

SPOUSES RUBIN FERRER AND AMPARO FERRER, PETITIONERS, VS. THE HONORABLE COURT OF APPEALS AND LUIS TINSAY, RESPONDENTS.

G.R. No. 115968. June 19, 1997

Ponente: ROMERO, J.

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ROMERO, J.:

Assailed in this petition for review on certiorari is the decision of the Court of Appeals in CA-G.R. NO. 32353[1] affirming the decision of Branch 24 of the Regional Trial Court of Iloilo City. The RTC earlier reversed the decision of Branch 4 of the Municipal Trial Court in Cities.

Private respondent Luis Tinsay is the owner of a 300-square meter lot along Mabini Street, Iloilo City. Said lot was leased to petitioner-spouses Rubin and Amparo Ferrer sometime in 1974 for an initial monthly rate of P10.00 until it reached the amount of P540.00 at the time the complaint was instituted. The lease agreement was verbal and there was no period agreed upon.

On July 3, 1991, private respondent advised petitioners, through a letter, that he was terminating the lease agreement effective the end of July 1991. Petitioners failed to vacate the premises as demanded prompting private respondent to institute a complaint for illegal detainer and damages with the Municipal Trial Court. Said court ruled in favor of private respondent by ordering petitioners to vacate the premises, to pay the unpaid rentals, and accorded the former the option to either reimburse the latter one half of the value of the improvements introduced into the property or remove said improvements if the former refuses to reimburse the latter.

Petitioners appealed to the Regional Trial Court which reversed the decision of the Municipal Trial Court by extending the lease for a fixed period of one year reckoned from the date of receipt by petitioners of its decision and ordering them to pay a monthly rental of P5,000.00 for the duration of the fixed extended period.

On appeal, the Court of Appeals affirmed the decision of the Regional Trial Court holding that the fixing of the period of the lease contract is addressed to the sound discretion of the court as provided in Article 1687 of the Civil Code. It further held that the decision of the lower court was prompted by considerations of equity and justice stating that to fix the period to a longer term of seven or eight years as prayed for by petitioners would be unduly burdensome for private respondent who has expressed a need for the premises in question. This is especially true considering the fact that there was originally no agreement as to the term of the lease. Thus, to fix the lease for a longer period would be unreasonable.

The Court of Appeals also held that petitioners cannot take refuge under the provisions of B.P. 877 (Rent Control Law) for the reason that the parties already stipulated in the pre-trial conducted by the municipal trial court that the premises in question are commercial and not residential land. As such, petitioners cannot now take a position inconsistent with their pre-trial stipulations. It added that the lease agreement being a month to month lease which is a definite period, it is terminable at the end of each month at the option of the lessor.

Hence, this petition. Petitioners submit that they are entitled to a longer extended period of lease, as well as to reimbursement of the actual value of the improvements introduced in the premises.

Petitioners claim that Article 1687 of the Civil Code gives the court the authority to grant an extended lease by fixing a longer period considering that they have been staying in the premises for forty-seven years (since 1946) and that they have spent around 3.5 million pesos for the building. They state that they are amenable to a period of seven to eight years considering the above-mentioned circumstances. They also invoke the provisions of B.P. 877 as being applicable to them claiming that the building they built is classified as residential. They argue that since the building they built is a residential unit and the period of the lease is not fixed, hence indefinite, the court is prevented from ejecting them from the premises without violating the provisions of B.P. 877. They contend that where no period for the lease is stipulated, the lessee may continue under the terms provided under the Rent Control Law, i.e., they may stay in the premises indefinitely until the effectivity of B.P. 877 as extended by R.A. 7644.[2]

This Court finds petitioners' contentions without merit. Article 1687, which petitioners cite to support their contention that the court may fix a longer term for the lease especially in view of their long occupation of the premises, provides:

"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 paid daily. However, even though a monthly rent is paid, and no period for the lease has not been set, the courts may fix a longer term for the lease after the lessee has occupied the premises for over one year. If the rent is weekly, the court may likewise determine a longer period after the lessee has been in possession for over six months. In the case of daily rent, the court may also fix a longer period after the lessee has stayed in the place for over one month."

In the case of *Roman Catholic Archbishop of Manila v. Court of Appeals*[3] citing *Divino v. Marcos*,[4] this Court, commenting on the above-cited article, said:

"x x x the power of the court to 'fix a longer term for lease is potestative or discretionary - 'may' is the word - to be exercised or not in accordance with the particular circumstances of the case; a longer term to be granted where equities come into play demanding extension, to be denied where none appear, always with due deference to the parties' freedom to contract. x x x" (*Acasio v. Corp. de los PP Dominicas de Filipinas*, G.R. No. L-9428, Dec. 21, 1956)

In the same above-cited case, this Court then concluded:

"The lot in question has been rented to the petitioner for about 20 years and his predecessors-in-interest for more. Even though rentals had been paid monthly, still no period for the duration of the lease had been set. The lease had been consistently and tacitly renewed ('tacita reconduccion') until the ejectment case was filed (*Co Tiam v. Diaz*, 75 Phil. 672 *Villanueva v. Canlas*, 77 Phil.381; Art. 1670. N.C.C.; Art. 1566, old Civil Code). Having made substantial or additional improvements on the lot, and considering the difficulty of looking for another place to which petitioner could transfer such improvements, and the length of his occupancy of the lot (since 1936), and the impression acquired by him that he could stay on the premises, as long as he could pay the rentals, it would seem that there exists just grounds for granting the extension of lease and that the extension of two years granted by the trial court, is both fair and equitable."

