

MERCY'S INCORPORATED, PLAINTIFF AND APPELLEE, VS. HERMINIA VERDE AND ERLINDA VERDE, DEFENDANT AND APPELLANTS.

G.R. No. L-21571. September 29, 1966

Ponente: BARRERA, J.

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BARRERA, J.:

On January 24, 1958, Mercy's Inc., as lessor of the store space at No. 1763 Azcarraga, Manila, filed a complaint for unlawful detainer in the Municipal Court of Manila, against the lessees Herminia Verde and Erlinda Verde, which alleges:

"x x x;

"2. That the defendants leased from the plaintiff which then represented by Mercy Z. Almonedovar, the premises at No. 1763 Azcarraga Street, Manila, at a monthly rental of P300.00, which lease has expired on November 2, 1952;

"3. That notwithstanding the expiration of the period of lease the plaintiff allowed the defendants to remain in the premises on a monthly basis at the same rental of P300.00;

"4. That on December 19, 1957, the plaintiff notified the defendants, in writing, to vacate the premises of No. 1763 Azcarraga Street, Manila now occupied by them within thirty days from said date of December 19, 1957, in view of the need for the use of the premises by the plaintiff;

"5. That notwithstanding said demand to vacate premises the defendants refused and still refuse to vacate;

x x x."

Plaintiff prayed that defendants be ordered to vacate the premises, to pay attorneys' fees, and for such other relief as the court may deem just and equitable.

Judgment was rendered for the plaintiff, and defendants were ordered to vacate the premises and to pay the monthly rental therefor, starting June, 1958, until they actually leave the said place.

Defendants appealed to the Court of First Instance, and filed therein an answer, setting up the following special and affirmative defenses:

"SPECIAL AND AFFIRMATIVE DEFENSES

"5. That the contract of lease between defendants and plaintiff, which is referred to in paragraph 2 of the latter's complaint and which was executed on November 1, 1951, contains the stipulation:

'That the duration of the lease agreement shall be one (1) year renewable at the option the lessees (defendants herein), said period to commence from the execution of this contract.'

"6. That defendants have exercised and been exercising their right to renew the contract of lease and have possessed and occupied and have been possessing and occupying the leased premises by virtue of the original and renewed contracts of lease with plaintiff;

"7. That plaintiff in turn has recognized and honored, and has been recognizing and honoring defendants' lawful and peaceful possession and occupancy under the aforementioned original and renewed agreements of lease;

"8. That the said renewed contract of lease has not yet expired;

"9. That plaintiff's action of ejectment is premature because the period of the renewed lease being indefinite, plaintiff should have first instituted an action to fix the duration of the same and should have awaited for the term so fixed to expire, before commencing the instant proceeding;

x x x."

Upon plaintiff's motion, the court rendered judgment on the pleadings, holding that as there was tacit renewal of the lease, it was considered from month-to-month, the rent being payable monthly. Therefore, the lessor had the right to terminate the lease and require the lessees to return possession of the premises. Defendants, consequently, were ordered to vacate the premises in 6 months from the finality of the judgment, pursuant to Article 1687 of the Civil Code, and to pay to the plaintiff the monthly rental of P300.00, until they actually vacate the same. Defendants lessees filed the present appeal, claiming that the lower court erred -

- in not holding that plaintiff-appellee's motion for judgment on the pleadings admits the truth of defendants-appellants' special and affirmative defenses; and
- in not holding that plaintiff-appellee's complaint states no cause of action because the contract sued upon plainly authorized defendants-appellants' unilateral authority to renew the lease which the latter actually exercised.

The controversy in the present case was brought about by the stipulation in the lease-contract, entered into by the parties on November 1, 1951, which reads:

"That the duration of the lease agreement shall be one (1) year renewable at the option of the lessees, said period to commence from the execution of this contract."

