

**## Title:**

**\*\*Dizon et al. v. Court of Appeals and Overland Express Lines, Inc.\*\***

**## Facts:**

1. **\*\*Initial Lease Agreement:\*\***

- On May 23, 1974, Overland Express Lines, Inc. (lessee) entered into a lease with an option to buy with Fidela P. Dizon and others (lessors) involving a parcel of land in Quezon City.
- The lease term was for one year from May 16, 1974, to May 15, 1975, with an option to purchase at P3,000.00 per square meter.

2. **\*\*Ejectment Action Initiated:\*\***

- After the lease expired, the lease continued on a month-to-month basis at P3,000.00 per month.
- Overland failed to pay the increased rental of P8,000.00 per month effective June 1976.
- Petitioners filed an ejectment action on November 10, 1976.
- On November 22, 1982, the City Court (now MTC) decided in favor of petitioners, ordering Overland to vacate and pay arrears and damages.

3. **\*\*Initial Appeals and Outcomes:\*\***

- Overland filed a certiorari petition against the City Court judgment. The Court of Appeals (CA) upheld the City Court's jurisdiction.
- The Supreme Court affirmed the CA's decision, making the City Court's decision final and executory.

4. **\*\*Specific Performance Action:\*\***

- On October 7, 1985, Overland filed for specific performance and fixing of a period for the balance payment before the RTC.
- The RTC denied Overland's request for a writ of preliminary injunction.

5. **\*\*Annulment Action:\*\***

- Overland then filed for annulment and relief from judgment before another RTC branch, which was dismissed on the ground of res judicata.
- Overland's preliminary injunction was dissolved but later reinstated.

6. **\*\*CA Consolidated Decisions:\*\***

- The Court of Appeals consolidated the specific performance and annulment cases, rendering a decision stating a perfected sale existed based on Down payment of P300,000.00 by Overland.

- CA ordered the execution of the deed of sale upon payment of the balance.

7. **Subsequent Motions and Petitions:**

- Petitioners filed for execution of judgment which was granted, Overland's motions to reconsider were denied.

- Overland filed various petitions for certiorari, all ending in favor of the petitioners who eventually sought Supreme Court intervention.

**## Issues:**

1. **Jurisdiction of City Court in Ejectment Case:**

- Whether the City Court had jurisdiction to entertain the ejectment case despite Overland's separate suit for specific performance.

2. **Perfected Contract of Sale:**

- Whether there was a perfected contract of sale between petitioners and Overland based on the latter's partial payment tendered in 1975.

3. **Validity of Exercise of Option to Buy:**

- Whether Overland validly exercised its option to purchase the property within the stipulated period.

4. **Agency and Authority:**

- Whether Alice A. Dizon had the authority to accept payments and bind petitioners to the sale agreement.

**## Court's Decision:**

1. **Jurisdiction of City Court:**

- The Court affirmed the City Court's jurisdiction over the ejectment case. It emphasized that the ejectment action was validly instituted due to Overland's failure to pay the increased rent, and the City Court had exclusive jurisdiction over the matter.

2. **No Perfected Contract of Sale:**

- The Supreme Court held there was no perfected contract of sale between the parties because petitioners did not validly consent to the sale, and Alice A. Dizon did not have authority to receive payments on their behalf. Overland's reliance on her purported authority was deemed negligent.

3. **Expiration of Option to Buy:**

- The Court found that Overland failed to exercise its option to purchase within the original one-year term. Subsequent enforcement attempts were made beyond the stipulated period and were thus invalid.

#### 4. **Estoppel and Assertion of Rights:**

- The Court rejected Overland's argument of estoppel, clarifying that the filing for specific performance a decade after the option period had expired was untimely.

#### **## Doctrine:**

- **Lease with Option to Buy:** Unless explicitly renewed, options to buy tied to lease contracts do not carry over into implied renewals of such leases.
- **Agency and Authority:** Those dealing with an agent are required to verify the agent's authority; failure to do so precludes them from binding the principal.
- **Ejectment Actions:** Continuing possession beyond the lease term can result in automatic renewal terms based only on aspects directly related to possession, not extending to ancillary options such as purchase provisions.

#### **## Class Notes:**

- **Key Concepts:**
- **Jurisdiction:** City Courts have jurisdiction over ejectment cases even when specific performance is litigated elsewhere.
- **Ejectment:** Lease terms renew month-to-month absent renewal of purchasing options; non-payment justifies eviction.
- **Agency Law:** Emphasis on verifying agent's authority to prevent void contracts.
- **Contract of Sale:** Requires clear consent, object, and price; partial payments without corresponding authority do not constitute a perfected sale.
- **Legal Provisions:**
- **Article 1687, Civil Code:** Lease periods.
- **Article 1673, Civil Code:** Causes for judicial ejectment.
- **Article 1144, Civil Code:** Prescription of actions.
- **Article 1868, Civil Code:** Definition of agency.
- **Article 1475, Civil Code:** Perfection of sale contracts.

#### **## Historical Background:**

- **Context:**
- This case reflects the legal interplay between property law and contract execution in the

Philippines, especially addressing the procedural rigors in enforcing real estate transactions grounded in long-standing lease agreements.

- It underscores ongoing jurisdictional debates regarding the scope of lower courts in handling ejectment vis-a-vis higher courts addressing broader contractual obligations.