In the case at bar, the Municipal Trial Court in Cities found the following:

"x x x it bears to be noted that the verbal lease of the lot in question was at the start (whether from the late forties as contended by defendants or from the early seventies as claimed by plaintiff) for residential purposes. Emitted from the very lips of defendant Amparo Ferrer was a statement to the effect that the structure they

initially built in the premises was a 'hayob-hayob', implying that defendants then were in extreme need even of a makeshift dwelling unit. It was indeed fortunate for them to have a friend, in the person of plaintiff, who provided them with a place to inhabit on a very minimal lease rental. And the fact that defendant Rubin Ferrer had to plead to be allowed to stay in the premises until his son could finish his studies, in Iloilo City, was enough indication of the necessity of defendants for a place to settle for the duration of such studies. But defendant Rubin Ferrer is now the Municipal Mayor of one of the municipalities in Guimaras and the son presumably had already graduated. The necessity then obtaining is no longer in existence. Defendants can now afford to buy a suitable place for a dwelling purpose and their financial capacity is eloquently demonstrated by their offer to even buy the lot where they were accommodated by a friend and their capability to put up two commercial buildings thereon. Simply stated, they are no longer the same struggling, impoverished family who had to stay in a makeshift shelter just to be in the City in order to educate their children.

Not only had they constructed two commercial buildings but defendants concededly operate a "carinderia" business in the ground floor of one of said buildings. More, they leased a part thereof to "RCPI" and the entire ground floor of the next building to Nita Rubado, proprietor of "AB Copra Buyer". The second floor of both structures as well as the third floor of the 1972 building are occupied by boarders (testimony of plaintiff), who Amparo Ferrer claims to be their nephews and nieces. And obviously, defendants no longer reside in the premises since their business concerns were already taken over by their thirty year old daughter (in her personal circumstances given when she testified) Melanie Ferrer."

In view of the above circumstances, petitioners' claim that they are entitled to an extension of seven to eight years considering that they have been occupying the premises for over forty-seven years aside from the fact that they have spent around 3.5 million pesos for the improvements, would be unreasonable. The Court accepts fully the findings of fact of the Municipal Trial Court in Cities.

However, the decision of the Regional Trial Court which was affirmed by the Court of Appeals is more than reasonable and, in the view of the Court, quite generous considering the above-cited findings of the Municipal Trial Court in Cities. The one-year fixed term given by the Regional Trial Court is based on just and equitable considerations. Insofar as they are based on considerations supported by substantial evidence, there is no reason for this Court to interfere with the discretion of the court in fixing a period for the extension of the lease.

Petitioners' contention that they are covered by B.P. 877 since they claim that the building they built on the leased premises was residential, is likewise without merit. Said law, provides:

"Section 6. Application of the Civil Code and Rules of Court of the Philippines. -- Except when the lease is for a definite period, the provisions of paragraph (1) of Article 1673 of the Civil Code of the Philippines, insofar as they refer to residential units covered by this Act, shall be suspended during the effectivity of this Act, but other provisions of the Civil Code and the Rules on lease contracts, insofar as they are not in conflict with the provisions of the Act shall apply."

In the case at bar, it is undisputed that the lease was verbal, that the period for the lease had not been fixed, that the rentals were paid monthly, and that proper demand and notice by the lessor to vacate was given.[5] In the case of *Acab v. Court of Appeals*,[6] this Court held that lease agreements with no specified period, but in which rentals are paid monthly, are considered to be on a month-to-month basis. They are for a definite period and expire after the last day of any given thirty-day period, upon proper demand and notice by the lessor to vacate.

So even if petitioners invoke B.P. 877, said law states, thus:

"Section 5. Grounds for Judicial Ejectment. -- Ejectment shall be allowed on the following grounds:

xxx xxx xxx

(f) Expiration of the period of the lease contract."

In any case, petitioners are now estopped from claiming that the building they constructed on the leased premises was residential for in their pre-trial conference, both parties stipulated that the nature of the subject lot is commercial.[7]

WHEREFORE, the petition for review is DENIED and the decision of the Court of Appeals is AFFIRMED.SO ORDERED.

Regalado, (Chairman), Puno, Mendoza, and Torres, Jr., JJ., concur.

[1] Penned by Justice Antonio M. Martinez and concurred in by Justices Quirino D. Abad Santos, Jr. and Godardo A. Jacinto.

[2] An Act Extending the Effectivity of B.P. 877 from January 1, 1990 to December 31, 1992.

[3] G.R. No. 123321, March 3, 1997.

[4] 4 SCRA 186 (1962).

[5] Decision, p. 21, Records.

[6] 241 SCRA 546 (1995).

[7] Pre-Trial Order dated January 14, 1992, p. 77, Records.

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