

**LAGUNA TAYABAS BUS COMPANY AND BATANGAS
TRANSPORTATION COMPANY, PETITIONERS, VS. FRANCISCO C.
MANABAT, AS ASSIGNEE OF BIÑAN TRANSPORTATION COMPANY,
INSOLVENT, RESPONDENT.**

G.R. No. L-23546. August 29, 1974

Ponente: MAKASIAR, J.

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MAKASIAR, J.:

This is an appeal by certiorari from a Judgment of the Court of Appeals dated August 31, 1964, which WE AFFIRM.

The undisputed facts are recounted by the Court of Appeals through then Associate Justice Salvador Esguerra thus:

"On January 20, 1956, a contract was executed whereby then Biñan Transportation Company leased to the Laguna-Tayabas Bus Company at a monthly rental of P2,500.00 its certificates of public convenience over the lines known as Manila-Biñan, Manila-Canlubang and Sta. Rosa-Manila, and to the Batangas Transportation Company its certificate of public convenience over the line known as Manila-Batangas Wharf, together with one 'International' truck, for a period of five years, renewable for another similar period, to commence from the approval of the lease contract by the Public Service Commission. On the same date the Public Service Commission provisionally approved the lease contract on condition that the lessees should operate on the leased lines in accordance with the prescribed time schedule and that such approval was subject to modification or cancellation and to whatever decision that in due time might be rendered in the case.

"Sometime after the execution of the lease contract, the plaintiff Binan Transportation Company was declared insolvent in Special Proceedings No. B-30 of the Court of First Instance of Laguna, and Francisco C. Manabat was appointed as its assignee. From time to time, the defendants paid the lease rentals up to December, 1957, with the exception of the rental for August 1957, from which there was deducted the sum of P1,836.92 without the consent of the plaintiff. This deduction was based on the ground that the employees of the defendants on the leased lines went on strike for 6 days in June and another 6 days in July, 1957, and caused a loss of P500 for each strike, or a total of P1,000.00; and that in Civil Case No. 696 of the Court of First Instance of Batangas, Branch II, judgment was rendered in favor of defendant Batangas Transportation Company against the Biñan Transportation Company for the sum of P836.92. The assignee of the plaintiff objected to such deduction, claiming that the contract of lease would be suspended only if the defendants could not operate the leased lines due to the action of the officers, employees or laborers of the lessor but not of the lessees, and that the deduction of P836.92 amounted to a fraudulent preference in the insolvency proceedings as whatever judgment might have been rendered in favor of any of the lessees should have been filed as a claim in said proceedings. The defendants neither refunded the deductions nor paid the rentals beginning with January, 1958, notwithstanding demands therefor made from time to time. At first, the defendants assured the plaintiff that the lease rentals would be paid, although it might be delayed, but in the end they failed to comply with their promise.

"On February 18, 1958, the Batangas Transportation Company and Laguna-Tayabas Bus Company separately filed with the Public Service Commission a petition for authority to suspend the operation on the lines Covered by the certificates of public convenience leased to each of them by the Binan Transportation Company. The defendants alleged as reasons the reduction in the amount of dollars allowed by the Monetary Board of the Central Bank of the Philippines for the purchase of spare parts needed in the operation of their trucks, the alleged difficulty encountered in securing said parts, and their procurement at exorbitant costs, thus rendering the operation of the leased lines prohibitive. The defendants further alleged that the high cost of operation, coupled with the lack of passenger traffic on the leased lines resulted in financial losses. For these reasons they asked permission to suspend the operation of the leased lines until such time as the operating expenses were restored to normal levels so as to allow the lessees to realize a reasonable margin of profit from their operation.

