

U. S. COMMERCIAL CO., PLAINTIFF AND APPELLANT, VS. FORTUNATO F. HALILI, ETC., DEFENDANT AND APPELLEE.

G. R. No. L-5535. May 29, 1953

Ponente: REYES, J.

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REYES, J.:

This is an action to recover unpaid rentals on used army vehicles alleged to have been leased by plaintiff to the defendant.

The case was submitted in the court below on a stipulation of facts from which it appears that on December 22, 1945, plaintiff, as representative of the U. S. Government, entered into a contract with the defendant leasing to the latter for a term of one year two used army vehicles, and on February 18, 1946, plaintiff again entered into a contract with the same defendant leasing to the latter for the same term six used army vehicles; that under the terms of both contracts the value of vehicles was fixed and then after deducting therefrom a substantial initial payment made by the lessee, the balance was divided into twelve equal parts and each part was made the monthly rental or payment which the lessee was to make to the lessor together with 6 per cent interest "on the unpaid balance of the value of the leased equipment;" that the contracts provided that title to the vehicles was to remain in the lessor during the term of the lease until all the rents or payments collected from the lessee should equal the total value fixed for them, in which event the lease would terminate and payment of any further rental would cease and the lessor would then transfer to the lessee title to other conditions of the contracts; that the lessor would have the right to terminate the contracts and repossess the trucks should the lessee fail to make payment on the dates specified or fulfill any of the obligations under the contracts, but that failure to exercise the right of repossession on any default would not be a waiver of such right upon any subsequent default; that in the event the contracts were terminated on account of the lessee's default in the performance of his obligations then all the payments theretofore made should remain the property of the lessor and not be recoverable by the lessee, the latter also waiving "the benefit of section 1454-A, Philippine Civil Code;" that after paying several instalments or rentals under the two contracts, the lessee defaulted in the payment of subsequent rents and that one year after such default the lessor requested the lessee to return all of the eight vehicles and the lessee voluntarily complied with said request, but thereafter refused to pay all rentals in arrears. Hence the present action.

Holding that the contracts in question were leases of personal property with option to purchase and come within the purview of article 1454-A of the old Civil Code, the trial court ruled that plaintiff's repossession of the vehicles precluded it from bringing an action to recover the unpaid rents, this notwithstanding the fact that the lessee had waived the benefit of said article, the court declaring said waiver to be null and void. The Court, therefore, rendered judgment, dismissing the plaintiff's complaint with costs. From this judgment plaintiff has appealed to this court, contending that (1) defendant's voluntary surrender of the vehicles to the plaintiff took the case out of the operation of article 1454-A of the old Civil Code, and (2) defendant's waiver of the benefit of said article is valid.

The article in question reads:

"ART. 1454-A. In a contract for the sale of personal property payable in installments, failure to pay two or more installments shall confer upon the vendor the right to cancel the sale or foreclose the mortgage if one has been given on the property, without reimbursement to the purchaser of the installments already paid, if there be an agreement to this effect.

"However, if the vendor has chosen to foreclose the mortgage he shall have no further action against the purchaser for the recovery of any unpaid balance owing by the same, and any agreement to the contrary shall be null and void.

"The same rule shall apply to the leases of personal property with option to purchase, when the lessor has chosen to deprive the lessee of the enjoyment of such personal property." (Old Civil Code.)

There can hardly be any question that the so-called contracts of lease on which the present action is based were veritable leases of personal property with option to purchase, and as such come within the purview of the above article. In fact the instruments (exhibits "A" and "B") embodying the contracts bear the heading or title "Lease-Sale (Lease-Sale of Transportation and/or Mechanical Equipment)." The contracts fix the value of the vehicles conveyed to the lessee and expressly refer to the remainder of said value after deduction of the down payment made by the lessee as "the unpaid balance of the purchase price of the leased equipment." The contracts also provide that upon the full value (plus stipulated interest) being paid, the lease would terminate and title to the leased property would be transferred to the lessee. Indeed, as the defendant-appellee points out, the inclusion of a clause waiving benefit of article 1454-A of the old Civil Code is conclusive proof of the parties' understanding that they were entering into a lease contract with option to purchase which come within the purview of said article.

Being leases of personal property with option to purchase as contemplated in the above article, the contracts in question are subject to the provision that when the lessor in such case "has chosen to deprive the lessee of the enjoyment of such personal property," "he shall have no further action" against the lessee "for the recovery of any unpaid balance" owing by the latter, "any agreement to the contrary being null and void."

Plaintiff and appellant, however, contends that defendant and appellee's voluntary surrender of the property takes the case out of the purview of the article. But it appears from the stipulation of facts that the voluntary delivery of the vehicles was made in obedience to plaintiff's demand so that there is no escaping the conclusion that plaintiff has in fact chosen to deprive the lessee of the enjoyment of the property leased. The article does not require that the deprivation of the enjoyment of the property be brought about thru court action. And in the present case court action for such purpose was not essential because the contracts specifically authorized the lessor to repossess the vehicles whenever the lessee defaulted in the payment of rent and the lessee could not in that event refuse a demand for the delivery of the vehicles without violating the terms of his undertaking.

As to the second ground of appeal, not much need be said, for the article itself seeks to forestall waiver of its benefits by providing that "any agreement to the contrary shall be null and void." The waiver inserted in the contracts in this case being contrary to both the letter and the policy of the law, the same cannot be given effect.

Plaintiff could have recovered all the rentals due by suing for them in the courts. In choosing the alternative remedy of depriving the defendant of the enjoyment of the vehicles leased with option to purchase, plaintiff waived its right to bring such action.

Wherefore, the judgment appealed from is affirmed, with costs against the appellant.

Paras, C. J., Feria, Pablo, Bengzon, Montemayor, Jugo, Bautista Angelo and Labrador, JJ., concur.

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