

**IN THE MATTER OF THE INTESTATE ESTATE OF THE DECEASE GO
FOOK. LIANE C. GOMEZ, ADMINISTRATRIX AND APPELLEE, VS.
AUGUSTO G. SYJUCO, ET AL., CREDITORS, CLAIMANTS AND
APPELLANTS; ME...**

G. R. No. L-16784. May 19, 1965

Ponente: DIZON, J.

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DIZON, J.:

Appeal taken by Augusto G. Syjuco and others from an order issued on November 14, 1958 by the Court of First Instance of Baguio City in the Intestate Estate of the Deceased Go Fook (Special Proceedings No. 263) declaring their claim for unpaid rentals on a property leased to said deceased not entitled to preference with respect to the proceeds of the sale of movable properties found in the leased premises. The appealed order reads as follows:

"3. Claim of Augusto Syjuco et al. for unpaid rentals for one year. Under Art. 2211 CCP, the claim for unpaid rentals must have been incurred by the deceased himself. It is admitted that up to the death of Go Fook—rentals were paid—what remains unpaid are rentals that accrued when the Administratrix went ahead with the lease with the approval of this Court. Following the strict construction of the law, this Court must hold that insofar as the property of Go Fook is concerned, the lease entered into by his Administratrix cannot enjoy preference over property that belonged to him, so that this claim must also be denied preference."

It is not disputed that on March 20, 1954, Go Fook leased from the Security Investment Corporation, for a period of two years, renewable for another like period, at the option of the parties, and at a monthly rental of P2,000.00, a parcel of land, with the building existing thereon, situated in the City of Baguio, where the lessee ran a hotel business under the name of St. Francis Hotel. On July 12, 1954, the lessor sold the property to appellants who agreed to recognize the lease aforesaid.

On September 14, 1954, Go Fook died intestate in the City of Baguio and his estate—consisting solely of furnishings used in the operation of the St. Francis Hotel— was placed under administration, with the People's Bank and Trust Co. as judicial administrator.

On December 20, 1954, appellants filed a claim against the Estate for the sum of P4,180.00 representing unpaid rentals on the leased premises for the months of August and September, 1954, plus interest. They also filed an action for ejectment against the Administrator of the Estate in which case the Municipal Court of Baguio City rendered judgment ordering the latter to vacate the premises and pay appellants the sum of P6,000.00 for unpaid rentals for the months of October, November and December, 1954, with legal interest from December 25, 1954, and the further sum of P2,000.00 monthly beginning January, 1955 until the property is vacated, plus attorney's fees and costs. By reason of this judgment, appellants filed an amended and supplemental claim against the Estate for the total sum of P14,251.70, representing unpaid rentals from August, 1954 to January, 1955, inclusive, at the rate of P2,000.00 a month, plus interest, costs and attorney's fees.

In its order of February 26, 1955, the probate court appointed Liane Gomez to replace the People's Bank & Trust

Co. as administrator, at the same time authorizing her to continue running the St. Francis Hotel for the purpose of paying the back and future rentals to appellants, for the period and under the terms and conditions set forth in the "Memorandum of Agreement of Lease", signed by the parties concerned and attached to said order.

Despite the aforementioned order, on June 29, 1955 the Court disallowed appellants' claim "on the ground that having raised the issue of the existence of a partnership between the deceased Go Fook and the Pacific Exchange Corporation these claims should properly be brought before the surviving partner as liquidator of the alleged partnership." Subsequently, however, the Court reconsidered its ruling and allowed their claim in the sum of P14,180.00. Thereafter, upon authority of the court, the movable properties found within the premises of the St. Francis Hotel were sold at public auction for the sum of P14,143.40. The majority thereof were bought by appellants who, instead of paying cash therefor, filed a bond to secure payment of the purchase price.

On March 2, 1956, appellants filed a motion asking that their claim for unpaid rents, which as of that date totalled P19,750.00, be declared a preferred claim with respect to the proceeds of the sale of movables in the property leased, to the exclusion of other creditors, under the provisions of Article 2241, paragraph 12, Civil Code of the Philippines. This motion was denied; hence the present appeal.

In denying appellants' claim for preference in relation to unpaid rentals, the lower court held that the provisions of Article 2241 of the New Civil Code, providing as they do for an exception to the general rule, must be strictly construed, and that a strict construction thereof requires that the preference established be applied only to unpaid rentals due from the deceased Go Fook himself.

We can not agree with this view.

In the first place, the contested ruling would seem to read into the law something that is not there, because Article 2241, paragraph 12 of the New Civil Code establishes a preference in favor of "credits for rent for one year upon the personal property of the lessee existing on the immovable leased, and on the fruits of the same" without imposing the condition that the rent should have been incurred personally by the lessee—in this case, the now deceased Go Fook—and not by the Executor or Administrator of his Estate.

In the second place, even admitting as correct the lower court's view on the matter, its ruling can not stand because it is not denied that the contract of lease of April 1, 1954 between the Security Investment Corporation, as lessor, and Go Fook, as lessee, was for a period of two years ending in the month of April 1956, and the one year unpaid rentals for which preference is claimed by appellants cover the period from February 1955 to January 1956—a period well within the term of the lease. Said contract of lease not having been automatically extinguished by reason of the death of Go Fook on September 14, 1954, it is clear that, in truth and in fact, the rentals for which preference is claimed fell due under the contract of lease entered into by him personally during his lifetime.

In the third place, the contract of lease entered into by the Administratrix—with court authority—was on behalf of the Estate of the deceased Go Fook. Consequently, the rentals that fell due thereunder are, for all legal purposes, the same as those provided for under the original contract of lease.

It is our opinion, therefore, that the claim of appellants for unpaid rentals for one year in the total sum of P19,750.00 covering the period from February 1955 to January 1956, is entitled to the preference established by the provisions of paragraph 12, Article 2241 of the New Civil Code.

Bengzon, C. J., Bautista Angelo, Concepcion, Reyes, J.B.L., Paredes, Regala, Makalintal, Bengzon, J. P., Zaldivar, J.J., concur.

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