Id. at 676-677.
25 *Rollo*, p. 37.
26 Id.

In arguing in its Comment that petitioner DPRC's cause of action is not based on a contract, respondent MIAA asserts that "[petitioner] DPRC's cause of action for refund is not based on contract (since there is no provision in the Contract that [petitioner] DPRC can rely upon for refund) but on quasi-contract since [respondent MIAA] allegedly does not have the right to hold on the excess amounts."[27]

Respondent MIAA's supposition that there is no provision in the Contract of Lease that petitioner DPRC can rely upon to ask for a refund is completely mistaken. To reiterate, respondent MIAA readily admits that according to the Contract of Lease, petitioner DPRC's monthly rentals shall be subject to price escalation only when respondent MIAA issues a valid Administrative Order calling for price escalation and when petitioner DPRC is given prior notice. By still imposing a price escalation despite the non-observance of both requirements, both the RTC and CA found that respondent MIAA violated the Contract of Lease.

Just because the Contract of Lease in itself may be silent as to petitioner DPRC's entitlement to a refund does not mean that such claim for refund is not provided for in the contract and cannot be asserted by petitioner DPRC.

It must be stressed that applicable laws form part of, and are read into, contracts without need for any express reference thereto.[28] Specifically on lease contracts, Article 1659[29] of the Civil Code, in relation to Article 1657,[30] states that the aggrieved party in a contract of lease may ask for indemnification when the other party fails to comply with his/her obligations, one of which is to ask from the lessee the price of the lease only according to the terms stipulated.

Hence, with these provisions of law read into the parties' Contract of Lease, respondent MIAA's argument that there is no provision in the Contract of Lease that petitioner DPRC can rely on to claim for refund of overpayment of monthly rentals is erroneous.

In the instant case, there was no payment by mistake.

Furthermore, it cannot be said that petitioner DPRC's payments in monthly rentals from December 11, 1998 up to December 5, 2005 in

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27 Id. at 127.

28 *Halili v. Justice for Children International*, 769 Phil. 456, 462 (2015).

29 Art. 1659. If the lessor or the lessee should not comply with the obligations set forth in Articles 1654 and 1657, the aggrieved party may ask for the rescission of the contract and indemnification for damages, or only the latter, allowing the contract to remain in force.

30 Art. 1657. The lessee is obliged:
(1) To pay the price of the lease according to the terms stipulated;
(2) To use the thing leased as a diligent father of a family, devoting it to the use stipulated; and in the absence of stipulation, to that which may be inferred from the nature of the thing leased, according to the custom of the place;
(3) To pay expenses for the deed of lease.

observance with the subsequently nullified Resolution No. 98-30 were made due to mistake on the part of petitioner DPRC.

For the concept of *solutio indebiti* to apply, the undue payment must have been made by reason of either an essential mistake of fact[31] or a mistake in the construction or application of a doubtful or difficult question of law.[32] Mistake entails an error, misconception, or misunderstanding.[33]

In the instant case, petitioner DPRC made the overpayments in monthly rentals from December 11, 1998 to December 5, 2005 not due to any mistake, error, or omission as to any factual matter surrounding the payment of rentals. Nor did petitioner DPRC make the overpayments due to any mistaken construction or application of a doubtful question of law.

Instead, petitioner DPRC deliberately made the payments in accordance with respondent MIAA's Resolution No. 98-30, albeit under protest. It must be recalled that after the issuance of Resolution No. 98-30, on December 8, 1998, petitioner DPRC protested in writing to respondent MIAA, alleging that Resolution No. 98-30 was invalidly issued. However, petitioner DPRC also signified its intention to comply in good faith with the terms and conditions of the lease contract by paying the amount charged in accordance with Resolution No. 98-30 despite registering its objection to its validity.

Solutio indebiti applies when payment was made on the erroneous belief of facts or law that such payment is due.[34] In the case at hand, petitioner DPRC's overpayment of rentals from 1998 to 2005 was not made by sheer inadvertence of the facts or the misconstruction and misapplication of the law. Petitioner DPRC did not make payment because it mistakenly and inadvertently believed that the increase in rentals instituted by the subsequently voided Resolution No. 98-30 was indeed due and demandable. From the very beginning, petitioner DPRC was consistent in its belief that the increased rentals were not due as Resolution No. 98-30 was, in its view, void.

