

JESUSA VDA. DE MURGA, PLAINTIFF-APPELLEE, VS. JUANITO CHAN, DEFENDANT-APPELLANT.

G.R. No. L-24680. October 07, 1968

Ponente: ANGELES, J.

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ANGELES, J.:

In this appeal, two issues involving questions of law are posed for resolution: First, whether or not the allegations in the complaint constitute a cause of action for unlawful detainer, and confer jurisdiction over the case to the municipal court (now city court) of Zamboanga City, under the provisions of Rule 70 of the Rules of Court and decisions interpreting the same, when particularly considered in the light of the contexture of the pertinent letter of demand to vacate the leased premises (Annex J of the Complaint), couched in the following wise:

"Please be advised further that we reiterate our demand made to you in our registered letter dated February 4, 1959 (to vacate the leased premises) which was received by you on the 10th instant, unless you pay the amount of Six Hundred pesos, (P600.00) or Seven hundred pesos (P700.00) as new rental per our letter of January 19, 1959, before the expiration of the 15-day period granted you for vacating the same."

and, Second, whether or not the lessor and the lessee had agreed upon an automatic renewal of the lease of the premises, under the stipulation in clause "7" of the corresponding contract of lease, containing the following agreement:

"7. - That upon the termination of the term of Ten (10) years above expressed, the said Jesusa Vda. de Murga shall have the option to purchase the building or buildings belonging to and constructed by the said Juanito Chan, and the price of said building or buildings shall be determined by three commissioners, two of whom shall be appointed by each of the parties, and the remainder commissioner shall be appointed by both. However, in the event that the said Jesusa Vda. de Murga shall not exercise the right granted her for any reason or cause, this contract of lease shall be automatically renewed but the period for said renewal shall, however, be fixed and adjusted again by the parties. It is agreed further that in case of said renewal, the rental shall also be adjusted by the parties depending on the business condition which shall then at that time prevail." (Exhibit A)

Jesusa Vda. de Murga was the owner of two parcels of land in the City of Zamboanga, designated as lots 36 and 38 of the cadastral plan of the place, and covered by Transfer Certificate of Title Nos. 3237 and 3238, respectively.

On January 31, 1949, a contract of lease over said two lots was entered into by and between Jesusa Vda. de Murga as lessor, and Juanito Chan as lessee, the basic terms of which pertinent to the present case are: The period of the lease was ten(10) years from January 31, 1949; the lessee to pay a monthly rent of P500.00 with-in the first ten days of every month; with the consent of the lessor, the lessee may introduce improvements on the land; and Clause '7' quoted hereinabove. (Exhibit A.)

Upon taking possession of the leased premises, with the consent of the lessor, the lessee introduced improvements

on the land consisting of buildings of the total costs of P70,000.00. It is not disputed that the lessee paid in full the monthly rent during the ten-year period of the lease.

As early as July 23, 1958, before the expiration of the ten-year period of the lease, there had been in-tercourse of communications between the lessor and the lessee for the renewal of the lease, but the parties failed to arrive at an Agreement; hence, this action by the lessor against the lessee.

Thus, on July 23, 1958, the lessor informed the lessee of her willingness to renew the lease for five years at a monthly rent of P700.00. (Exhibit B.) In his reply the lessee said:

"x x x Much as I am willing to consider the suggested increase of rental, however, I would like to plead with you that due to very poor business at present, I may not be able to consider your indicated increase." (Exhibit C.)

On August 1, 1958, the lessor advised the lessee that:

"Beginning February 1, 1959, x x x the rental of my lots x x x x will be P700.00." (Ex-hibit. D.)

On January 18, 1959, the lessee advised the lessor that she (lessor) should purchase the buildings constructed on the land in accordance with the stipulation in the contract of lease, and -

"x x x In case you do not agree with the purchase of the aforesaid buildings, I am willing to continue occupying the land and execute a new contract of lease, but I am appealing to you to take consideration the prevailing business conditions by reducing the monthly rental to P400.00, x x x." (Exhibit L.)

