

**THE CITY OF CABANATUAN, REPRESENTED BY THE CITY MAYOR,
PLAINTIFF-APPELLANT, VS. DR. JUAN S. LAZARO AND NIEVES
MANINGAS, DEFENDANTS-APPELLEES.**

G.R. No. L-29256. June 30, 1971

Ponente: REYES, J.B.L., J.

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REYES, J.B.L., J.:

Direct appeal from orders of the Court of First Instance of Nueva Ecija in Civil Case No. 4768 dismissing plaintiff-appellant's complaint and denying its motion to reconsider the same.

In its said complaint, plaintiff-appellant sought the reformation of a lease agreement[1] pursuant to Article 1359 of the New Civil Code.[2] The said lease was entered into on 28 December 1959 between plaintiff-appellant, through its City Mayor, and defendants-appellees over a portion of Lot No. 1511 of Cabanatuan Cadastre (Cad. Case No. 3, G.L.R.O. Rec. No. 94) situated in the City of Cabanatuan which plaintiff-appellant owned, by specifically deleting paragraph 6 thereof. The said paragraph gives the defendants-appellees an option to renew the lease for another 10 years after the expiration of the original period, and reads:

"6. That after the expiration of the ten (10) years from January 1, 1960, the party of the second part may, at his option choose to extend this lease for another period of ten years."

It is alleged, among others, that due to mistake or accident, the aforesaid provision was inserted in the agreement; and that the same does not reflect the true intention of the parties. It is contended that while Resolution No. 1030 of the Municipal Board of the City of Cabanatuan, approved on 17 December 1959,[3] authorizes the City Mayor to enter into a contract of lease on its behalf "for a period of 10 years", it does not provide for authority to extend the period.[4]

Defendants-appellees moved for the dismissal of the complaint for the reasons that: (a) the action is premature; (b) there is no cause of action; and (c) the court has no jurisdiction over the subject and nature of the action. The court a quo granted the motion to dismiss in its order of 11 November 1967 finding the same to be meritorious.

Plaintiff-appellant moved to have the order reconsidered. Defendants-appellees opposed the motion. While the motion for reconsideration was pending, defendants-appellees manifested to the court that plaintiff-appellant already sold the lot, subject matter of the lease, to third persons. Since plaintiff-appellant is no longer the owner of the property, defendants-appellees reiterated their prayer for the denial of the motion for reconsideration.

The motion for reconsideration was denied by the lower court in its order of 2 February 1968 for lack of merit, hence this appeal. The following errors are assigned in plaintiff-appellant's brief: The lower court erred in -

1. Dismissing the complaint without first determining whether or not the true intention of the parties was expressed in the contract;
2. Holding that the action for reformation was filed prematurely; and that it could only be filed after the lessees

have manifested their intention to exercise their option to renew the contract for another 10 years; and

3. Denying the motion for reconsideration filed by plaintiff-appellant by giving weight to the assertion that the City has no more interest to pursue this action for reformation because it has already sold the property to third persons.

In our opinion, the appealed order was incorrect. Every party to a contract has a clear interest that the instrument embodying its terms should conform to the actual and true agreement had by and between the contracting parties. Hence, if by accident or mistake, as expressly pleaded in the complaint, the document does not conform to or reflect the actual agreement, either party can ask for the reformation of the instrument as provided by Articles 1359, et seq. (Chapter 4, Title 2, Book 4) of the Civil Code of the Philippines, to forestall future litigations on the true import of the agreement. As stated by the Code Commission in its Report, page 56,

"The rationale of the doctrine is that it would be unjust and inequitable to allow the enforcement of a written instrument which does not reflect or disclose the real meeting of the minds of the parties. The rigor of the legalistic rule that a written instrument should be the final or inflexible criterion and measure of the rights and obligations of the contracting parties is thus tempered, to forestall the effect of mistake, fraud, inequitable conduct or accident."

That the lessee's option to renew the contract for another term of 10 years (which is alleged by appellant not to have been intended by the parties) was not yet exercisable when the suit for reformation was instituted by the petitioner City (plaintiff below), because the original and uncontested lease term of 10 years had not yet expired, does not render the action premature, for precisely its purpose was to have such option embodied in the instrument declared ineffective as one not agreed upon by the parties. No cogent reason exists why the plaintiff-appellant should wait for the lapse of the first ten years before having the instrument reformed, when the inconsistency between it and the true agreement existed right from the time the document was executed. The contrary rule invoked by the appellee, and sustained by the court below, tends to make the reformation more difficult, for the evidence on the true intent of the parties may disappear before the first ten years are over.

That plaintiff-appellant City of Cabanatuan disposed of the land leased after the suit for reformation had been filed does not deprive the City of personality or real interest in the litigation. The transferee of the property can not maintain this action, for the plain reason that it was not a party to the original agreement, and, therefore, was not in a position to know what was the true contract agreed to by and between the appellant and the appellee. Upon the other hand, success or failure of the action for reformation necessarily reacts upon the extent of the City's obligations to its vendee, so the former's interest still exists. If the trial court desired to find out the transferee's stand on the issue, the logical action for it to take was to order the impleading or the joinder of the purchaser, and thereby avoid future multiplicity of actions.

Whether or not the City bound itself not to raise the question of reformation until after the expiration of the first ten years of the lease, as claimed by the appellees (defendants below), is a matter of defense to be raised in the answer, for that circumstance does not appear on the face of the complaint. It is elementary that the existence or non-existence of a cause of action must be determined on the face of the complaint,[5] the allegations of which must be deemed admitted for the purposes of a motion to dismiss for failure to state a cause of action. The same rule applies to the court's doubting the veracity of the allegations of the complaint for the reason that the contract of lease appears on its face without defect. Such doubt must be resolved only after trial on the merits.[6]

WHEREFORE, the order of dismissal appealed from is reversed and set aside, without prejudice to the impleading of the purchaser of the lot in question, and the records are ordered remanded for further proceedings. Costs against appellees, Juan S. Lazaro and Nieves Maningas.

Concepcion, C.J., Dizon, Makalintal, Zaldivar, Fernando, Teehankee, Barredo, Villamor, and Makasiar, JJ., concur.

Ruiz Castro, J., on leave, did not take part.

[1] Annex "B", pages 7-9, Record on Appeal.

[2] Art. 1359 of the New Civil Code reads:

"When, there having been a meeting of the minds of the parties to a contract, their true intention is not expressed in the instrument purporting to embody the agreement, by reason of mistake, fraud, inequitable conduct or accident, one of the parties may ask for the reformation of the instrument to the end that such true intention may be expressed.

If mistake, fraud, inequitable conduct, or accident has prevented a meeting of the minds of the parties, the proper remedy is not reformation of the instrument but annulment of the contract."

[3] Annex "A", pages 6-7, Record on Appeal.

[4] Resolution No. 1030 reads in part:

"RESOLVED: That the City Mayor be, as he is hereby authorized to enter into a contract with the lessees-occupants of the government lot for a period of 10 years on the basis of the following schedules:"

[5] *Acuña vs. Batao Producers Coop. Marketing Assoc.*, L-20333, 30 June 1967, 20 SCRA 527, and cases cited.

[6] *Alquique vs. De Leon*, L-15039, 30 March 1963.

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