However, petitioner DPRC still made payment despite its objection, not due to any mistaken belief, but for the sole reason that prior to the Court's Decision in *Manila International Airport Authority v. Airspan Corporation, et al.*, Resolution No. 98-30 was still presumed to be legal, having the force of law in the absence of any judicial declaration to the contrary. Hence, without any judicial declaration on the nullity of Resolution No. 98-30 at that time, petitioner DPRC had no alternative but to make the subject payments, though under protest. Therefore, it is not correct to say that the subject payments made by petitioner DPRC were made by mistake or inadvertence.

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31 *City of Cebu v. Caballero,* 110 Phil. 558, 563 (1960).
32 CIVIL CODE, Art. 2155.
33 BLACK'S LAW DICTIONARY 1092 (9th ed. 2009).
34 *Gonzalo Puyat & Sons, Inc. v. City of Manila,* 117 Phil. 985, 989 (1963).

Therefore, with the absence of the two essential requisites of *solutio indebiti* in the instant case, petitioner DPRC's cause of action is not based on the quasi-contract of *solutio indebiti*.

Petitioner DPRC's claim against respondent MIAA for full refund of the overpayment of rentals has not prescribed.

Considering that petitioner DPRC's cause of action is not based on a quasi-contract and is instead founded on the enforcement of a contract, the CA erred in applying Article 1145(2) of the Civil Code in the instant case.

Instead of the prescriptive period of six years for quasi-contracts, it is Article 1144[35] of the Civil Code that finds application in the instant case. This Article provides that an action based on a written contract must be brought **within 10 years from the time the right of action accrues**.

Aside from erroneously applying the six-year prescriptive period governing quasi-contracts, the CA likewise erred in stating that the applicable prescriptive period is reckoned from the date of petitioner DPRC's first overpayment on December 11, 1998.

In *Español v. Board of Administrators, Philippine Veterans Administration,*[36] as to when the right of action of a party who claims payment from the government due to the nullification of an administrative policy or issuance accrues, the Court held that the claimant has a cause of action for payment against the government **only from the time that the Court declared invalid the questioned administrative policy**. This is so because it is at that point when the presumption of legality of the questioned administrative policy had been rebutted and thus it can be said with certainty that the government infringed on the right of the claimant:

> The contention of appellant PVA that the action of appellee Maria U. Español to compel the restoration of her monthly pension and that of her children, effective from the date of cancellation on November 1, 1951, has already prescribed, inasmuch as the same was filed more than 10 years from the date of cancellation, is without merit.
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> x x x x
>
> The right of action accrues when there exists a cause of action, which consists of 3 elements, namely: a) a right in favor of the plaintiff by whatever means and under whatever law it arises or is created; b) an obligation on the part of defendant to respect such right; and c) an act or

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35 Art. 1144. The following actions must be brought within ten years from the time the right of action accrues:

(1) Upon a written contract;

x x x x

36 221 Phil. 667 (1985).

> omission on the part of such defendant violative of the right of the plaintiff (Cole vs. Vda. de Gregorio, 116 SCRA 670 [1982]; Mathay vs. Consolidated Bank & Trust Co., 58 SCRA 559 [1974]; Vda. de Enriquez vs. De la Cruz, 54 SCRA 1 [1973]). It is only when the last element occurs or takes place that it can be said in law that a cause of action has arisen (Cole vs. Vda. de Gregorio, *supra*).
>
> The appellee cannot be said to have a cause of action, in compelling appellant to continue paying her monthly pension on November 1, 1951, because appellant's act of cancellation, being pursuant to an administrative policy, cannot be considered a violation of appellee's right to receive her monthly pension.
>
> It is elementary rule in administrative law that administrative regulations and policies enacted by administrative bodies to interpret the law which they are entrusted to enforce, have the force of law, are entitled to great respect (Sierra Madre Trust vs. Secretary of Agriculture and Natural Resources, 121 SCRA 384 [1983]; Asturias Sugar Central Inc. vs. Commissioner of Customs, 29 SCRA 617 [1969]; Antique Sawmill Inc. vs. Zayco, et al., 17 SCRA 316 [1966]), and have in their favor a presumption of legality. Thus, appellant's act of cancelling appellee's monthly pension being presumed legal and valid, cannot be taken as a violation of appellee's right to receive her monthly pension under R.A. No. 65.
>
> In the case of Del Mar vs. The Philippine Veterans Administration (51 SCRA 340 [1973]), this Court did not consider prescription in favor of PVA, even though the action of Del Mar was filed on June 20, 1964 or more than 10 years from the cancellation of his monthly pension in March, 1950; because the action of Del Mar was basically to declare the questioned administrative policy invalid, which action does not prescribe.
>
> It is only when this Court declared invalid the questioned administrative policy in the case of Del Mar vs. The Philippine Veterans Administration, *supra*, promulgated on June 27, 1973, can the appellee be said to have a cause of action to compel appellant to resume her monthly pension; because it is at that point in time, when the presumption of legality of the questioned administrative policy had been rebutted and thus it can be said with certainty that appellant's act was in violation of appellee's right to receive her monthly pension.[37]