On January 19, 1959, the lessor replied that -

"x x x she rejects the option to purchase the buildings, x x x and her present last offer is: (a) Six hundred pesos (P600.00) rentals payable within the first fifteen days of every month, without contract; or (b) Seven hundred pesos (P700.00) rentals payable within the first fifteen days of every month, one year advanced rental, with a five-year contract." (Exhibit F.)

On January 20, 1959, the lessor informed the lessee that the conditions stated in the latter's letter of January 18, 1959, were not acceptable to her. (Exhibit G.)

On January 21, 1959, the lessee advised the lessor that he (lessee) cannot accept the conditions stated in her (lessor's) letters of January 19 and 20, 1959 -

"x x x y, insisto que Vd. compre mis casas enclavadas en los lotes objeto de arrendamiento. Y en caso de su negativa seguire ocupando el solar bajo el pago de un alquiler mensual de Quinientos pesos (P500.00) debido al negocio reinante en estos dias, tal como esta dispuesto en el contrato de arrendamiento firmado por Vd. y yo el dia 31 de Enero de 1949." (Exhibit H.)

On February 4, 1959, the lessor made demand on the lessee to vacate the premises -

"x x x for the reason that that the lease contract had expired on January 31, 1959, x x x and the lessor had waived the right to exercise the option granted her under paragraph '7' of said contract, x x x." (Exhibit I.)

On February 16, 1959, the lessee sent his check for P500.00 to the lessor in payment of the monthly rental corresponding to the month of February, 1959. (See Exhibit J.)

On February 19, 1959, the lessor returned to the lessee the check which the latter had sent to the for-mer, stating further in the letter that she was demand-ing that the leased premises be vacated, if he (lessor) would not agree to pay the new rental of P600.00 or P700.00 a month beginning February 1, 1959, as embodied in the letter, Exhibit J, hereinabove quoted.

Disregarding the written demand of the lessor, dated February 19, 1959, Exhibit J, the lessee chose to remain in the possession of the leased premises and insisted that the contract of lease stipulated an automatic renewal of the lease, and conformably thereto, he has a right to continue occupying the premises; and as token of his decision, he sent to the lessor his check for P500.00 in payment of the monthly rent corresponding to the month of February 1959. The lessor was undoubtedly not satisfied with the tendered amount of P500.00, because she had demanded P600.00 or P700.00, as new monthly rent as a condition for the renewal of the lease. And without any further definite demand on the lessee to vacate the premises filed, on March 10, 1959, a complaint of unlawful detainer in the municipal court of Zamboanga City against the lessee, Juanito Chan, to eject the latter from the leased premises. The facts alleged in the complaint as cause of action, consisted in reproducing and reiterating the substance of the correspondence exchanged between lessor and lessee, as narrated above, and claiming that the possession of the lessee of the premises had become illegal by his failure and refusal to pay the increased new rental. For relief, the plaintiff prayed that the defendant be ordered to vacate the premises, and "TO PAY THE NEW RENTS DEMANDED OF P600.00 or P700.00 FROM FEBRUARY 1, 1959 MONTHLY AS THE CASE MAY BE." Attached to the complaint, as annexes thereto, were copies of the letters exchanged between the lessor and the lessee, Exhibits B to J.

In his answer (as amended), the defendant admitting the genuineness and authenticity of the letters annexed to the complaint, but traversing some of the allegations therein, raised the defenses of lack of jurisdiction of the court over the case, and lack of cause of action for unlawful detainer.

After a trial, decision was rendered ordering the defendant to vacate the premises, to pay the plaintiff the sum of P600.00 as monthly rent from February 1, 1959, and P500.00 as attorney's fees.

The defendant appealed from the decision to the Court of First Instance of Zamboanga City. Before this Court, the defendant again raised the special defenses of lack of jurisdiction of the municipal court and lack of cause of action for unlawful detainer. Ruling on the issue of lack of jurisdiction, the court said:

"With reference to the contention of defendant that the municipal court had no jurisdiction to try this case because the interpretation, application and enforcement of the terms of the Lease Agreement is within the competence of a court higher than that of the municipal court, deserves hardly any discussion. Suffice it to say that the jurisdiction of the municipal court is grounded on Section 88 of the Judiciary Act of 1948."

