

CONSUELO VDA. DE QUIRINO, PETITIONER, VS. JOSE PALARCA, RESPONDENT.

G.R. No. L-28269. August 15, 1969

Ponente: CONCEPCION, C.J.

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CONCEPCION, C.J.:

Appeal by certiorari, taken by Consuelo Vda. de Quirino, petitioner herein and defendant in the lower courts, from a decision of the Court of Appeals affirming that of the Court of First Instance of Manila, the dispositive part of which reads:

"FOR THE FOREGOING CONSIDERATIONS, the Court hereby renders judgment ordering the defendant within fifteen (15) days from the date this judgment becomes final, to execute a deed of conveyance in favor of the plaintiff Jose Palarca, of age, Filipino, married to Querubina Cristobal, over lot 30; block 84 of the Sulu-can Subdivision, covered by TCT 59442 of the Manila Registry, with his postal address at 544 Corner Quezon Blvd., Manila, and directing said defendant to deliver the certificate of title, and ordering the plaintiff to deliver to the defendant at the time of receiving the afore-said deed of sale and title, the amount of P12,000 in cash. Costs is charged against the defendant."

On October 4, 1947, said petitioner - hereinafter referred to as the lessor - and respondent Jose Palarca - hereinafter referred to as the lessee - entered into a lease contract whereby the former leased to the latter a parcel of land known as Lot 30 of block 84 of the Sulu-can Subdivision, located at Sampaloc, Manila, with an area of about 150 square meters, and more particularly described in TCT No. 59442 of the office of the Register of Deeds of Manila. In their written contract of lease it was stipulated, inter alia, that the term thereof would be ten (10) years, from November 1, 1947 to November 1, 1957; that the monthly rental would be P250, payable in advance; that the lessee could demolish the lessor's old building on the leased premises and construct thereon any building and/or improvements suitable for school purposes, which new building and/or improvements shall belong to the lessee; that within one (1) year after the expiration of the lease, the lessee would have "the right and option to buy the leased premises" for P12, 000; that, should the lessee fail to exercise this option, said(new) building and/or improvements shall be evaluated by a committee organized therefor, as set forth in the contract; that, after such "valuation", the lessor shall "have the option to buy" said "building and/or improvements within x x x one (1) year, after the expiration of the contract"; and that, should neither of the parties exercise their respective options, both "shall be free to look for a buyer for his or her respective property."

By a letter, dated September 15, 1958, the lessee informed the lessor that the former (lessee) was exercising "his right to buy the leased property for the agreed price of P12, 000, " and inquired "when" the latter (lessor) would be "ready to execute the deed of sale," so that the agreed price could be delivered to her. Soon thereafter, before the expiration of the term of his option, or on October 6, 1958, the lessee wrote a follow-up letter to the lessor, advising her that the former had in his "possession the amount of P12, 000 with which to purchase" the leased premises, and, asked her, once more, "when" she would be ready to execute the corresponding deed of sale, in order that he (lessee) could pay said price. Through her counsel, the lessor replied, however, on October 10, 1958,

that she "cannot accede" to the lessee's requests "because the x x contract of October 4, 1947, has been novated by another agreement, wherein the rent of P250 a month was reduced to P100.00."

Thereupon, that same month, the lessee instituted the present action to compel the lessor to comply with her obligation to execute the corresponding deed of sale in his (lessee's) favor, upon payment by him of said sum of P12, 000. The lessor filed her answer admitting some allegations of the complaint and denying other allegations thereof, as well as alleging, as special defense, that the lease contract had been "modified" by a subsequent agreement of the parties, which had been observed and carried out by them, and that payment of the stipulated price had not been properly tendered or validly consigned. The lessor, likewise, set up a counterclaim for damages, attorney's fees and expenses of litigation. After appropriate proceedings, the Court of First Instance rendered the decision adverted to above, which was affirmed by the Court of Appeals. Hence, this petition for review on certiorari, in which the lessor maintains: (1) that the lessee's option to purchase the leased premises was null and void for want of consideration; (2) that the lessee should have been sentenced to pay rentals, during the pendency of this case; and (3) that the lessee should have been sentenced, also, to pay damages, attorney's fees and the costs of the suit.

The first contention is clearly without merit. To begin with, it is based upon the premise that the option of the lessee is devoid of consideration, which is false. Indeed, in reciprocal contracts, like the one in question, the obligation or promise of each party is the consideration for that of the other.[1] In the language of Article 1350 of our Civil Code, "(i) n onerous contracts the cause is understood to be, for each contracting party, the prestation or promise of a thing or service by the other x x x." As a consequence, "(t) he power to rescind obligations is implied in reciprocal ones, in case one of the obligors should not comply with what is incumbent upon him." [2]

In the case at bar, the consideration for the lessor's obligation to sell the leased premises to the lessee, should he choose to exercise his option to purchase the same, is the obligation of the lessee to sell to the lessor the building and/or improvements constructed and/or made by the former, if he fails to exercise his option to buy said premises. Then, again, the amount of the rentals agreed upon in the contract of October 4, 1947 - which amount turned out to be so burdensome upon the lessee, that the lessor agreed, five (5) years later, to reduce it - as well as the building and/or improvements contemplated to be constructed and/or introduced by the lessee, were, undoubtedly, part of the consideration for his option to purchase the leased premises.

