

YOLANDA ROSELLO-BENTIR, SAMUEL PORMIDA AND CHARITO PORMIDA, PETITIONERS, VS. HONORABLE MATEO M. LEANDA, IN HIS CAPACITY AS PRESIDING JUDGE OF RTC, TACLOBAN CITY, BRANCH 8, AND L...*G.R. No. 128991. April 12, 2000*

Ponente: KAPUNAN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-128991/>**KAPUNAN, J.:**

Reformation of an instrument is that remedy in equity by means of which a written instrument is made or construed so as to express or conform to the real intention of the parties when some error or mistake has been committed.[1] It is predicated on the equitable maxim that equity treats as done that which ought to be done.[2] The rationale of the doctrine is that it would be unjust and unequitable to allow the enforcement of a written instrument which does not reflect or disclose the real meeting of the minds of the parties.[3] However, an action for reformation must be brought within the period prescribed by law, otherwise, it will be barred by the mere lapse of time. The issue in this case is whether or not the complaint for reformation filed by respondent Leyte Gulf Traders, Inc. has prescribed and in the negative, whether or not it is entitled to the remedy of reformation sought.

On May 15, 1992, respondent Leyte Gulf Traders, Inc. (herein referred to as respondent corporation) filed a complaint for reformation of instrument, specific performance, annulment of conditional sale and damages with prayer for writ of injunction against petitioners Yolanda Rosello-Bentir and the spouses Samuel and Charito Pormida. The case was docketed as Civil Case No. 92-05-88 and raffled to Judge Pedro S. Espina, RTC, Tacloban City, Branch 7. Respondent corporation alleged that it entered into a contract of lease of a parcel of land with petitioner Bentir for a period of twenty (20) years starting May 5, 1968. According to respondent corporation, the lease was extended for another four (4) years or until May 31, 1992. On May 5, 1989, petitioner Bentir sold the leased premises to petitioner spouses Samuel Pormada and Charito Pormada. Respondent corporation questioned the sale alleging that it had a right of first refusal. Rebuffed, it filed Civil Case No. 92-05-88 seeking the reformation of the expired contract of lease on the ground that its lawyer inadvertently omitted to incorporate in the contract of lease executed in 1968, the verbal agreement or understanding between the parties that in the event petitioner Bentir leases or sells the lot after the expiration of the lease, respondent corporation has the right to equal the highest offer.

In due time, petitioners filed their answer alleging that the inadvertence of the lawyer who prepared the lease contract is not a ground for reformation. They further contended that respondent corporation is guilty of laches for not bringing the case for reformation of the lease contract within the prescriptive period of ten (10) years from its execution.

Respondent corporation then filed its reply and on November 18, 1992, filed a motion to admit amended complaint. Said motion was granted by the lower court.[4]

Thereafter, petitioners filed a motion to dismiss reiterating that the complaint should be dismissed on the ground of prescription.

On December 15, 1995, the trial court through Judge Pedro S. Espina issued an order dismissing the complaint premised on its finding that the action for reformation had already prescribed. The order reads:

ORDER

Resolved here is the defendants' MOTION TO DISMISS PLAINTIFF'S complaint on ground of prescription of action.

It is claimed by plaintiff that he and defendant Bentir entered into a contract of lease of a parcel of land on May 5, 1968 for a period of 20 years (and renewed for an additional 4 years thereafter) with the verbal agreement that in case the lessor decides to sell the property after the lease, she shall give the plaintiff the right to equal the offers of other prospective buyers. It was claimed that the lessor violated this right of first refusal of the plaintiff when she surreptitiously (sic) sold the land to co-defendant Pormida on May 5, 1989 under a Deed of Conditional Sale. Plaintiff's right was further violated when after discovery of the final sale, plaintiff ordered to equal the price of co-defendant Pormida was refused and again defendant Bentir surreptitiously executed a final deed of sale in favor of co-defendant Pormida in December 11, 1991.

