

NIEVES VDA. DE MIRANDA, ETC., ET AL., PLAINTIFFS AND APPELLANTS, VS. LIM SHI, DEFENDANT AND APPELLANT.*G.R. No. L-18494. December 24, 1964*Read online (full-text search, related cases, audio case brief): <https://batas.org/library/11882e4a3053/>**BAUTISTA ANGELO, J;**

Nieves Vda. de Miranda and her children are the owners pro-indiviso of a residential land situated in Zamboanga City which they leased to Lim Shi for a period of ten years beginning January J8, 1940. The pertinent provisions of the lease are the following: the lessee shall pay to the lessors a monthly rental of P200.00; the lessee shall build a two-story commercial building on the land; upon the termination of the period of the lease the building and other improvements shall become the property of the lessors; and after the expiration of the period of the lease, the lessee, or his heirs or legal representatives, shall be given preference to continue renting the building, but the amount of the rent shall be determined by the parties taking into consideration "the current rental of commercial buildings in the locality at the time the new agreement is made."

On January 3, 1959, or shortly before the expiration of the contract of lease, the lessors wrote the lessee asking him if he was interested in exercising the preferential option given to him to continue leasing the premises and suggesting that, should he desire to do so, he contact their attorney-in-fact Vicente C. Miranda. On January 29, 1959, the lessee replied stating that he was interested in continuing with the lease but proposed that the renewal be for another term of ten years with an increased rental of P750.00 a month. The next day the lessors wrote back advising the lessee that they were willing to accept his offer to pay an increased rental of P750.00 a month but that they were not agreeable to renew the lease for another term of ten years. The lessors, however, added that they were willing to give him a concession of one year for the new lease and that, if he was not agreeable to it, they were giving him notice to vacate the premises by the end of February, 1959.

On February 17, 1959, the lessee replied stating that since Clause VII of the contract provides that, in case of renewal, the only question to be determined is the amount of rent to be paid by the lessee because the contract is silent as regards the period of the new lease it is to be presumed that the new period should be the same as the original contract, namely, ten years, while in the same letter the lessee enclosed a check in the amount of P750.00 representing the rent for the month of February, 1959 intimating that the subsequent monthly payments for the balance of the remaining period would be effected at the end of each calendar month. This tender was refused, and so on February 27, 1959, the lessee consigned the amount of the check in court with due notice to the lessors, or their counsel.

On March 18, 1959, the lessors commenced the present action for specific performance with damages against the lessee before the Court of First Instance of Zamboanga City alleging, among others, that having continued in possession of their property even after the expiration of their original contract of lease the lessee should be deemed to have impliedly agreed to its renewal for a period of one year as proposed by them and, hence, he should be ordered to execute a lease contract to that effect.

Defendant in his answer set up the defense that he is entitled to continue renting the building of the plaintiffs after

the expiration of the original lease contract upon his option; that he has exercised this option by notifying the plaintiffs of his desire to renew the lease for another period of ten years since under Clause VII of the contract the only point to be determined in the amount of the rent to be paid under the new contract of lease; that in line with his option he offered to plaintiffs the sum of P750.00 a month as rental which they have accepted as reasonable; and that, notwithstanding such acceptance, plaintiffs because of an incorrect interpretation refused to renew the lease for such period and instead only gave defendant a concession of one year which to him is unacceptable. He prayed that plaintiffs be ordered to accept a renewal of the lease contract for a term of ten years as implied from their original contract, plus damages and costs.

After trial, the court a quo rendered decision declaring that, since there is no specific provision in the original contract that it should be renewed for another period of ten years, its tacit renewal should be interpreted only as on a month to month basis and, consequently, it ordered defendant to pay plaintiffs the sum of P750.00 rental at the end of every month, plus the costs of suit.

Both parties appealed directly to this Court defendant contending that the court a quo erred in not holding that the tacit renewal of the contract of lease should be for a period equal to that of the original agreement, which is ten years, while plaintiffs from that portion which rejects their claim that the implied renewal is only for a period of one year and that which denies their claim for damages.

The pertinent provision of the lease contract which needs to be considered in this appeal is Clause VII which reads in part:

"That after the expiration of this contract, the lessee LIM SHI, his heirs or legal representatives may have the preference to continue renting the said building the amount of rent to be determined anew by the parties who shall take into consideration the current rental of commercial buildings in the locality at the time the new agreement is made."