Therefore, considering that the Court's Decision in *Manila International Airport Authority v. Airspan Corporation, et al.* invalidating Resolution No. 98-30 was promulgated only on **December 1, 2004**, the right of action of petitioner DPRC for the refund of the overpaid rentals accrued only on the said date. **Hence, the filing of petitioner DPRC's Complaint for sum of money on December 23, 2008 was well within the prescriptive period**.

Therefore, regardless of whether the prescriptive period to be applied in the instant case is the one pertaining to actions arising from quasi-contracts, *i.e.*, six years, or from contracts, *i.e.*, 10 years, considering that the prescriptive

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[37] Id. at 669-671.

period started to run only on December 1, 2004, petitioner DPRC's claim for a complete refund of all the overpaid rentals has not prescribed.

More so, it is likewise undisputed that on **July 27, 2006**, petitioner DPRC sent respondent MIAA a **written demand** for the refund of ₱9,593,179.87, which covers the overpayment of monthly rentals made by petitioner DPRC since December 11, 1998.[38]

According to Article 1155 of the Civil Code, **the prescription of actions is interrupted when a written extrajudicial demand is made**. And so, when written extrajudicial demand for refund of overpayments was made by petitioner DPRC on July 27, 2006, not only was the prescriptive period to file an action suspended; jurisprudence holds that "[t]he interruption of the prescriptive period by written extrajudicial demand means that the said period would commence anew from the receipt of the demand[,] x x x **written extrajudicial demand wipes out the period that has already elapsed and starts anew the prescriptive period.**"[39]

Hence, after petitioner DPRC made its written extrajudicial demand on July 27, 2006, it actually had until **July 27, 2016** to file an action for the full recovery of the overpayment of monthly rentals. Accordingly, at the time of the institution of the Complaint for Collection of Sums of Money by petitioner DPRC on December 23, 2008, no claim for refund of overpaid monthly rentals had prescribed.

For the aforementioned reasons, the Court holds that the CA erred in issuing the assailed Decision and Resolution insofar as it modified the amount of respondent MIAA's liability. The Court finds that petitioner DPRC is entitled to the full amount of ₱9,593,179.87 plus legal interest at 12% per annum computed from the time of extrajudicial demand on July 27, 2006.

WHEREFORE, premises considered, the instant Petition is hereby **GRANTED**. The Decision dated May 31, 2013 and Resolution dated November 29, 2013 promulgated by the Court of Appeals, Special Second Division and Former Special Second Division, respectively in CA-G.R. CV No. 98378 are **PARTIALLY REVERSED** and **SET ASIDE** insofar as the Court of Appeals reduced the total amount of liability of respondent Manila International Airport Authority to ₱3,839,643.05, plus legal interest at 12% per annum computed from the time of the extrajudicial demand on July 27, 2006.

Accordingly, the Decision dated August 15, 2011 of the Regional Trial Court, Pasay City, Branch 119 in Civil Case No. R-PSY-08-08963, as clarified in its Order dated November 17, 2011, is **REINSTATED**.

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38 *Rollo*, p. 40.

39 *Ledesma v. Court of Appeals*, 295 Phil. 1070, 1073-1074 (1993), citing *Overseas Bank of Manila v. Geraldez, et al.*, 183 Phil. 493 (1979); emphasis supplied.

SO ORDERED.

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

WE CONCUR:

ANTONIO T. CARPIO
Associate Justice
Chairperson

ESTELA M. PERLAS-BERNABE
Associate Justice

JOSE C. REYES, JR.
Associate Justice

AMY C. LAZARO-JAVIER
Associate Justice

ATTESTATION

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

ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

CERTIFICATION

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

LUCAS P. BERSAMIN
Chief Justice