

**RUBEN L. ROXAS, PETITIONER, VS. HON. FERNANDO S. ALCANTARA,
JUDGE OF COURT OF FIRST INSTANCE OF TARLAC, BRANCH I; HON.
JAIME NICOLAS, JUDGE OF MUNICIPAL COURT OF TARLAC,
TARLAC;...**

G.R. No. L-49659. March 25, 1982

Ponente: GUERRERO, J.

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GUERRERO, J.:

This is an ejectment case which commenced in the Municipal Court of Tarlac, Tarlac filed by herein petitioner Ruben Roxas, as lessor, against private respondent Ricardo Sy, as lessee. It appears that the parties do not dispute the background facts set forth by the Municipal Court in its decision, to wit:

"Plaintiff and defendant, on October 16, 1967, (entered into) a lease contract (Exh. A) x x x (in) which the latter agreed to occupy on lease the two storey concrete building owned by the former lo-cated at Tañedo St., this municipality, at P550.00 a month for ten (10) years or until September 1977; defendant utilized the building in the operation of his business with the name U.S. Hardware and Construction materials; in about the middle life of the contract, particularly on June 1, 1971, plaintiff sent the de-fendant a letter-request (Exh. B) for increase of rentals for reason thereon indicated, but defendant, in strict adherence to the contract, declined to which plaintiff evidently succumbed; on August 11, 1977, plaintiff wrote again the defendant a letter (Exh. C) remind-ing the forthcoming termination of their contract with the addendum that following the expiration of the contract or begin-ning October 1977, 'the rental will be increased to P4,000.00 a month with three (3) years to be paid in advance together with a yearly increase of 15% of the same rental,' defendant posted a reply (Exh. F) dated August 24, 1977, indicating meanwhile to study the plain-tiff's proposition until the end of the following September; with the defendant's indecision on October 6, 1977 plaintiff sent him another letter demanding to vacate the premises within five (5) days from receipt; and finally defendant, without signifying willingness or unwil-lingness indirectly advanced counter-proposal, on October 14, 1977, simply sent the plaintiff a letter (Exh. E) containing Check No. A-20688 (Exh. E-1) for P550.00 corresponding to the rental for October, same year, contrary to the demand to vacate the place." [1]

The dispositive portion of the decision of the Municipal Court dated February 21, 1978 reads as follows:

"WHEREFORE, judgment is hereby ren-dered with the monthly rental fixed at P2,000.00 a month and the defendant may continue the lease, but if unwilling to continue vacate the premises and sur-render possession to plaintiff; defendant to pay plaintiff said rate from October 1977 until the premises is returned to the plaintiff, with legal interest until the whole arrears is fully paid, and defendant to pay the cost." [2]

On appeal by both parties, the Court of First Instance of Tarlac, Branch I, rendered the decision now before Us for review which modified the judgment of the Municipal Court by ordering herein respondent-lessee Sy to pay to herein petitioner-lessor Roxas "the amount of P1,500.00 monthly rental for ten (10) years effective October, 1977." [3]

Petitioner challenges the validity of the fore-going decisions, contending that the same are null and void ab initio

with absolutely nothing to support them. In his Brief, the principal issues raised are the following: (1) whether or not petitioner, as lessor, had the right to demand an increase in the monthly rental of the leased premises from P550.00 to P4,000.00 as a condition for a renewal or extension of the lease; and (2) whether or not there was an implied renewal of the lease contract, Exh. A.

We resolve the first issue in the affirmative in accordance with settled jurisprudence on the matter.

