

**GREGORIO LLANTINO AND BELINDA LLANTINO ASSISTED BY
HUSBAND NAPOLEON BARBA, PLAINTIFFS- APPELLANTS, VS. CO
LIONG CHONG ALIAS JUAN MOLINA, DEFENDANT-APPELLEE.**

G.R. No. L-29663. August 20, 1990

Ponente: PARAS, J.

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PARAS, J.:

This is an appeal perfected before the effectivity of Republic Act 5440, from the decision* of the Court of First Instance of Catanduanes in Civil Case No. 611, to quiet title with damages, entitled “Gregorio Llantino, et al. vs. Cong Liong Chong alias Juan Molina,” dismissing the complaint and declaring that the contract of lease entered into between the plaintiffs and the defendant valid and in accordance with law.

The facts of the case as summarized by the trial court are as follows:

Plaintiffs (petitioners herein) aver that they are the owners of a commercial-residential land situated in the municipality of Virac, Catanduanes, described in paragraph 2 of the complaint, which sometime in 1954 they leased to the defendant (private respondent) who was then a Chinese national and went by the name of Co Liong Chong for a period of thirteen (13) years for the sum of P6,150.00 for the whole period. The defendant was placed in possession of the property but knowing that the period of the lease would end with the year 1967, petitioners requested private respondent for a conference but the latter did not honor the request and instead he informed the petitioners that he had already constructed a commercial building on the land worth P50,000.00; that the lease contract was for a period of sixty (60) years, counted from 1954; and that he is already a Filipino citizen. The claim of Chong came as a surprise to the Llantinos because they did not remember having agreed to a sixty-year lease agreement as that would virtually make Chong the owner of the realty which, as a Chinese national, he had no right to own and neither could he have acquired such ownership after naturalization subsequent to 1954. On December 16, 1967, in order to avoid a court litigation the Llantinos once more invited Chong to a conference about the matter but again Chong ignored the invitation. (Rollo, p. 48; Appellant’s Brief, p. 12)

Hence, on January 10, 1968, the Llantinos filed their complaint to quiet title with damages before the Court of First Instance of Catanduanes (Rollo, p. 12; Record on Appeal, pp. 1-4).

After Chong has filed an answer to the complaint and the Llantinos their reply, (Rollo, p. 12; Record on Appeal, pp. 9-10) the trial court set the case for pre-trial and trial for April 2, 1968 (Rollo, p. 12; Record on Appeal, pp. 10-11).

At the pre-trial, both parties agreed upon the identity of the land as described in the complaint. It was mutually admitted that the defendants original name was Co Liong Chong who was then a Chinese national in 1954, when he approached the plaintiffs and offered to lease the land in question. It was also admitted by the counsel for the defendant that prior to the filing of the case, the plaintiffs have in fact invited the defendant to a conference about the matter (Rollo, p. 12; Record on Appeal; p. 14).

Chong's counsel produced the carbon original of the contract of lease entered into between Chong and the Llantinos and the existence of the contract of lease as a public instrument was admitted (Rollo, p. 12; Record on Appeal, pp. 14-15).

It was also admitted that Chong had in fact constructed a building of strong materials on the land worth P40,000.00 (Rollo, p. 12; Record on Appeal, p. 15); that Chong has become a naturalized Filipino citizen in 1961 and that his name is no longer Co Liong Chong but Juan Molina (Rollo, p. 12; Record on Appeal, p. 15).

On May 17, 1968, the trial court rendered a Decision the dispositive portion of which reads:

"WHEREFORE, in view of the foregoing considerations, the Court finds the contract of lease entered into between the plaintiffs and the defendant on October 5, 1954, valid and in accordance with law and the complaint is dismissed with costs against the plaintiffs.

"The Court, however, feels that there is no sufficient ground to award moral damages or attorney's fees as claimed by the defendant because the Court is fairly convinced that the institution of the suit sprung from an honest conviction on the part of the plaintiffs that on account of the period fixed in the contract of lease and the fact that the defendant was a Chinese national at the time of its celebration constituted valid grounds for annulment.

SO ORDERED." (Rollo, p. 12; Record on Appeal, p. 24).

From this judgment, plaintiffs appealed directly to this Court on a pure question of law (Rollo, p. 12; Record on Appeal, pp. 24-25).

The plaintiffs-appellants filed their brief on May 26, 1969 (Rollo, p. 48). The defendant-appellee filed his corresponding brief on July 22, 1969 (Rollo, p. 59).

The appellants raised the following assignment of errors:

I

THE LOWER COURT ERRED IN DECLARING THE CONTRACT ENTERED INTO BY AND BETWEEN THE APPELLANTS AND THE DEFENDANTS ON OCTOBER 5, 1954 VALID;

II

THE LOWER COURT ERRED IN REFUSING TO DECLARE THAT CONTRACT NOT A LEASE.

Stripping the case of irrelevant allegations, the pivotal issue in this case is whether or not the contract of lease entered into by and between the petitioners including Virgilio Llantino now deceased and private respondent on October 5, 1954 for a period of sixty (60) years is valid.

