

Title: Claudina Vda. de Villaruel, et al. v. Manila Motor Co., Inc. and Arturo Colmenares

Facts:

On May 31, 1940, Claudina Vda. de Villaruel et al. (Villaruel) entered into a lease with Manila Motor Co., Inc. (MMCI) for several premises in Bacolod City. The lease included an auto showroom, repair shop, storage room, and residential house for five years, renewable for another five years, at a monthly rental payable in advance.

The lessee occupied the premises on October 31, 1940, until Japanese forces ousted them and occupied the premises from June 1, 1942, to March 29, 1945, during WWII. No rentals were paid by MMCI during the occupation. Post-liberation, the American Forces used and paid for the premises up to October 31, 1945. Subsequently, MMCI decided to renew the lease and sublet parts of the premises to Colmenares, except for the residence.

Villaruel sought legal advice about demanding unpaid rentals for the Japanese occupation period. After being advised affirmatively, they demanded payment from MMCI, which was refused. Attempts to amicably resolve payment issues failed, and on April 26, 1947, Villaruel initiated litigation in Civil Case No. 648. During the case, a fire completely destroyed the leased buildings, and Villaruel included the property's value as a third cause of action.

MMCI invoked the Debt Moratorium in effect at the time, leading to the dismissal of the first two causes of action on February 5, 1951. After the Rutter vs. Esteban case ruling on November 25, 1953, which invalidated the Moratorium Law's continued effectivity, the dismissal was set aside, and the case proceeded.

In a detailed procedural posture, the case went through the Court of First Instance of Negros Occidental, where MMCI filed various motions, including a motion for summary judgment, which the court denied. The trial resulted in a decision for Villaruel, and MMCI appealed to the Supreme Court.

Issues:

The issues deliberated by the Supreme Court were:

1. Whether MMCI was liable for rentals during the Japanese military occupation.
2. Whether Villaruel improperly refused the tender of current rentals tendered by MMCI and the consequences thereof.
3. The effect of the non-consignation of rejected rentals by MMCI.
4. The applicability of the moratorium on the obligation to pay the rentals for the years of occupation.

Court's Decision:

1. The Court held that the ouster of MMCI by Japanese forces was an act de derecho, not a mere trespass (perturbacion de mero hecho), thus exempting MMCI from the obligation to pay rent during their military ouster.
2. The Supreme Court found that Villaruel's refusal to accept rental payments without recognition of liability for the occupation period placed them in default (mora accipiendi), making them bear the risk of accidental loss of the leased premises in case of fire.
3. Although MMCI did not consign the rentals in court, the Court ruled that their failure did not eradicate Villaruel's default or the risk of loss, but it meant MMCI remained obligated to the unpaid contract rent for the period between July and November 1946.
4. The Supreme Court recognized that the Debt Moratorium could not apply to the obligation to pay the rentals as the lessee was not in possession during the Japanese occupation, nullifying MMCI's argument based on the moratorium.

Doctrine:

A key legal principle reiterated in this case is that a lessee is exempt from the obligation to pay rent when deprived of possession due to a belligerent military occupant's act, as this constitutes perturbation de derecho chargeable to the lessor under the Civil Code of Spain of 1889 which was in effect in the Philippines at that time.

Class Notes:

- Lease Agreements: The obligation of a lessor and the corresponding right of a lessee to enjoy the leased premises during the contract term.
- Perturbation de derecho vs. perturbation de mero hecho: A legal disturbance (perturbation de derecho) exempts a lessee from paying rent, as opposed to a simple disturbance (perturbation de mero hecho) which does not.
- Mora accipiendi: The concept where the creditor's refusal to accept performance places them in default, bearing the risk of accidental loss.
- Consignation: The act of depositing, in court, the object of the obligation when refused by the creditor; failure to consign renders the obligation to pay subsistent.

The Supreme Court relied on Articles 1554, 1560, 1185, 1452, and 1589 of the Spanish Civil Code as they articulated reciprocal obligations under lease contracts and the effects of fortuitous events on such contracts.

Historical Background:

This case is situated within the historical context of WWII and the subsequent Japanese

occupation of the Philippines. The legal conundrum in Villaruel's case arose because of the occupation and eviction of properties by military forces, which was a common occurrence during the war. Moreover, the case underscores the transition from the Spanish Civil Code to the newly crafted Philippine legal framework post-independence, and the impact of international law principles on domestic property rights during periods of martial conflict.