"Plaintiff's assignee opposed the petition on the ground that the Public Service Commission had no jurisdiction to grant the relief prayed for as it would involve the interpretation of the lease contract, which act falls exclusively within the jurisdiction of the ordinary courts; that the petitioners had not asked for suspension of the operation of the lines covered by their own certificates of public convenience; that to grant the petition would amount to an impairment of the obligation of contract; and that the defendants have no legal personality to ask for suspension of the operation of the leased lines since they belonged exclusively to the plaintiff who is the grantee of the corresponding certificate of public convenience. Aside from the assignee, the Commissioner of the Internal Revenue and other creditors of the Biñan Transportation Company, like the Standard Vacuum Oil Co. and Parsons Hardware Company, filed oppositions to the petitions for suspension of operation.

"On October 15, 1958, the Public Service Commission overruled all oppositions filed by the assignee and other creditors of the insolvent, holding that upon its approval of the lease contract, the lessees acquired the operating rights of the lessor and assumed full responsibility for compliance with all the terms and conditions of the certificate of public convenience. The Public Service Commission further stated that the petition to suspend operation did not pertain to any act of dominion or ownership but only to the use of the certificate of public convenience which had been transferred by the plaintiff of the defendants, and that the suspension prayed for was but an incident of the operation of the lines leased to the defendants. The Public Service Commission further ruled that being a quasi-judicial body of limited jurisdiction, it had no authority to interpret contracts, which function belongs to the exclusive domain of the ordinary courts, but the petition did not call for interpretation of any provision of the lease contract as the authority of the Public Service Commission to grant or deny the prayer therein was derived from its regulatory power over the leased certificates of public convenience."

While proceedings before the Public Service Commission were thus going on, as a consequence of the continuing failure of the lessees to fulfill their earlier promise to pay the accruing rentals on the leased certificates,

"On May 19, 1959, plaintiff Biñan Transportation Company, represented by Francisco C. Manabat, assignee, filed this action against defendants Laguna Tayabas Bus Company and Batangas Transportation Company for the recovery of the sum of P42,500 representing the accrued rentals for the lease of the certificates of public convenience of the former to the latter, corresponding to the period from January, 1958, to May, 1959, inclusive, plus the sum of P1,836.92 which was deducted by the defendants from the rentals due for August, 1957, together with all subsequent rentals from June, 1959, that became due and payable; P5,000.00 for attorney's fees and such corrective and exemplary damages as the court may find reasonable.

"The defendants moved to dismiss the complaint for lack of jurisdiction over the subject matter of the action, there being another case pending in the Public Service Commission between the same parties for the same cause x x x" (pp. 20-21, rec.; pp. 54-55, ROA).

The motion to dismiss was, however, denied. Meanwhile: —

"The Public Service Commission delegated its Chief Attorney to receive evidence of the parties on the petition

of the herein defendants for authority to suspend operation on the lines leased to them by the plaintiff. The defendants, the assignee of the plaintiff and other creditors of the insolvent presented evidence before the Chief Attorney and the hearing was concluded on June 29, 1959. On October 20, 1959, the Public Service Commission issued an order the dispositive part of which reads as follows:

'In view of the foregoing, the petitioners herein are authorized to suspend their operation of the trips of the Biñan Transportation Company between Batangas Piers-Manila, Biñan-Manila, Sta. Rosa-Manila and Canlubang-Manila authorized in the aforementioned cases from the date of the filing of their petition on February 18, 1958, until December 31, 1959.' " (p. 25, rec.; pp. 60-61, ROA).

Going back to the Court of First Instance of Laguna —

"x x x The motion (to dismiss) having been denied, the defendants answered the complaint, alleging among others, that the Public Service Commission authorized the suspension of operation over the leased lines from February 18, 1950, up to December 31, 1959, and hence the lease contract should be deemed suspended during that period; that plaintiff failed to place defendants in peaceful and adequate enjoyment and possession of the thing leased; that as a result of the plaintiff being declared insolvent the lease contract lost further force and effect and payment of rentals thereafter was made under a mistake and should be refunded to the defendants." (p. 21, rec.; p. 55, ROA).