Then, again, the alleged lack of consideration therefor was not set up as a defense or otherwise put in issue, either in the trial court or in the Court of Appeals. The appealed decisions of the Court of First Instance and the Court of Appeals, and the records before us show that the defenses mainly pressed in said courts were the alleged cancellation of the lessee's option and his failure to make a valid tender and consignment of the stipulated price. The cancellation of the option was sought to be deduced from a novation made in 1952, when, upon the lessee's request, the lessor agreed to reduce the monthly rental from P250 to P100. Neither defense was, however, sustained by said courts, and, we think, correctly.

Indeed, not being inconsistent with the lessee's option to purchase the leased premises, said agreement to reduce the rental did not necessarily cancel or extinguish the option. Although the lessor would have the Court believe that she consented to said reduction, on condition that the option be cancelled, this claim had not been proven. What is more, it was refuted by her letter to the lessee, Exhibit D, dated January 29, 1952, stating that "in view of the fact that you (lessee) find it very difficult to pay the rental of P250, I am willing to reduce it to P100 from January 1952, on the condition that the remaining balance (of the rental) will be settled." The cancellation of the option was not, therefore, one of the conditions for the aforementioned reduction of the rental.

Then, too, the consignment referred to in Article 1256 of our Civil Code is inapplicable to the present case,

because said provision refers to consignation as one of the means for the payment or discharge of a "debt", whereas the lessee was not indebted to the lessor for the price of the leased premises.¹ The lessee merely exercised a right of option and had no obligation to pay said price until the execution of the deed of sale in his favor, which the lessor refused to do.

Said want of consideration not having pleaded or otherwise alleged as one of her defenses in either one of the lower courts, the lessor may not set it up, for the first time, in her present second appeal.²

As regards the rentals during the pendency of this case, suffice it to note that, had the lessor readily complied with her obligation to execute the corresponding deed of conveyance to the lessee, upon payment by him of the agreed price of P12, 000, which he tendered in October, 1958, the premises in question would have become his property on or before November 1, 1958, and since then he would have had no obligation to pay rentals. As a consequence, it is neither just nor fair to impose such obligation upon him by reason of the lessor's illegal breach of their contract. Otherwise, she would be rewarded therefor and we would jeopardize the sanctity of contractual obligations.

The last point raised by the lessor is a mere corollary to those already disposed of. Hence, it needs no further discussion.

WHEREFORE, the decision appealed from should be, as it is hereby affirmed, with costs against the lessor; petitioner-appellant Consuelo Vda. de Quirino.

IT IS SO ORDERED.

Dizon, Makalintal, Sanchez, Castro, Fernando, Capistrano, Teehankee and Barredo, JJ., concur.
Reyes, and Zaldivar, JJ., on official leave abroad.

[1] Phil. Banking Corp. v. Lui She, G.R. No. L-17587, Sept. 12, 1967; Rodriguez v. Rodriguez, G.R. No. L-23002, July 31, 1967; Soriano v. Bautista, G.R. Nos. L-15752 & L-17457, Dec. 29, 1962; Phil. Guaranty v. Dinio, 102 Phil. 991; Puato v. Mendoza, 64 Phil. 457; De la Cavada v. Diaz, 37 Phil. 982.

[2] Article 1191, Civil Code of the Philippines.

1 Asturias Sugar Central v. Pure Cane Molasses, 60 Phil. 255; Conejero v. Court of Appeals, G.R. No. L-21812, April 29, 1966.

2 Quimson v. Hon. Pastor de Guzman, G.R. No. L-18240, Jan. 31, 1963; Belmi v. Court of Agrarian Relations, G.R. No. L-19343, April 27, 1963; Board of Assessment Appeals v. MERALCO, G.R. No. L-15334, Jan. 31, 1964; Tan Tiong Tick v. Phil. Manufacturing Corp., G.R. No. L-19152, Feb. 29, 1964; Hautea v. Magallon, G.R. No. L-20345, Nov. 28, 1964; Republic v. Ven-turanza, G.R. No. L-20417, May 30, 1966; Tenchavez v. Escafio, G.R. No. L-19671, July 26, 1966; Pinero v. Hechanova, G.R. No. L-22562, Oct. 22, 1966; Soriano v. Compania General de Tabacos de Filipinas, G.R. No. L-17392, Dec. 17, 1966; "Y" Shipping Corp. v. Erispe, G.R. No. L-20627, May 4, 1967; Oliva v. La-madrid, G.R. No. L-23196, Oct. 31, 1967; Plaridel Surety & Insurance Co. v. Comm. of Internal Revenue, G.R. No. L-21520, Dec. 11, 1967; Manila Port Service v. Court of Appeals, G.R. No. L-21890, March 29, 1968; Insurance Co. of North America v. Manila Port Service, G.R. No. L-24887, April 22, 1968; PNB v. De la Cruz, G.R. No. L-23562, April 25, 1968; PNB v. Osete, G.R. No. L-24997, July 18, 1968; Gutierrez v. Court of Appeals, G.R. No. L-25972, Nov. 26, 1968; Permanent Concrete Products, Inc. v. Teodoro, G.R. No. L-29766, Nov. 29, 1968; Nielson & Co., Inc. v. Lepanto Consolidated Mining Co. G.R. No. L-21601, Dec. 28, 1968.

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