After a trial, the Court of First Instance rendered judgment ordering the defendant to vacate the premises, to pay the plaintiff the sum of P1,200.00 from February 1, 1959, as monthly rental of the land, and P2,000.00 as attorney's fees.

From the foregoing decision, the defendant interposed a direct appeal to this Court. Therefore, only questions of law may be considered in this appeal.

Among the four errors assigned by the appellant in his brief, the first two pose the issue of lack of jurisdiction of the municipal court and of the lack of cause of action for unlawful detainer; the remaining errors delving on questions of fact which, by reason of the nature of the appeal are, therefore, denied admitted and may not be reviewed in this appeal.

In relation to the issue of lack of jurisdiction of the municipal court over the case, it is to be noted that, after the lessor and the lessee had failed to agree on the renewal of the lease which terminated on January 31, 1959, the lessor, on February 19, 1959, sent the demand letter hereinabove quoted, Exhibit J. It was, then, as it is now, the contention of the lessee that such demand is not that kind of demand contemplated in the Rules of Court as complying with the jurisdictional requirement - that demand to vacate is indispensable in order to determine whether the tenant's possession has become illegal. On this matter, the rulings in the following cases are

pertinent and applicable:

"The notice giving lessee the alternative either to pay the increased rental or otherwise to vacate the land is not the demand contemplated by the Rules of Court in unlawful detainer cases. When after such notice, the lessee elects to stay, he thereby merely assumes the new rental and cannot be ejected until he defaults in said obligation and necessary demand is first made." (Manotok vs. Guinto, L-9540, April 30, 1957.)

"The lessor may, under Article 1569 of the Civil Code, judicially dispossess the lessee for default in the payment of the price agreed upon. But where such default is based on the fact that the rent sought to be collected is not the agreed upon, an action for ejectment cannot lie." (Belmonte vs. Martin, 42 Of. Gaz. No. 10, 2146.)

In the case at bar, it clearly appears from the demand letter of February 19, 1959, that the obligation to vacate the leased premises would be dependent on the failure of the lessee to agree to the new rent demanded by the lessor. As the lessee, however, was in the physical possession of the land by virtue of a prior contract of lease, and the demand was in the alternative imposing a new rental, even without taking into account the efficacy of the stipulation for an automatic renewal of the lease, which shall be discussed hereafter, in the light of the ruling in Belmonte vs. Martin, supra, without any subsequent definite demand to vacate the premises, subject to no condition, the lessee did not incur in default which would give rise to a right on the part of the lessor to bring an action of unlawful detainer.

Delving on the second special defense to wit, that the allegations in the complaint do not constitute a cause of action of unlawful detainer, it is the contention of the lessee-appellant that clause '7' of the contract of lease, quoted hereinabove, meant an express grant to the lessee to renew the lease at his option, contrary to the claim of the lessor-appellee that there must be a prior mutual agreement of the parties. As we read clause '7', We find that it envisioned the happening of two eventualities at the expiration of the lease on January 31, 1959 - either the lessor may purchase the improvements constructed by the lessee on the land, or in case the lessor fails, for any cause or reason, to exercise the option to buy, the lease shall be deemed automatically renewed. The evidence has established that the lessor had refused to buy the buildings on the land. The statement in said clause '7' that in case of renewal the duration of the lease and the new rental to be paid shall be adjusted by the parties, is of no moment in the solution of the issue, whether or not the facts alleged in the complaint constitute a cause of action of unlawful detainer. The pleadings of the parties, and the annexes thereto, clearly show that the jugular vein of the controversy hinges on the correct interpretation of clause '7' of the contract of lease, a matter outside the jurisdiction of the municipal court. The lessor-appellee maintains that lease had terminated on January 31, 1959, renewable only upon a new agreement of the parties; on the other hand, the lessee-appellant contends that, inasmuch as the controversy hinges on the interpretation of clause '7' of the contract, that is, whether or not said clause contemplated an automatic renewal of the lease, the action was not for unlawful detainer but one not capable of pecuniary estimation and, therefore, beyond the competence of the municipal court.

The contention of the lessee-appellant must be sustained.

In Cruz vs. Alberto, 39 Phil. 991, the contract of lease had the following provision:

"That the term of this contract of lease shall be six years from the date of the execution, and extendible for another six years agreed upon by both parties."