The Court of Appeals proceeded to state that —

"After hearing in the court a quo and presentation by the parties herein of their respective memoranda, the trial court on March 18, 1960, rendered judgment in favor of the plaintiff, ordering the defendants jointly and severally to pay to the former the sum of P65,000.00 for the rentals of the certificates of public convenience corresponding to the period from January, 1958, to February, 1960, inclusive, including the withheld amount of P836.92 from the rentals for August, 1957, plus the rentals that might become due and payable beginning March, 1960, at the rate of P2,500.00 a month, with interest on the sums of P42,500 and P836.92 at the rate of 6% per annum from the date of the filing of the complaint, with interest on the subsequent rentals at the same rate beginning the first of the following month, plus the sum of P3,000.00 as attorney's fees, and the cost of the suit." (pp. 25-26, rec.)

From the decision of the Court of First Instance, defendants appealed to the Court of Appeals, which affirmed the same in toto in its decision dated August 31, 1964. Said decision was received by the appellants on September 7, 1964.

On September 21, 1964, appellants filed the present appeal, raising the following questions of law:

"1. Considering that the Court of Appeals found that the Public Service Commission provisionally approved the lease contract of January 20, 1956 between petitioners and Biñan Transportation Company upon the condition, among others, that such approval was subject to modification and cancellation and to whatever decision that in due time might be rendered in the case, the Court of Appeals erred in giving no legal effect and significance whatever to the suspension of operations later granted by the Public Service Commission after due hearing covering the lines leased to petitioners thereby nullifying, contrary to law and decisions of this Honorable Court, the authority and powers conferred on the Public Service Commission.

"2. The Court of Appeals misapplied the statutory rules on interpreting contracts and erred in its construction of the clauses in the lease agreement authorizing petitioners to suspend operation without the corresponding liability for rentals during the period of suspension.

"3. Contrary to various decisions of this Honorable Court relieving the lessee from the obligation to pay rent where there is failure to use or enjoy the thing leased, the Court of Appeals erroneously required petitioners to pay rentals, with interest, during the period of suspension of the lease from January, 1958 up to the expiration of the agreement on January 20, 1961." (p. 7, rec.)

On October 12, 1964, the Supreme Court issued a resolution dismissing said petition "for lack of merit." (p. 43, rec.). Said resolution was received by petitioners on October 16, 1964.

On October 31, 1964, the day the Court's resolution was to become final, petitioners filed a "Motion to Admit Amended Petition and to Give Due Course Thereto." In said motion, petitioners explained —

"x x x The amendment includes an alternative ground relating to petitioners' prayer for the reduction of the rentals payable by them. This alternative petition was not included in the original one as petitioners were genuinely convinced that they should have been absolved from all liability whatever. However, in view of the apparent position taken by this Honorable Court, as implied in its resolution on October 12, 1964, notice of which was received on October 16, 1964, petitioners now squarely submit their alternative position for consideration. There is decisional authority for the reduction of rentals payable (see *Reyes vs. Caltex*, 47 O.G. 1193, 1203-1204)" (p.44, rec.).

The new question raised is presented thus:

xxx xxx xxx

IV

"This Honorable Court is authorized to equitably reduce the rentals payable by the petitioners, should this Honorable Court adopt the position of the Court of Appeals and the lower court that petitioners have not been relieved from the payment of rentals on the leased lines." (p. 7, Amended Petition for Certiorari, pp. 46, 52, rec.).

On November 5, 1964, the Supreme Court required respondents herein to file an answer to the amended petition. On the same date, respondents filed, quite belatedly, an opposition to the motion of the petitioners. Said opposition was later "noted" by the Court in its resolution dated December 1, 1964.

I

First, it must be pointed out that the first three questions- of law raised by petitioners were already disposed of in Our resolution dated October 12, 1964 dismissing the original petition for lack of merit, which in effect affirmed the appealed decision of the Court of Appeals. Although, in their motion to admit amended petition dated October 31, 1964, petitioners sought a reconsideration of the said resolution not only in the light of the fourth legal issue raised but also on the said first three legal questions, the petitioners advanced no additional arguments nor cited new authorities in support of their stand on the first three questions of law. They merely reproduced verbatim from their original petition their discussion on said questions.

