

ROSARIO C. BUCCAT, PLAINTIFF-APPELLEE, VS. LIBRADA ROSALES DISPO, ASSISTED BY HER HUSBAND PROCESO DISPO, DEFENDANTS-APPELLANTS.

G.R. No. L-44338. April 15, 1988

Ponente: SARMIENTO, J.

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SARMIENTO, J.:

A contract, certain provisions of which are not well-defined, could lead to a protracted and expensive litigation. The case at bar is a distinct example.

Sometime in February 1953, plaintiff-appellee Rosario Buccat and defendant-appellant Librada Dispo entered into a contract of lease, the expiration date of which was August 31, 1967, over the former's 542-square meter lot situated at Bo. Catbangon, San Fernando, La Union. By virtue of the said contract, the defendant-appellant constructed the National Business Institute, a small vocational school on the parcel of land subject of the lease agreement. In 1958, nine years before the expiration of the contract, the parties entered into another lease agreement over the same parcel of land substantially modifying the duration of the lease as shown by the following provision, to wit:

Par. 3: "That the lease contract shall remain in full force and effect as long as the land will serve the purpose for which it is intended as a school site of the National Business Institute but the rentals now stipulated shall be subject to review every after ten (10) years by mutual agreement of the parties." [1]

On May 3, 1968, or eight months after the supposed expiration date of the first contract, the plaintiff-appellee filed a complaint for Unlawful Detainer against the defendant-appellant, the basis of which was the expiration of the first lease contract, as the second agreement, according to the plaintiff-appellee, was null and void for being simulated and for want of consideration. The second contract was allegedly executed only after "defendant-appellant approached the plaintiff-appellee and revealed to the latter their problems and difficulty in securing the official recognition by the government of the National Business Institute" [2] if the first lease agreement was not amended. The plaintiff-appellee, in her desire to help the defendant-appellant, consented to the amendment of the contract believing that the same was void and that the first contract was binding. The case [3] for unlawful detainer, which ultimately reached the Court of Appeals was resolved in favor of the validity of the second lease contract, but the provision as to the duration of the contract was interpreted by the Court of Appeals as one that was left to the will of the defendant-appellant so that the period of lease was indefinite. It was for this reason that the Court of Appeals suggested to the plaintiff-appellee the filing of a case for the fixing of the period of the lease as contained in the dispositive portion of the decision, to wit:

WHEREFORE, the order of the lower Court dismissing the complaint, without pronouncement as to costs and without prejudice to the filing of an appropriate action to fix the term of the lease is hereby AFFIRMED. With pronouncement as to costs. [4]

Pursuant to the said decision, the plaintiff-appellee filed a case for the Fixing of the Duration of the Period of a

Contract (Under Article 1197, Civil Code of the Philippines) with the then Court of First Instance of La Union[5] which rendered a decision[6] the dispositive portion of which reads:

IN VIEW OF ALL THE FOREGOING, this Court renders judgment as follows:

- Fixing the duration or period of the second contract of lease of August, 1958 entered into between the plaintiff and the defendant, to TWENTY (20) years from August, 1958, the date of the execution of the second contract, expiring on the last day of August, 1978;
- Increasing the present monthly rental of P50.00 to a reasonable amount of P150.00, to be paid by the defendant for the use of the land subject of the second contract of lease.

Parties shall bear their own costs.

SO ORDERED.[7]

The trial court's decision is now with us on appeal as certified to this Court by the Court of Appeals since only questions of law are involved.

The defendants-appellants assigned the following errors:

I

THE TRIAL COURT ERRED IN DISREGARDING THE ISSUE OF PRESCRIPTION OF ACTIONS AS AN ISSUE IN THE CASE AT BAR AND IN HOLDING THAT PRESCRIPTION OF ACTIONS BASED ON A WRITTEN CONTRACT IS NOT APPLICABLE AND CONSEQUENTLY ERRED IN NOT DISMISSING THE COMPLAINT, THE ACTION HAVING PRESCRIBED.

II

THE TRIAL COURT ERRED IN RENDERING A JUDGMENT ON THE PLEADINGS PRECLUDING THE DEFENDANTS FROM ADDUCING EVIDENCE COVERING THE IMPORTANT POINTS NOT ADMITTED IN THE RESPONSIVE PLEADINGS AND/OR NOT COVERED BY THE STIPULATION OF FACTS.

III

THE TRIAL COURT ERRED IN FINDING THAT THE BUSINESS OF THE DEFENDANT CONSIST IN THE MAINTENANCE AND MANAGEMENT OF A RELATIVELY SMALL VOCATIONAL INSTITUTE WITHOUT THE RECEPTION OF EVIDENCE.

IV

THE TRIAL COURT ERRED IN FINDING AND HOLDING THAT THE LEASE CONTRACT ENTERED INTO BY PLAINTIFF AND DEFENDANT EXECUTED ON AUGUST 1958 IS A LEASE WITHOUT A PERIOD OR IS A LEASE THE PERIOD OF WHICH IS DEPENDENT UPON THE SOLE WILL OF THE LESSEE, THE DEFENDANT, AND CONSEQUENTLY ERRED IN FIXING THE PERIOD THEREOF TO TWENTY YEARS.

