

Title: DKC Holdings Corporation vs. Court of Appeals, Victor U. Bartolome, and the Register of Deeds for Metro Manila, District III

Facts:

DKC Holdings Corporation (DKC) entered into a Contract of Lease with Option to Buy with Encarnacion Bartolome in March 1988 concerning land in Malinta, Valenzuela. DKC paid a P3,000.00 monthly consideration with an option to lease or purchase within two years. Upon Encarnacion's death in January 1990, payments were directed to her sole heir, Victor U. Bartolome, who rejected them.

Victor Bartolome executed an Affidavit of Self-Adjudication, leading to a title transfer in his name. In March 1990, DKC opted to lease the property and tendered the rental via registered mail, which Victor refused. DKC then deposited the rental fees in a bank account under Victor's name. Efforts to annotate the contract on the title were thwarted by the Register of Deeds.

In April 1990, DKC filed a complaint against Victor Bartolome and the Register of Deeds for specific performance and damages. Andres Lanozo moved to intervene, citing he was a tenant-tiller under the Comprehensive Agrarian Reform Law (CARL). The case was referred to, and the intervention was denied by, the RTC Valenzuela. The RTC dismissed the case and ordered DKC to pay attorney's fees. The Court of Appeals affirmed the RTC's decision.

Issues:

1. Was the Contract of Lease with Option to Buy transmissible and thus binding on Victor Bartolome, the sole heir of Encarnacion Bartolome?
2. Did DKC comply with its obligations under the contract and properly exercise its option to lease the property?
3. Was the existence of a registered tenancy fatal to the validity of the contract, and could it affect the enforcement of the lease agreement?

Court's Decision:

The Supreme Court granted the petition, setting aside the Court of Appeals and RTC decisions. The SC ruled that:

1. The contract did not terminate with Encarnacion's death, and the transmissibility of the rights and obligations bound Victor as the heir.
2. DKC complied with the contract terms by paying the reservation fees, tendering rental payments, and issuing a timely notice to exercise its option to lease.

3. The issue of tenancy by Andres Lanozo was not appealable in the present petition as the Motion to Intervene and to Dismiss was denied by the lower court and was not included in the Supreme Court's deliberations.

Doctrine:

The Supreme Court reiterated that contracts are generally transmissible to the heirs of a deceased party unless they are purely personal, stipulated as intransmissible, or made intransmissible by law (Art. 1311, Civil Code). It also clarified that the death of a party does not necessarily excuse non-performance of a contract, especially where the contract involves property rights.

Class Notes:

- Transmissibility of Contracts (Art. 1311, Civil Code)
- Criteria for determining the intransmissibility of obligations: Nature of the obligation, contractual stipulations, legal provisions
- Heirs' Privity of Interest: Succession to the rights and obligations of the decedent
- Exercise of an Option to Lease: Compliance with contract terms for validity

Historical Background:

This 2001 Supreme Court decision illustrates the adherence to civil law principles regarding the binding effects of contracts upon heirs. The case takes place against the backdrop of Philippine property law and obligations and contracts law, reflecting a continued respect for the intent of contractual parties, and the rights of successors in interest. The decision also demonstrates the intersection of contract law with property rights and succession law in the Philippines.