To the extent therefore that the motion filed by the petitioner seeks a reconsideration of our order of dismissal by submitting anew, through the amended petition, the very same arguments already dismissed by this Court, the motion shall be considered pro forma, (See *Estrada vs. Sto Domingo*, 28 SCRA 890, 905-906. 911) and hence is without merit.

Consequently, we limit the resolution of this case solely on the discussions on the last (fourth) question of law raised, taking into consideration the discussion on the first three questions only insofar as they place the petitioners' discussion on the fourth question in its proper context and perspective.

II

The undisguised object of petitioners' discussion on the fourth question of law raised is to justify their plea for a reduction of the rentals on the ground that the subject matter of the lease was allegedly not used by them as a result of the suspension of operations on the lines authorized by the Public Service Commission.

In support of said plea, petitioners invoke article 1680 of the Civil Code which grants lessees of rural lands a right

to a reduction of rentals whenever the harvest on the land leased is considerably damaged by an extraordinary fortuitous event. Reliance was also placed by the petitioners on Our decision in *Reyes vs. Caltex (Phil.) Inc.*, 84 Phil. 654, which supposedly applied said article by analogy to a lease other than that covered by said legal provision.

The authorities from which the petitioners draw support, however, are not applicable to the case at bar.

Article 1680 of the Civil Code reads thus:

"Art. 1680. The lessee shall have no right to a reduction of the rent on account of the sterility of the land leased, or by reason of the loss of fruits due to ordinary fortuitous events; but he shall have such right in case of the loss of more than one-half of the fruits through extraordinary and unforeseen fortuitous events, save always when there is a specific stipulation to the contrary.

"Extraordinary fortuitous events are understood to be: fire, war, pestilence, unusual flood, locusts, earthquake, or others which are uncommon, and which the contracting parties could not have reasonably foreseen."

Article 1680, it will be observed is a special provision for leases of rural lands. No other legal provision makes it applicable to ordinary leases. Had the intention of the lawmakers been so, they would have placed the article among the general provisions on lease. Nor can the article be applied analogously to ordinary leases, for precisely because of its special character, it was meant to apply only to a special specie of lease. It is a provision of social justice designed to relieve poor farmers from the harsh consequences of their contracts with rich landowners. And taken in that light, the article provides no refuge to lessees whose financial standing or social position is equal to, or even better than, the lessor as in the case at bar.

Even if the cited article were a general rule on lease, its provisions nevertheless do not extend to petitioners. One of its requisites is that the cause of loss of the fruits of the leased property must be an "extraordinary and unforeseen fortuitous event." The circumstances of the instant case fail to satisfy such requisite. As correctly ruled by the Court of Appeals, the alleged causes for the suspension of operations on the lines leased, namely, the high prices of spare parts and gasoline and the reduction of the dollar allocations, "already existed when the contract of lease was executed" (p. 11, Decision; p. 30, rec.; *Cuyugan vs. Dizon*, 89 Phil. 80). The cause of petitioners' inability to operate on the lines cannot, therefore, be ascribed to fortuitous events or circumstances beyond their control, but to their own voluntary desistance (p. 13, Decision; p. 32, rec.).

If the petitioners would predicate their plea on the basis solely of their inability to use the certificates of public convenience, absent the requisite of fortuitous event, the cited article would speak strongly against their plea. Article 1680 opens with the statement: "The lessee shall have no right to a reduction of the rent on account of the sterility of the land leased x x x" Obviously, no reduction can be sustained on the ground that the operation of the leased lines was suspended upon the mere speculation that it would yield no substantial profit for the lessee bus company. Petitioners' profits may be reduced due to increased operating costs; but the volume of passenger traffic along the leased lines not only remains the same but may even increase as the tempo of the movement of population is intensified by the industrial development of the areas covered or connected by the leased routes. Moreover, upon proper showing, the Public Service Commission might have granted petitioners an increase in rates, as it has done so in several instances, so that public interest will always be promoted by a continuous flow of transportation facilities to service the population and the economy. The citizenry and the economy will suffer by reason of any disruption in the transportation facilities.