It was contended by the lessor that the lease cannot be extended except upon mutual agreement. Ruling on the contention, the Supreme Court said:

"We are of the opinion that the trial judge was entirely correct in his interpretation of the contracts in question; and though it must be admitted that this interpretation renders the words 'agreed upon by both parties'

superfluous, yet this does not involve any strain upon the meaning of the entire passage. If the interpretation which the appellant would have us adopt be true, the entire clause relative to the extension of the term would be superfluous, for if the extension is only to be effective upon a new agreement of the parties to be made at the expiration of the original term, why should anything at all be said about an extension? Parties who are free to make one contract of lease are certainly free to make a new one when the old has expired without being reminded of their faculty to do so by the insertion of a clause of this kind in the first lease. This would not only be superfluous but nonsensical. The clause relative to the extension of the lease should, if possible, be so interpreted as to give it some force.

"As we interpret the contracts before us, the parties meant to express the fact that they had already agreed that there might be an extension of the lease and had agreed upon its duration, thus giving the defendant the right of election to take for a second term or to quit upon the expiration of the original term. The clause in question has the same meaning as if the words "agreed upon by both parties" had been omitted and the passage had closed with a period after the word 'years' in the first contract and after "extension" in the third contract.

"It has been held by this court that the word 'extendible' standing without qualification in a contract of lease, means that the term of the lease may be extended and is equivalent to a promise to extend, made by the lessor to the lessee, and, as unilateral stipulation, obliges the promisor to fulfill his promise. (*Legarda Koh vs. Ongsiako*, 36 Phil. Rep. 185). Such a stipulation is supported by the consideration which is at the basis of the contract of lease (16 R.C.L. pp. 883, 884) and obviously involves a mutuality of benefit, or reciprocity between the parties, notwithstanding the right of election is conceded solely to the lessee. As a general rule, in construing provisions of this character, the tenant is favored, where there is any uncertainty, and not the landlord, upon the principle that a grant should be taken most strongly against the grantor. (15 R.C.L. p. 884 24 Cyc. 915.)"

In the case of *Legarda Koh vs. Ongsiako*, 36 Phil. 189-190, the contract of lease had this provision:

"The term of the said contract shall be for one year, counting from the 1st of December of the present year (1963) which term shall be extendible at the will of both parties."

Said the Supreme Court:

"According to Article 1091 of the Civil Code, obligations arising from contracts have legal force between the contracting parties and must be fulfilled in accordance with their stipulations. Therefore if the defendant bound himself to lease his properties for the period of one year, which term should be extendible, it is evident and strictly in accord with justice that the plaintiff-lessee has a right, the termination of the first period of one year, to have the said contract of lease renewed in fulfillment of the stipulated extension of the term of the lease; otherwise, the clause contained in the document Exhibit 1, that the lease at its termination would be extendible, would be worthless."

"The defendant-appellant is wrong in his contention that the renewal or extension of the contract depended solely upon himself, notwithstanding the stipulations contained in said contract, inasmuch as the renewal and continuation of the lease could not be left wholly to the plaintiff's free will, without counting on the defendant's consent - a consent expressly granted in the promise that the term would be extended, which term, although its duration was not fixed, should be understood to be for another year, a period equal to and not greater than the term of the lease.

"When a contract of lease provides that the term thereof is extendible, the agreement is understood as being in favor of the lessee, and the latter is authorized to renew the contract and to continue to occupy the leased property, after notifying the lessor to that effect. The lessor can withdraw from the said contract only after having fulfilled his promise to grant the extension of time stipulated therein, unless the lessee has failed to comply with or has violated the conditions of the contract. It is not necessary that the extension be expressly conceded by the lessor because he consented thereto in the original contract."

Upon the foregoing considerations, We declare that the municipal court (now city court) of Zamboanga City had no jurisdiction over the case; therefore, the appealed decision is set aside and reversed, with costs against the plaintiff-appellee.

Concepcion, C.J., Reyes, J.B.L., Makalintal, Sanchez, Ruiz Castro, Fernando, and Capistrano, JJ., concur.

Dizon, J., did not take part.

Zaldivar, J., on official leave of absence.

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