

**JOSE DE LUNA GONZALES, AND CATALINA M. GONZALES,
PETITIONERS, VS. GENEROSA DE LEON, JUANITA MARTINEZ AND
THE HON. COURT OF APPEALS, RESPONDENTS.**

G.R. No. L-17250. January 31, 1962

Ponente: CONCEPCION, J.

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CONCEPCION, J.:

Appeal by certiorari from a decision of the Court of Appeals.

On November 28, 1944, Jose de Luna Gonzales executed, in favor of Juanita Martinez, a deed of absolute sale of a parcel of land situated in the barrio of Tagabas, municipality of Catanauan, province of Tayabas (now Quezon), and covered by Transfer Certificate of Title No. 14714 of said province, for and in consideration of the sum of P30,000 paid by said Juanita Martinez. On the same date, both parties entered into a contract whereby Juanita Martinez granted Gonzales an option to purchase said land, within six (6) months after the expiration of one year from the signing of the treaty of peace between the nations involved in the Greater East Asia war, for the sum of P6,000, in Philippine currency at the time of the exercise of said option, with the right, on the part of Gonzales to sell, transfer, mortgage, dispose or otherwise encumber his aforementioned option, as well as to continue occupying the property, at a monthly rental equivalent to 2% of P6,000, from the date above mentioned, which rental shall automatically be increased to 6% of P6,000 immediately upon the signing of the said treaty. As a consequence, the aforementioned Transfer Certificate of Title No. 14714 was cancelled and, in lieu thereof, Transfer Certificate of Title No. 21029-T-79, in the name of Juanita Martinez, was issued. The aforesaid option to purchase was duly registered and annotated in the latter certificate of title.

On October 18, 1952, Juanita Martinez assigned, transferred and conveyed her rights and interest in and to the aforesaid property to Generosa de Leon, for the sum of P5,000, subject to the aforementioned option of Gonzales, who, according to the deed of assignment, had not paid any rental whatsoever. On October 23, 1952, counsel for Juanita Martinez advised Gonzales of this assignment. Soon thereafter, or on November 6, 1952, a similar notice was given to Gonzales by counsel for Generosa de Leon, who, also, called the attention of Gonzales to the fact that the rentals overdue from November 28, 1944 to October 31, 1952, aggregated P1,230.00.

On December 5, 1952, Generosa de Leon instituted the present action, in the Court of First Instance of Quezon, to eject Gonzales from the land aforementioned and secure possession thereof, as well as recover the unpaid rentals, plus P360 a month from November 25, 1952 to March 24, 1953, date of the expiration of the option to purchase, and the value of such products of said land as Gonzales may obtain after March 24, 1953, should he fail to exercise the option.

Over the objection of Gonzales, the lower court admitted an amended complaint, filed by Generosa de Leon on April 7, 1953, in which the latter prayed: (1) that she be declared owner in fee simple of the property in dispute, in view of the failure of Gonzales to make use of said option to purchase within the stipulated period; (2) that the lease contract with Gonzales be declared terminated; and (3) that Gonzales be sentenced to vacate the land and pay

P16,320 as rentals overdue, and those which may accrue from March 25, 1953, at the rate of P360 a month, plus P1,000 as damages, aside from the costs.

On or about December 29, 1953, Generosa de Leon filed another amended complaint, which included Juanita Martinez as additional defendant, with the prayer, among others, that—in the event of annulment of the contract of November 28, 1944, between Gonzales and Martinez, and of the assignment made by the latter in favor of De Leon—said Juanita Martinez be sentenced to refund to Generosa de Leon the sum of P5,000, with interest thereon, and the expenses of litigation.

In due time, Gonzales moved to dismiss the original complaint and the two amended complaints, but the motions were denied. Subsequently, he filed an answer with counterclaim, alleging usury and failure of the contracts sued upon to express the true intent of the parties. This answer was amended on June 18, 1954.

About a year later, or on May 16, 1955, Gonzales, once again, moved to dismiss the case upon the ground that the same was within the exclusive jurisdiction of the Court of Industrial Relations, but the motion was denied. Upon the creation of the Court of Agrarian Relations, or on July 6, 1955, he moved for a reconsideration of the order denying said motion, with the same result.