Petitioners contend that when the contract which is sought to be declared void was entered into by and between the parties, private respondent was still a Chinese national (Rollo, p. 48; Appellants' Brief, p. 2). However, petitioners also stated that they do not dispute the right of private respondent to hold the landholding in dispute under a contract of lease but they cannot fathom how Congress could have thought of a lease contract which shall be for an indefinite period and yet say that the period to be valid should not exceed 99 years (Rollo, p. 48; Appellants' Brief, p. 4; Article 1643 of the New Civil Code of the Philippines).

On the other hand, private respondent argued that even though he was still an alien when he entered into the contract of lease (on October 5, 1954), he was not prohibited by law to do so. In fact, prior to his becoming a naturalized Filipino citizen in 1961, the appellants did not question his right to enter into that contract so that the

parties are in *pari delicto*. He constructed a building on the property worth P40,000.00 and prays that he be awarded P30,000.00 for moral damages and P2,000.00 for Attorneys' fees. (Rollo, p. 48; Appellants' Brief, p. 2).

The position of private respondent is well taken.

The lower court correctly ruled that the defendant-appellee Chong had at the time of the execution of the contract, the right to hold by lease the property involved in the case although at the time of the execution of the contract, he was still a Chinese national (Rollo, p. 59; Appellee's Brief, pp. 10-11).

In the present case, it has been established that there is only one contract and there is no option to buy the leased property in favor of Chong. There is nothing in the record, either in the lease contract or in the complaint itself, to indicate any scheme to circumvent the constitutional prohibition. On the contrary, the Llantinos themselves admit openly that right from the start and before entering into the contract, the Chong had merely asked them for a lease of the premises to which they agreed. Admittedly under the terms of the contract there is nothing to prevent the Llantinos from disposing of their title to the land to any qualified party but subject to the rights of the lessee Chong. Neither is there under the terms of the said contract to indicate that the ownership of the Llantinos of the leased premises has been virtually transferred to the lessee (Rollo, p. 59; Appellee's Brief, p. 14).

Under the circumstances, a lease to an alien for a reasonable period is valid. So is an option giving an alien the right to buy real property on condition that he is granted Philippine citizenship. Aliens are not completely excluded by the Constitution from use of lands for residential purposes. Since their residence in the Philippines is temporary, they may be granted temporary rights such as a lease contract which is not forbidden by the Constitution. Should they desire to remain here forever and share our fortune and misfortune, Filipino citizenship is not impossible to acquire (*Philippine Banking Corporation vs. Lui She*, 21 SCRA 52 (1967); citing *Krivenko vs. Register of Deeds*, 79 Phil. 461 (1947)).

The only instance where a contract of lease may be considered invalid, is, if there are circumstances attendant to its execution, which are used as a scheme to circumvent the constitutional prohibition.

If an alien is given not only a lease of, but also an option to buy, a piece of land, by virtue of which the Filipino owner cannot sell or otherwise dispose of his property, this to last for 50 years, then it becomes clear that the arrangement is a virtual transfer of ownership whereby the owner divests himself in stages not only of the right to enjoy the land (*jus possidendi*, *jus utendi*, *jus fruendi*, and *jus abutendi*)-- rights, the sum of which make up ownership. It is just as if today the possession is transferred, tomorrow the use, the next day the disposition, and so on, until ultimately all the rights of which ownership is made up are consolidated in an alien (*Philippine Banking Corporation vs. Lui She*, 21 SCRA 52 (1967)).

Coming back to the case at bar, even assuming, *arguendo*, that the subject contract is prohibited, the same can no longer be questioned presently upon the acquisition by the private respondent of Filipino citizenship. It was held that sale of a residential land to an alien which is now in the hands of a naturalized Filipino citizen is valid (*De Castro vs. Tan*, 129 SCRA 85 (1984)).

A contract is the law between the contracting parties, and when there is nothing in it which is contrary to law, morals, good customs, public policy or public order, the validity of the contract must be sustained (*Marimperio Compania Naviera, S.A. vs. Court of Appeals*, 156 SCRA 358 (1987)).

The issue of the nature of the contract in the case at bar was never raised in the basic pleadings or in the pre-trial (Rollo, p. 59; Appellee's Brief, p. 22).

It is too late to raise an issue on appeal in the Supreme Court when it has not been raised in the lower court

(Espadera vs. Court of Appeals, 165 SCRA 364 (1988)).

Moreover, contracts which are not ambiguous are to be interpreted according to their literal meaning and should not be interpreted beyond their obvious intendment (Plastic Town Center Corporation vs. NLRC, 172 SCRA 580 (1989); Herrera vs. Petrophil Corp., 146 SCRA 385 (1986)).

PREMISES CONSIDERED, the decision appealed is hereby AFFIRMED with costs against the plaintiffs-appellants.

SO ORDERED.

Melencio-Herrera, (Chairman), Padilla, and Regalado, JJ., concur.
Sarmiento, J., on leave.

* Penned by Judge Feliciano S. Gonzales

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