Appellants herein contend that it was error for the trial court to apply the legal period prescribed in Article 1687 of the Civil Code and consider the lease to have been tacitly renewed from month-to-month, because the said Article 1687, in relation to Article 1670 of the same Code, is applicable only where there is no period of the lease fixed or agreed upon by the parties. Differently, in this case, according to appellants, when the lessees were given the option to renew the contract, the parties in reality provided for a conventional term or duration thereof, which is an indefinite period depending on the will of the lessees. And, this period allegedly is to continue unless and until one of the parties shall give notice to the other of the termination of the contract. Thus, it is claimed that the legal provision applicable to the dispute is Article 1197, [1] not Articles 1670 and 1687 [2] of the Civil Code, and the court should have fixed the period, instead of declaring that the lease has been validly terminated by the lessor.

The argument cannot be sustained. Note that the stipulation provides that "the duration of the lease agreement shall be one year", commencing from the execution of the contract, and which period is "renewable at the option of the lessees." There is no question that thereunder, the lessees were given the privilege to renew the contract for another period. However, it may be pointed out that for the contract to be renewed, the option must first be exercised. The lessees should ask for the execution of a new agreement, otherwise, the contract of November 1, 1951, would lapse one year from the execution thereof, as it actually happened. For, the stipulation involved here

is actually just another way of saying that the lease was for a period of one year, unless renewed by the lessees. And, as the lessees failed to exercise the option or to express their choice whether the contract would be renewed or not, the contract expired on November 1, 1952. Their occupancy of the premises thereafter, therefore, was only upon the acquiescence of the lessor, and this produced, under Article 1670 of the new Civil Code, merely an implied new lease, not for the period of the original contract, but from month-to-month, the rent being paid monthly. (Art. 1697, new Civil Code). Consequently, the court a quo acted correctly in holding that the new lease, which was from month-to month, was validly terminated when the lessor notified the lessees to vacate the premises.

Appellants, however, allege that the lessor, when it moved the court for judgment on the pleadings, admitted the allegations contained in their answer, such as the statements that they have "exercised and have been exercising their right to renew the contract of lease"; that plaintiff has recognized and has been recognizing defendants' occupancy of the premises under the original and renewed contracts of lease; and that the "renewed contract of lease has not yet expired." It may be stated, in this connection, that while it is true that a motion for judgment on the pleadings is understood to be an admission by the movant of the truth of all the material and relevant allegations of the party, and that he (movant) rests his motion for judgment on those allegations taken together with such of his own as are admitted in the pleadings, [3] the admission refers only to allegations of fact and cannot be made to include conclusions of law. In this case, the statements constituting defendants-appellants' special and affirmative defenses are not just factual declarations, but conclusions of law premised on the assumption [4] that under the stipulation of the contract, the lease provided for a conventional term of indefinite duration terminable only upon the will of the lessee.

In view of the foregoing considerations, the decision appealed from is hereby affirmed, with costs against the appellants.

SO ORDERED.

Concepcion, C.J., Reyes, J.B.L., Dizon, Regala, Makalintal, Bengzon, J.P., Zaldivar, Sanchez, and Ruiz Castro, JJ., concur.

[1] ART. 1197. If the obligation does not fix a period, but from its nature and the circumstances it can be inferred that a period was intended, the courts may fix the duration thereof.

The courts shall also fix the duration of the period when it depends upon the will of the debtor.

x x x x. (New Civil Code)

[2] 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.

ART. 1687. If the period for the lease has not been fixed, it is understood to be from year to year, if the rent agreed upon is annual; from month to month, if it is monthly; from week to week, if the rent is weekly; and from day to day, if the rent is to be paid daily. However, even though a monthly rent is paid, and no period for the lease has been set, the courts may fix a longer term for the lease after the lessee has occupied the premises for over one year. x x x. (Ibid)

[3] Bauermann v. Casas, 10 Phil. 386; Evangelista v. De la Rosa, 76 Phil. 115.

[4] Which is wrong, because the original contract specifically provided that the lease was for a term of one year.

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