After due trial, the court of first instance rendered a decision, dated October 18, 1956: (a) declaring plaintiff De Leon owner of the property in dispute; (b) rescinding the contract of lease in favor of defendant Gonzales, in view of his failure to pay the stipulated rental; (c) ordering him to deliver said property to plaintiff; and (d) sentencing the former to pay to the latter the sums of P9,840, as rentals from November 28, 1944 to September 8, 1951, and P27,200, as rentals from September 8, 1951 to October 18, 1956, plus P360.00 a month, from the date last mentioned up to the delivery of the property to the plaintiff, and P1,000 as damages, apart from the costs.

On Appeal taken by Gonzales, this decision was affirmed by the Court of Appeals, except as to the award for damages, which was eliminated. Hence, Gonzales took this appeal by certiorari.

Gonzales maintains that, the lower court erred in holding that there was a contract of lease between him and Juanita Martinez and in not finding that said alleged contract was a mere device to circumvent the provisions of the Usury Law and that no rentals, therefore, are due from him. However, the deeds incorporating the agreement between Gonzales and Juanita Martinez appear on their face to establish the existence of said contract of lease. Whether or not said deeds expressed the true intent of the contracting parties is a question of fact, which was resolved by the court of first instance and the Court of Appeals in the affirmative. The finding of the Court of Appeals thereon is conclusive upon us.

It is next urged that the Court of Appeals erred in holding that the right of Gonzales to repurchase the property in question has already expired, and in declaring that plaintiff has thus become the owner in fee simple of said property, for Article 1606 of our Civil Code provides:

"The right referred to in article 1601, in the absence of an express agreement, shall last four years from the date of the contract.

"Should there be an agreement, the period cannot exceed ten years.

"However, the vendor may still exercise the right to repurchase within thirty days from the time final judgment was rendered in a civil action on the basis that the contract was a true sale with right to repurchase."

In line with our decision in *Ceynas vs. Ulanday*, (105 Phil., 1007; 56 Off. Gaz., [36] 5613) we hold that Gonzales is entitled to redeem said property within 30 days from the date on which the decision of this Court shall have become final, without prejudice to the right of Generosa de Leon to collect the amount awarded to her, in the

decision appealed from, by way of rentals.

Lastly, Gonzales contends that the Court of Appeals erred in not declaring that the court of first instance should not have ordered the execution of its decision during the pendency of the appeal. In this connection, it appears that, shortly after the rendition of said decision, plaintiff filed a verified petition for the execution thereof, upon the ground that Gonzales had been unable to satisfy: (1) the judgments rendered against him in Civil Cases (a) No. 12054 of the Municipal Court of Manila, on May 29, 1952, for P300, plus interest and costs, (b) No. 5244 of the Court of First Instance of Quezon, on December 18, 1952, for P5,000, and (c) CA-G.R. No. 11103-R, of the Court of Appeals, on November 18, 1953, for costs in the sum of P20; and (2) a mortgage debt in favor of the RFC, which, including interests up to August 1955, aggregated P13,000, as well as a P10,000 debt in favor of one R.J. Server, contracted on January 10, 1945. Despite defendant's opposition thereto, this petition was granted upon the filing of a P10,000 bond. Relying upon *Manzano vs. Legarda* (51 Off. Gaz., 3020), the Court of Appeals sustained the action taken by the court of first instance. Under the facts set forth in said petition, which are not contested, we find that the order of execution pending appeal was fully justified.

With the modification that defendant Jose Luna Gonzales shall be entitled to redeem the property in dispute within thirty (30) days from and after the date on which this decision shall become final, provided that the credit of plaintiff Generosa de Leon for rentals overdue is first satisfied, the decision of the Court of Appeals is hereby affirmed in all other respects, without special pronouncement as to costs in this instance. It is so ordered.

Bengzon, C. J., Padilla, Bautista Angelo, Labrador, Reyes, J. B. L., Barrera, Paredes, Dizon, and De Leon, JJ., concur.

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