The defendant Bentir denies that she bound herself to give the plaintiff the right of first refusal in case she sells the property. But assuming for the sake of argument that such right of first refusal was made, it is now contended that plaintiff's cause of action to reform the contract to reflect such right of first refusal, has already prescribed after 10 years, counted from May 5, 1988 when the contract of lease incepted. Counsel for defendant cited *Conde vs. Malaga*, L-9405 July 31, 1956 and *Ramos vs. Court of Appeals*, 180 SCRA 635, where the Supreme Court held that the prescriptive period for reformation of a written contract is ten (10) years under Article 1144 of the Civil Code.

This Court sustains the position of the defendants that this action for reformation of contract has prescribed and hereby orders the dismissal of the case.

SO ORDERED.[5]

On December 29, 1995, respondent corporation filed a motion for reconsideration of the order dismissing the complaint.

On January 11, 1996, respondent corporation filed an urgent ex-parte motion for issuance of an order directing the petitioners, or their representatives or agents to refrain from taking possession of the land in question.

Considering that Judge Pedro S. Espina, to whom the case was raffled for resolution, was assigned to the RTC, Malolos, Bulacan, Branch 19, Judge Roberto A. Navidad was designated in his place.

On March 28, 1996, upon motion of herein petitioners, Judge Navidad inhibited himself from hearing the case. Consequently, the case was re-raffled and assigned to RTC, Tacloban City, Branch 8, presided by herein respondent judge Mateo M. Leanda.

On May 10, 1996, respondent judge issued an order reversing the order of dismissal on the grounds that the action for reformation had not yet prescribed and the dismissal was "premature and precipitate", denying respondent corporation of its right to procedural due process. The order reads:

O R D E R

Stated briefly, the principal objectives of the twin motions submitted by the plaintiffs, for resolution are:

(1) for the reconsideration of the Order of 15 December 1995 of the Court (RTC, Br. 7), dismissing this case, on the sole ground of prescription of one (1) of the five (5) causes of action of plaintiff in its complaint for

"reformation" of a contract of lease; and,

(2) for issuance by this Court of an Order prohibiting the defendants and their privies-in-interest, from taking possession of the leased premises, until a final court order issues for their exercise of dominical or possessory right thereto.

The records of this case reveal that co-defendant BENTER (Yolanda) and plaintiff Leyte Gulf Traders Incorporation, represented by Chairman Benito Ang, entered into a contract of lease of a parcel of land, denominated as Lot No. 878-D, located at Sagkahan District, Tacloban City, on 05 May 1968, for a period of twenty (20) years, (later renewed for an additional two (2) years). Included in said covenant of lease is the verbal understanding and agreement between the contracting parties, that when the defendant (as lessor) will sell the subject property, the plaintiff as (lessee) has the "right of first refusal", that is, the right to equal the offer of any other prospective third-party buyer. This agreement (sic) is made apparent by paragraph 4 of the lease agreement stating:

"4. IMPROVEMENT. The lessee shall have the right to erect on the leased premises any building or structure that it may desire without the consent or approval of the Lessor x x x provided that any improvements existing at the termination of the lease shall remain as the property of the Lessor without right to reimbursement to the Lessee of the cost or value thereof."

That the foregoing provision has been included in the lease agreement if only to convince the defendant-lessor that plaintiff desired a priority right to acquire the property (ibid) by purchase, upon expiration of the effectivity of the deed of lease.

In the course of the interplay of several procedural moves of the parties herein, the defendants filed their motion to admit their amended answer to plaintiff's amended complaint. Correspondingly, the plaintiff filed its opposition to said motion. The former court branch admitted the amended answer, to which order of admission, the plaintiff seasonably filed its motion for reconsideration. But, before the said motion for reconsideration was acted upon by the court, the latter issued an Order on 15 December 1995, DISMISSING this case on the lone ground of prescription of the cause of action of plaintiff's complaint on "reformation" of the lease contract, without anymore considering the remaining cause of action, viz.: (a) on Specific Performance; (b) an Annulment of Sale and Title; (c) on Issuance of a Writ of Injunction, and (d) on Damages.