In the case of *Lim Si vs. Lim* [4] this Tribunal categorically stated that: "Only the owner has the right to fix the rents. The court cannot determine the rents and compel the lessor or owner to conform thereto and allow the lessee to occupy the premises on the basis of the rents fixed by it." [5] A subsequent case, that of *Bulahan, et al. vs. Tuason, et al.*, [6] is almost on all fours with the case at bar. There, the lease contracts were to expire on December 31, 1953. As early as January of the same year, therein lessors sent letters to the lessees reminding them of the expiry date of their lease contracts and offering to renew the same at an increased rental. The lessees, however, ignored the proposed terms for the renewal of the lease contracts, and after the expiration thereof, they continued to occupy the premises but refused to pay the new rent fixed by the lessors. The lessees filed an action for the court to fix a reasonable rental and a reasonable duration for the lease of the properties there in question. Holding for the lessors, this Court ruled as follows:

"The rule is settled that the owner of the land leased has the right not only to terminate the lease at the expiration of the term, but also to demand a new rate of rent. The tenant or lessee has the option either to accept the new rent or vacate the premises. (*Iturralde vs. Alfonso*, 7 Phil. 576; *Iturralde vs. Evangelista*, 7 Phil., 588; *Iturralde vs. Magcauas*, 9 Phil. 599; *Cortez vs. Ramos*, 46 Phil., 189). As (lessees), after the termination of their lease, refused either to pay the new rent or to vacate the lots after the termination of their lease, they have evidently become deforciants, and can be ousted judicially without the need of a demand. (*Co Tiamco vs. Diaz*, 75 Phil., 672; Art. 1669, new Civil Code)." [7]

The *Bulahan* ruling is reiterated in the more recent case of *Gindoy vs. Hon. Tapucar, et al.* [8]

The case of *Velasco vs. Court of Agrarian Relations and Domingo* [9] cited by respondent Court of First Instance is not in point. It involved a contract of lease of a parcel of agricultural land, the existence of which agreement was not disputed by the parties. It was a case of reformation of such contract voluntarily entered into on the ground that the rental agreed upon was excessive. It had nothing to do with the right of a lessor to demand an increase in rental as a condition for a renewal of a lease contract.

Likewise, the cases of *Peligrino vs. General Base Metals, Inc.*, [10] *Teresa Realty, Inc. vs. Sison*, [11] and the five *Tuason* cases in 107 Phil. 131, cited by respondent Court of First Instance, do not support its ruling that the court has the authority to fix a reasonable rental when the lessor tries to demand, after the termination of a lease contract, an exorbitant rental for the renewal of the lease.

In *Peligrino*, the contract of lease was for an indefinite period and the rents agreed upon were payable on a monthly basis. The company that acquired the leasehold rights of the original lessee refused to pay the increased rental demanded by the lessor. This Court held that the company was entitled to have its right of possession extended for one year, and reduced the increased rental which it found to be excessive. In the instant case, on the other hand, the contract of lease is for a definite term of ten (10) years which had already expired, and respondent-lessee has not shown any right to continue in possession of the premises owned by petitioner.

In the case of *Teresa Realty, Inc.*, this Court affirmed the trial court's finding that the increased rental demanded by the lessor was reasonable for it represented only 12% of the assessed value of the leased property. Such a finding was, however, made by the Court only for the purpose of determining how much therein lessee *Sison* should pay the lessor *Teresa Realty, Inc.* as rental for the period during which the case remained pending final

decision, and not for the purpose, as in the case at bar, of fixing the rent to be paid by the lessee during a supposed extension or renewal of the lease contract.

The aforementioned Tuason cases are inapplicable for substantially the same reason as the Peligrino case, i.e., the Tuason lease contracts were not for a fixed period but from year to year. This Court held that "if at the end of the year, the owner demands a rental which is exorbitant, x x x the courts may determine what is a reasonable rental and allow the lessee to continue with the lease.[12]

The second issue for Our consideration has reference to the finding of respondent Court of First Instance that "there was a tacit renewal of the lease." According to said Court, petitioner's statement in his letter to private respondent dated August 11, 1977, Exh. C, that "If I will not receive a reply within 15 days from date of your receipt, it is understood that you are amenable, and I will no longer accept any other offers for the lease of the building," coupled with the circumstance that petitioner in fact did not lease the property to another person after September 30, 1977, and further, that private respondent paid P550.00, the monthly rental paid under Exh. A, for the month of October, 1977, taken together all lead to the conclusion that the ten-year lease contract entered into on October 16, 1967 was tacitly renewed. The Court of First Instance also stated thus: "(that petitioner) did not return the check to the (private respondent) x x x shows he was agreeable to the renewal of the terms of the lease contract for another ten (10) years."