Furthermore, we are not at all convinced that the lease contract brought no material advantage to the lessor for the period of suspension. It must be recalled that the lease contract not only stipulated for the transfer of the lessor's right to operate the lines covered by the contract, but also for a forbearance on the part of the lessor to operate

transportation business along the same lines — and to hold a certificate for that purpose. Thus, even if the lessee would not actually make use of the lessor's certificates over the leased lines, the contractual commitment of the lessor not to operate on the lines would sufficiently insure added profit to the lessees on account of the lease contract. In other words, the commitment alone of the lessor under the contract would enable the lessees to reap full benefits therefrom since the commuting public would, after all, be forced — at their inconvenience and prejudice — to patronize petitioners' remaining buses.

Contrary to what petitioners want to suggest, We refused in the Reyes case, *supra*, to apply by analogy Article 1680 and consequently, WE denied the plea of lessee therein for an equitable reduction of the stipulated rentals, holding that:

"The general rule on performance of contracts is graphically set forth in American treatises, which is also the rule, in our opinion, obtaining under the Civil Code.

"Where a person by his contract charges himself with an obligation possible to be performed, he must perform it, unless the performance is rendered impossible by the act of God, by the law, or by the other party, it being the rule that in case the party desires to be excused from the performance in the event of contingencies arising, it is his duty to provide therefor in his contract. Hence, performance is not excused by subsequent inability to perform, by unforeseen difficulties, by unusual or unexpected expenses, by danger, by inevitable accident, by the breaking of machinery, by strikes, by sickness, by failure of a party to avail himself of the benefits to be had under the contract, by weather conditions, by financial stringency, or by stagnation of business. Neither is performance excused by the fact that the contract turns out to be hard and improvident, unprofitable or impracticable, ill-advised, or even foolish, or less profitable, or unexpectedly burdensome. (17 CJS 946-948)" (Reyes vs. Caltex, *supra*, 664. *Italics supplied*).

Also expressed in said case is a ruling in American jurisprudence, which found relevance again in the case at bar, to wit: "(S)ince, by the lease, the lessee was to have the advantage of casual profits of the leased premises, he should run the hazard of casual losses during the term and not lay the whole burden upon the lessor." (Reyes vs. Caltex, *supra*, 664).

Militating further against a grant of reduction of the rentals to the petitioners is the petitioners' conduct which is not in accord with the rules of fair play and justice. Petitioners, it must be recalled, promised to pay the accrued rentals in due time. Later, however, when they believed they found a convenient excuse for escaping their obligation, they reneged on their earlier promise. Moreover, petitioners' option to suspend operation on the leased lines appears malicious. Thus, Justice Esguerra, speaking for the Court of Appeals, propounded the following questions: "If it were true that the cause of the suspension was the high prices of spare parts, gasoline and needed materials and the reduction of the dollar allocation, why was it that only plaintiff appellee's certificate of public convenience was sought to be suspended? Why did not the defendants-appellants ask for a corresponding reduction or suspension under their own certificate along the same route? Suppose the prices of the spare parts and needed materials were cheap, — would the defendants-appellants have paid more than what is stipulated in the lease contract? We believe not. Hence, the suspension of operation on the leased lines was conceived as a scheme to lessen operation costs with the expectation of greater profit." (p. 14, Decision).

Indeed, petitioners came to court with unclean hands, which fact militates against their plea for equity.

WHEREFORE, THE ORIGINAL AND AMENDED PETITIONS ARE HEREBY DISMISSED, AND THE DECISION OF THE COURT OF APPEALS DATED AUGUST 31, 1964 IS HEREBY AFFIRMED, WITH COSTS AGAINST PETITIONERS.

Makalintal, C.J., Castro, Teehankee, and Muñoz Palma, JJ., concur.

Esguerra, J., took no part.

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