As may be noted, while the lessee is given the preference to continue renting the building under lease without mentioning the period during which the lease may be continued, the clause leaves to the parties the determination of the amount of rent that should be paid in case of renewal of taking into consideration the current rental of similar commercial buildings in the locality. And because of such silence in the term under which the lease may be renewed defendant now contends that, should the parties tacitly renew the lease, it should be for a similar period of ten years, as otherwise the parties would have clearly provided therein that the renewal would be for a different period. Defendant argues further that, inasmuch as the contract directs that, in case of renewal, it is only the amount of rent that should be determined by the parties, the period of lease does not have to be determined anew because by implication the same is for another period of ten years.

We cannot subscribe to this view. It is not disputed that the original contract of lease which is for a period of ten years had already expired on January 18, 1959, and while it is true that due to the desire of defendant the same was considered to have been renewed tacitly, such renewal, however, cannot be deemed to be for the original period of ten years as it is admitted by both parties that their original contract is silent on the matter.

"When the tenant, with the acquiescence of the landlord, holds over after the expiration of the term, the tacit renewal of the lease is not for the same term as that of the original contract, but xxx according to the character of the property and the periods of payment of the rent.

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"The expiration of the terms fixed by the agreement produces the extinction of the contract, and the tenant holding over is not entitled to rely upon any of the conditions stipulated in the original agreement." (Gonzales vs. Crisanto, 2 Phil., 404)

And even if we interpret Clause VII in relation to Clause II of the same contract, which has reference to the period of the lease, the most that can be said is that the provision relative to the renewal of the contract is ambiguous and as such it merely warrants judicial interpretation. This being so, the only rational conclusion that can be drawn is that there being no clear period of renewal agreed upon between the parties the same should be subject to a new agreement and cannot be left to the will of either of the parties as defendant would now desire. And it appearing that there is no sufficient evidence to show that the parties had agreed to renew the contract of lease either for a period of ten years, as desired by defendant, or for a period of one year, as claimed by the plaintiffs, we are constrained to hold that the implied renewed contract between the parties is on a month to month basis considering that the plaintiffs have accepted the monthly rental of P750.00 tendered to them by defendant.

"x x x if by the terms of the lease the period of its duration was five years, for instance, and a monthly, quarterly, or yearly rental was reserved, and upon its expiration the tenant, with the acquiescence of the landlord, holds over the fifteen days, this does not bring about a tacit renewal of the lease for another term of five years, but creates a tenancy from month to month, from quarter to quarter, or from year to year, as the case may be, governed thereafter, as to duration and renewal, by article 1581.

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"In Gonzalez vs. Crisanto (2 Phil. Rep., 404, 409), it was contended by the tenant that upon the expiration of the term of three years for which the premises in question had been leased he was permitted to hold over for more than fifteen days, and that this had brought about a tacit renewal of the lease for another three years. The court held that the resulting tenancy was one from month to month only, under article 1566, a monthly rental having been reserved under the original contract." (Ottofy vs. Dunn, 38 Phil., 438, 442-443)

"There being no fixed term for the lease and the rental agreed upon being monthly, the lease must be deemed from month to month and may be terminated after each month with due notice served upon the lessee." (Villaroman vs. Techico, 83 Phil., 901, citing Roque vs. Cavestani de los Santos, L-218, August 8, 1946; See also Article 1687, new Civil Code; Tuazon vs. Javellana, 77 Phil., 385)

As regards the plaintiffs' claim for damages and attorney's fees, we find well-taken the following observation of the court a quo:

"The justification of attorney's fees not having been proven, plaintiffs are not entitled to the same. The defendants Lim Shi was actuated by no bad faith in consigning the monthly rentals to the Clerk of Court of the Court of First Instance of Zamboanga City and no fault can be attributed to him, hence, no damages can be awarded. No moral and exemplary damages likewise, be awarded as plaintiffs did not even try to prove the same. The mental anguish alleged by the plaintiffs was no more than those anxieties and thrills undergone by any litigant in Court in the preparation of a legal battle and plaintiffs were not able to prove any damage at all."

WHEREFORE, the decision appealed from is affirmed, without pronouncement as to costs.

Bengzon, C. J., Reyes, J. B. L., Barrera, Paredes, Dizon, Regala, Makalintal, Bengzon, J. P., and Zaldivar, JJ., concur.

CONCEPCION, J., concurring:

Under the contract between the parties, the lessee is not entitled as a matter of right to a renewal of said contract. In the language thereof, he "may have the preference to continue renting" the property of the lessor. In other words, he "may not demand that the continuation of the lessor-lessee relationship be for the same period of time as that of the original term. Accordingly, I concur in the foregoing opinion of Mr. Justice Felix Bautista Angelo.

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