We do not agree. Petitioner's letter of August 11, 1977 was a reminder to private respondent of the impending expiration of the lease contract, Exh. A, with a statement that was in effect an offer or proposal to renew the contract on the terms and conditions, namely: (1) that the rental would be P4,000.00 a month; (2) that three years advance rental should be paid by private respondent; and (3) that a 15% yearly increase in rental would be imposed. In other words, petitioner laid down the foregoing stipulations as conditions sine qua non for any subsequent contract that might be negotiated with private respondent. Thus clear from the letter, Exh. C, is that if private respondent were not agreeable to any or all of the new stipulations, there would be no renewal of the lease. Private respondent was to communicate his reply within fifteen (15) days from receipt of Exh. C, absent which petitioner would take it to mean that his conditions were acceptable to private respondent and their contract renewed on the specified terms. However, private respondent's letter, Exh. F, evidently posted before the expiration of the period allowed within which to decide, did not give a categorical affirmative or negative answer to petitioner's proposition, and merely manifested the said lessee's desire to study the matter until the end of the following month of September, 1977, or up to the termination of the then existing contract of lease, Exh. A. Petitioner's failure to reply to the letter, Exh. F, can only be taken to mean that he acceded to the request for additional time. For the obvious reason that the lease contract (Exh. A) was expiring, it became more imperative for private respondent to make a final decision within and not later than the extended period which he asked for. Thus, when petitioner did not hear from private respondent at the end of the aforesaid month of September, private respondent ceased to have any legal right to possess and occupy the premises in question commencing the first day of the following month of October.

That petitioner did not lease the property to another is understandable, as he had no idea as to when private respondent intended to vacate the premises. Thus, although petitioner might have had offers from third persons, circumstances beyond his control held him back from finalizing any kind of agreement involving the property in question.

Likewise, petitioner's acceptance of the P500.00 check supposedly to answer for the rental for the month of October, 1977, cannot be taken against him. As in the case of *Hautea vs. Magallon and Soriano*, [13] such acceptance is irrelevant to the issue. This is an ejectment case premised on the expiration of the lease contract between the parties, and not on any alleged violation of a lease contract for non-payment of rent. Moreover,

petitioner had no other choice but to keep the check sent to him. Private respondent, after all, continued to stay in the premises and use the same for his hardware and construction materials business.

IN VIEW OF THE FOREGOING, the assailed decision of respondent Court of First Instance of Tarlac, Branch I, is hereby reversed and private respondent Ricardo Sy, doing business as "U.S. Hardware", is hereby ordered to vacate the premises in question and to pay petitioner Ruben Roxas by way of damages for continued occupation of said premises from October 1, 1977, the sum of Four Thousand Pesos (P4,000.00) a month until said private respondent vacates the premises, deducting therefrom all amounts deposited with the lower courts or payments already made to petitioner on account of rentals after October 1, 1977. This decision is immediately executory.

Costs against private respondent.

Judgment Reversed.

SO ORDERED.

Teehankee, (Chairman), Makasiar, Fernandez, and Melencio-Herrera, JJ., concur.
Plana, J., in the result.

[1] Quoted in the CFI decision dated October 17, 1978, p. 1; Rollo, p. 15.

[2] Ibid., p. 2; Rollo, p. 16.

[3] CFI Decision, p. 5; Rollo, p. 19.

[4] 98 Phil. 868.

[5] Ibid., p. 870.

[6] 109 Phil. 251.

[7] Ibid., p. 254.

[8] L-43257, January 20, 1977, 75 SCRA 31, 41.

[9] 109 Phil. 642.

[10] L-22683, May 31, 1971, 39 SCRA 216.

[11] L-14716, April 23, 1962, 4 SCRA 958.

[12] 107 Phil. 131, 141-142.

[13] L-20345, November 28, 1964, 12 SCRA 514, 518.

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