

BERNARDO DIZON, SUBSTITUTED BY HIS HEIRS, DOMININA ALVENDIA VDA. DE DIZON, BUENAVENTURANZA DIZON-AMIO, SISTER MARIA FLORENCIA (MARIA DIZON), MARIANO DIZON, VICTOR DIZON, ARACELI...

G.R. No. L-23399. May 31, 1974

Ponente: MAKALINTAL, C.J.

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MAKALINTAL, C.J.:

On April 1, 1949 Ambrosio Magsaysay, registered owner of a 1,171.70 sq.m. parcel of land located in Sampaloc, Manila, and the late Bernardo M. Dizon[1] executed a written contract of lease over a portion of the above-mentioned parcel of land which the latter had been occupying as lessee since 1937 and on which he had constructed a residential house as well as a six-lane bowling alley. The pertinent provisions of the lease contract[2] read:

"xxx xxx xxx

Que el DUENO cede en arrendamiento al INQUILINO una puerta comercial No. 143 Maria Clara, Manila una porcion del terreno adjacente a dicha puerta, y en cuyo esta levantada una edificacion No. 137 Bowling Alley.

Y se conviene mutuamente por y entre las partes siguiente:

1. EL INQUILINO se compromete a pagar al DUENO un alquiler mensual de cien pesos (P100.00), moneda filipina, y que se pagara por anticipado en o antes del dia 15 de cada mes, en la direccion del DUENO.
2. Este arrendamiento sera por dos (2) anos desde Abril 1, 1949 y renovable por igual periodo en condiciones expresas y especificadas que seran convenidas entre las partes.

xxx xxx xxx

9. En el caso de que el DUENO vendiera el terreno, se le dara preferencia de comprar el INQUILINO sobre cualquier otro comprador en igualdad de precio y condiciones.

xxx xxx xxx"

The two-year term of the lease contract expired on April 1, 1951 without the parties' having expressly renewed their agreement. Bernardo Dizon, however, continued to occupy the leased premises, paying the same monthly rental of P100.00, which Ambrosio Magsaysay accepted.

Two years later, on March 3, 1953, the counsel of Ambrosio Magsaysay formally advised Bernardo Dizon of the termination of the existing lease at the end of that month. On March 24 Dizon learned that as early as February 19, 1953 there were negotiations for the sale of the entire 1,171.70 sq.m. lot to Nicanor Padilla, which negotiations were concluded on March 7, 1953 with the execution of an absolute deed of sale in his favor by Ambrosio Magsaysay and of a supplementary agreement embodying the seller's acceptance of the condition that

should he fail to completely eject all the tenants on the land within a stated period, so much of the agreed purchase price of P48,000.00 would be forfeited. On March 11, 1953 a new certificate of title was issued to Nicanor Padilla pursuant to the sale.

When Dizon learned of the sale he communicated with Magsaysay and Padilla, inviting their attention to paragraph 9 of the original written lease contract which gave him the preferential right to purchase the land under the same conditions as those offered by other buyers. On March 25, 1953 he actually commenced suit against Magsaysay and Padilla in the Court of First Instance of Manila (Civil Case No. 19172), praying that the deed of sale between them be declared null and void; that they be ordered to sell the land to him and to pay him damages and attorney's fees; or in the alternative, that defendant Magsaysay be sentenced to pay the plaintiff the sum of P20,000.00 as actual damages, P10,000.00 for alleged losses in his business, reasonable moral damages, and attorney's fees. The new buyer, Nicanor Padilla, was included as party-defendant in this case on the allegation that he "7. . . . knew the plaintiff had his residential building and bowling alleys on this land, and before he purchased the land, he saw said building and alleys and under the circumstances, he was aware and/or should be aware of the consideration value thereof as well as of the preferred right of said plaintiff to buy the land."

The trial court rendered judgment on August 18, 1955, dismissing the complaint as well as defendant Nicanor Padilla's counterclaim. On appeal to the Court of Appeals (CA-G.R. No. 16174) the decision was affirmed on June 8, 1964. Hence this petition for review, presenting the crucial issue, as the Court of Appeals put it, as to "whether or not at the time of the sale of the disputed property to Nicanor Padilla on March 7, 1953 appellant Dizon had a preferential right to purchase it at the same price and terms."

Because Dizon continued to occupy the leased premises with Magsaysay's acquiescence even after the two-year term of the private written lease contract between them expired on April 1, 1951, petitioners contend that the implied new lease created, although admittedly not for the period of the original contract, revived the other terms thereof, including the lessee's preferential right of purchase, citing Article 1670 of the new Civil Code, which provides:

"Art. 1670. If at the end of the contract the lessee should continue enjoying the thing leased for fifteen days with the acquiescence of the lessor, and unless a notice to the contrary by either party has previously been given, it is understood that there is an implied new lease, not for the period of the original contract, but for the time established in articles 1682 and 1687. The other terms of the original contract shall be revived." (Italics supplied)

The Court of Appeals held that "the other terms of the original contract" which are revived in the implied new lease under Article 1670 are only those terms which are germane to the lessee's right of continued enjoyment of the property leased. This is a reasonable construction of the provision, which is based on the presumption that when the lessor allows the lessee to continue enjoying possession of the property for fifteen days after the expiration of the contract he is willing that such enjoyment shall be for the entire period corresponding to the rent which is customarily paid – in this case up to the end of the month because the rent was paid monthly. Necessarily, if the presumed will of the parties refers to the enjoyment of possession the presumption covers the other terms of the contract related to such possession, such as the amount of rental, the date when it must be paid, the care of the property, the responsibility for repairs, etc. But no such presumption may be indulged in with respect to special agreements which by nature are foreign to the right of occupancy or enjoyment inherent in a contract of lease.

But whatever doubt there may be on this point is dispelled by paragraph (2) of the contract of lease, which states that it was renewable for the same period of two years (upon its expiration on April 1, 1951), "*con condiciones expresas y especificadas que seran convenidas entre las partes.*" This stipulation embodied the agreement of the

parties with respect to renewal of the original contract, and while there was nothing in it which was incompatible with the existence of an implied new lease from month to month under the conditions laid down in Article 1670 of the Civil Code, such incompatibility existed with respect to any implied revival of the lessee's preferential right to purchase, which expired with the termination of the original contract. On this point the express agreement of the parties should govern, not the legal provision relied upon by the petitioner.

The judgment of the Court of Appeals is affirmed, with costs.

Castro, Teehankee, Makasiar, Esguerra, and Munoz Palma, JJ., concur.

[1] Bernardo Dizon died on October 21, 1964, during the pendency of the appeal before the Court of Appeals. By resolution dated July 24, 1964, the Court of Appeals granted counsel's motion to have said Bernardo Dizon substituted by his heirs, now the petitioners in the instant case.

[2] The contract of lease was neither recorded in the office of the Register of Deeds nor annotated in TCT No. 11372 in the name of Ambrosio Magsaysay.

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