

CHUA GUI SENG, PLAINTIFF AND APPELLANT, VS. GENERAL SALES SUPPLY CO., INC., DEFENDANT AND APPELLEE.

G.R. No. L-3974. April 28, 1952

Ponente: PARAS, C.J.

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PARAS, C.J.:

On May 28, 1948, the plaintiff-appellant, Chua Gui Seng, leased to the defendant-appellee, General Sales Supply Co., Inc., the corner door of a house situated at No. 674 Rizal Avenue, Manila, for a term of one year from June 1, 1948, at a monthly rental of P1,500 payable within the first five days of each month. The contract of lease stipulated that the lessee would deposit the sum of P3,000 upon its execution, to be applied to the monthly rentals corresponding to the last six months of the lease at the rate of P500 per month, but that in case the lessee failed to complete the term of the lease, said deposit would be forfeited in favor of the lessor. The defendant-appellee in fact deposited with the plaintiff-appellant the sum of P3,000.

The defendant-appellee failed to pay the monthly rentals for September and October, 1948, as a result of which Atty. Jesus B. Santos, as counsel for plaintiff-appellant, wrote on October 8, 1948, the following letter to the defendant-appellee:

"In behalf of my client, Mr. Chua Gui Seng, owner of the building presently occupied by your store at 674 Rizal Avenue, Manila, I wish to make it known to you and your associates that your failure to comply with your lease contract with my client has been indorsed to me for compliance.

"It appears from your statement of account with my client that you have a back rental of two (2) months, covering the months of September and October, 1948. As per agreement you are obliged to pay your monthly rental to my client in advance within the first five (5) days of each and every month.

"You are, therefore, now under obligation pursuant to your lease contract to remit to my client the sum of P3,000 at the rate of P1,500 per month.

"My client cannot afford to wait from your alleged collections in the provinces as he has many pending obligations to cover up this month.

"I regret; to state that we cannot accommodate you by applying the P3,000 deposit as consideration for giving the lease of the premises in your favor, because with your violation of the terms of the contract we are constrained to forfeit the said sum of P3,000 as penalty of your failure to comply with the agreement.

"In this connection, we are notifying you that we have decided to terminate the contract of lease with you, and we are hereby giving you a grace of fifteen (15) days from the date hereof to vacate the premises in order that we could secure other tenants who are ready and willing to occupy your place and assume the same conditions stipulated in our contract.

"However, if you can make the necessary arrangement and pay to my client your back rentals of P3,000, we shall not proceed with our action of bringing the case of ejection before the court for enforcement, and we shall abandon the idea of forfeiting your P3,000 deposit."

On October 18, 1948, the plaintiff-appellant filed in the Municipal Court of Manila against the defendant-appellee complaint for ejectment. On October 29, 1949, the Municipal Court rendered judgment in favor of the plaintiff, from which the defendant appealed to the Court of First Instance of Manila. In the latter court, the following stipulation of facts was entered into by the parties:

"1. That plaintiff and defendant entered into a contract copy of which is Exhibit D attached to the record, which is admitted by the defendant and by the plaintiff.

"2. That upon receipt of the letter dated October 8, 1948, of the plaintiff marked Exhibit 1 attached to the record, the defendant vacated the premises on October 31, 1948, two days after the promulgation of the judgment of the Municipal Court and two days before we received notice of said judgment.

"3. That the defendant on April 28, 1948 deposited the sum of P3,000 with the plaintiff as evidenced by the receipt Exhibits 2 attached to the record in accordance with the provisions of the contract marked Exhibit D."

On February 23, 1950, the Court of First Instance of Manila rendered a decision dismissing the complaint. The plaintiff has appealed.

In dismissing the case, the trial court relied on the letter of Atty. Santos, as counsel for the plaintiff-appellant, in which Atty. Santos gave the defendant-appellee a grace of 15 days to vacate the premises in order that his client could secure other tenants, and in which Atty. Santos added that "if you can make the necessary arrangement and pay to my client your back rentals of P3,000, we shall not proceed with our action of bringing the case of ejectment before the court for enforcement, and we shall abandon the idea of forfeiting your P3,000 deposit." The theory of the trial court is that the letter of Atty. Santos in a sense amended the contract of lease, and that, without waiting for the expiration of the period of 15 days granted in said letter, the plaintiff-appellant filed his complaint for ejectment, thereby giving the defendant-appellee no chance either to vacate the premises or to pay the back rentals of P3,000. In effect, the trial court held that the surrender of the leased property by the defendant-appellee on October 31, 1948, released the latter from paying the back rentals, to which the deposit of P3,000 should be applied.

In our opinion, the trial court and the defendant-appellee are in error. The letter of Atty. Santos plainly called for the enforcement of the contract of lease, which included the forfeiture of the deposit of P3,000 made by the defendant-appellee. The offer of Atty. Santos to allow the defendant-appellee to pay the back rentals within 15 days, without the forfeiture of the deposit, merely entitled the appellee to continue the lease, provided he paid the rentals in arrears, in which case, of course, the deposit of P3,000 would be applied in accordance with the contract. The offer did not certainly authorize the appellee, with no advantage at all to the appellant, to violate the contract of lease by vacating the premises and refusing to pay the overdue rentals, and still set away with the forfeiture of the deposit which was required undoubtedly to insure compliance on the part of the appellee. The fact that the complaint for ejectment was filed before the expiration of the period of grace granted by appellant's counsel, is of no moment, since the appellee made no attempt whatsoever to pay the back rentals and stay in the leased property within said period.

We are, however, inclined to allow the forfeiture of the deposit to the extent only of one half, in view of the circumstance that the lease had already run almost halfway, and the letter of Atty. Santos might have led the defendant-appellee into believing that it could voluntarily give up the premises and have the deposit applied to the back rentals, especially when as wished in the letter of Atty. Santos, the appellant was enabled to look for other tenants after the appellee had left within the period of grace.

Wherefore, the appealed decision is hereby reversed and the defendant-appellee is ordered to pay to the plaintiff-appellant the sum of P3,000, as back rentals, without interest, to which one-half of the deposit of P3,000

may be applied, the other half being declared forfeited. So ordered with costs against the defendant-appellee.
Feria, Pablo, Bengzon, Tuason, Montemayor, Reyes, and Bautista Angelo, JJ., concur.

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