V

THE TRIAL COURT ERRED IN INCREASING THE MONTHLY RENTAL OF P50.00 AS STIPULATED IN THE LEASE CONTRACT TO P150.00 WITHOUT BASIS IN LAW AND EVIDENCE.[8]

- In order to resolve whether or not the present action has prescribed, it is necessary to first determine when the right of action for the fixing of the period of lease accrued. Should it be reckoned from the time when the parties entered into the second contract of lease which was in August 1958 as the defendants-appellants claim or at the time when the decision of the Court of Appeals upholding the validity of the second contract of lease

was promulgated which was in November 1972 as the plaintiff-appellee claims?

We hold that it was only in November 1972 that the cause of action for the fixing of the period of lease accrued. This is as it should be because prior to that, the validity of the second contract of lease was being challenged. The case for unlawful detainer filed by the plaintiff-appellee became in fact a case questioning the validity of the second contract on the grounds that the said contract was simulated and that there was no consideration. The plaintiff-appellee could not have been expected to file an action for the fixing of the period of the lease before the Court of Appeals promulgated its decision because she was not yet aware that the said paragraph of the second contract was a provision that called for an indefinite period. For the reason that the very existence, and subsequently, the interpretation of the second contract of lease, particularly par. 3 thereof, were put in issue in the unlawful detainer case, the court trying the case was required to interpret the provisions of, and consequently, rule on the validity of the said contract. This was precisely what the trial court's decision which was affirmed by the Court of Appeals, in fact, resolved. And in conformity with the suggestion of the said court, the plaintiff-appellee filed the present case. The remedy or the cause of action for the filing of a case for the fixing of a period in the contract, therefore, only accrued when the court finally declared the second contract valid but that the provision as to the period was indefinite and hence, an action for the fixing of the period of the contract had to be filed.

Furthermore, should the plaintiff-appellee have opted to file a case for the fixing of the period of the lease contract before the termination of the unlawful detainer case, the latter case would have been rendered moot and academic and the plaintiff-appellee would have inevitably and unwittingly ratified the second contract. No person in his right mind would have done such.

- The second, third, and fifth assignments of error being related with one another shall be discussed jointly.

The judgment on the pleadings of the lower court is assailed by the defendants-appellants for the reasons that their answer "tendered issues on the factual and legal interpretation of the clause of the lease contract in question, x x x the nature and extent of the business directly affected by the fixing of the period x x x as well as on the increase of rentals,"[9] and that "the fixing of the period x x x entails a judicious reception of evidence x x x." [10] Hence, judgment on the pleadings according to the defendants-appellants was not proper. We find nothing objectionable or irregular in the decision of the lower court based on the pleadings. First, the defendants-appellants themselves, in a manifestation dated May 11, 1974, agreed to the motion of the plaintiff-appellee for a judgment on the pleadings. The defendants-appellants must have been fully aware of the consequences of their manifestation. Secondly, the lower Court did not fix the period nor increase the rentals without bases. The stipulation of the facts of the parties in the pre-trial conference, particularly:

- That the land involved in this contract of lease which is now the subject matter of this case is situated along the national road (MacArthur Highway) and it is about 400 to 500 meters away from the town plaza of San Fernando, La Union;

- That the building erected on the said lot is made of mixed materials, mostly wood and concrete products;

- That the building was constructed by the defendant in 1953 and the defendant has been using the building for 21 years for school purposes.[11]

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were sufficient criteria for the increase of the rental. Furthermore, the increase in the amount of rental from P50.00 to P150.00 cannot be considered unreasonable. The Court's decision was rendered in 1974 and the increase took effect only on the said date. Prior thereto, the defendants-appellants' vocational school had been operating on the land for some 20 years at the measly rental of P50.00. Undoubtedly, during all those years, the standard of living had definitely risen. We likewise take note of the fact that San Fernando, La Union was then,

and still is the provincial capital of La Union, as well as the regional center of Region I. Being such and considering the fact that the court is situated some 400 to 500 meters from the school, the court must have been aware of the existence, location, size, and other facts concerning the school.

- Anent the fourth assignment of error which involves the interpretation of the third paragraph of the second lease agreement, the same has already been settled by the Court of Appeals in the unlawful detainer case when it ruled, and correctly we say, that the period of the lease was indefinite and hence, the plaintiff-appellee was advised to file a case for the fixing of the period. Inasmuch as the Court of Appeals decision has long become final and executory, there is, therefore, no necessity for us to belabor the matter.

- Finally, it appears that the defendants-appellants' interest in the land subject of the controversy has now become motivated more by their selfish design just to prevent the plaintiff-appellee from using the same than by a sincere desire to utilize the land for school purposes. For they never bothered to construct another school building on the same site after the National Business Institute had been totally razed by fire in November 1974.[12] Neither did they manifest their intention of building one at a later date. In fact, the land had been left idle and useless for more than 15 years now. The plaintiff-appellee, the lawful owner of the land, has been precluded from using and enjoying it for much too long now.

WHEREFORE, in view of the foregoing, the appeal is DISMISSED and the decision of the trial court is hereby REINSTATED. With costs against the defendants-appellants.

This decision is IMMEDIATELY EXECUTORY.

Yap, (Chairman), Melencio-Herrera, Paras, and Padilla, JJ., concur.

[1] Record on Appeal, 88.

[2] Id., 3.

[3] CA-G.R. No. 46971-R.

[4] Record on Appeal.

[5] Branch I.

[6] Rendered by the Hon. Judge Angel A. Daquigan.

[7] Record on Appeal, 92-93.

[8] Brief for the defendant-appellant, 1-2.

[9] Brief for the defendants-appellants, 23.

[10] Id., 22.

[11] Brief for plaintiff-appellee, 15.

[12] Rollo, 8-9.

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