With due respect to the judicial opinion of the Honorable Presiding Judge of Branch 7 of this Court, the undersigned, to whom this case was raffled to after the inhibition of Judge Roberto Navidad, as acting magistrate of Branch 7, feels not necessary any more to discuss at length that even the cause of action for "reformation" has not, as yet, prescribed.

To the mind of this Court, the dismissal order adverted to above, was obviously premature and precipitate, thus resulting denial upon the right of plaintiff that procedural due process. The other remaining four (4) causes of action of the complaint must have been deliberated upon before that court acted hastily in dismissing this case.

WHEREFORE, in the interest of substantial justice, the Order of the court, (Branch 7, RTC) dismissing this case, is hereby ordered RECONSIDERED and SET ASIDE.

Let, therefore, the motion of plaintiff to reconsider the Order admitting the amended answer and the Motion to Dismiss this case (ibid), be set for hearing on May 24, 1996, at 8:30 o'clock in the morning. Service of notices must be effected upon parties and counsel as early as possible before said scheduled date.

Concomitantly, the defendants and their privies-in-interest or agents, are hereby STERNLY WARNED not to enter, in the meantime, the litigated premises, before a final court order issues granting them dominical as well as

possessory right thereto.

To the motion or petition for contempt, filed by plaintiff, thru Atty. Bartolome C. Lawsin, the defendants may, if they so desire, file their answer or rejoinder thereto, before the said petition will be set for hearing. The latter are given ten (10) days to do so, from the date of their receipt of a copy of this Order.

SO ORDERED.[6]

On June 10, 1996, respondent judge issued an order for status quo ante, enjoining petitioners to desist from occupying the property.[7]

Aggrieved, petitioners herein filed a petition for certiorari to the Court of Appeals seeking the annulment of the order of respondent court with prayer for issuance of a writ of preliminary injunction and temporary restraining order to restrain respondent judge from further hearing the case and to direct respondent corporation to desist from further possessing the litigated premises and to turn over possession to petitioners.

On January 17, 1997, the Court of Appeals, after finding no error in the questioned order nor grave abuse of discretion on the part of the trial court that would amount to lack, or in excess of jurisdiction, denied the petition and affirmed the questioned order.[8] A reconsideration of said decision was, likewise, denied on April 16, 1997.[9]

Thus, the instant petition for review based on the following assigned errors, viz:

6.01 THE COURT OF APPEALS ERRED IN HOLDING THAT AN ACTION FOR REFORMATION IS PROPER AND JUSTIFIED UNDER THE CIRCUMSTANCES OF THE PRESENT CASE;

6.02 THE COURT OF APPEALS ERRED IN HOLDING THAT THE ACTION FOR REFORMATION HAS NOT YET PRESCRIBED;

6.03 THE COURT OF APPEALS ERRED IN HOLDING THAT AN OPTION TO BUY IN A CONTRACT OF LEASE IS REVIVED FROM THE IMPLIED RENEWAL OF SUCH LEASE; AND,

6.04 THE COURT OF APPEALS ERRED IN HOLDING THAT A STATUS QUO ANTE ORDER IS NOT AN INJUNCTIVE RELIEF THAT SHOULD COMPLY WITH THE PROVISIONS OF RULE 58 OF THE RULES OF COURT.[10]

The petition has merit.

The core issue that merits our consideration is whether the complaint for reformation of instrument has prescribed. Sdaad

The remedy of reformation of an instrument is grounded on the principle of equity where, in order to express the true intention of the contracting parties, an instrument already executed is allowed by law to be reformed. The right of reformation is necessarily an invasion or limitation of the parol evidence rule since, when a writing is reformed, the result is that an oral agreement is by court decree made legally effective.[11] Consequently, the courts, as the agencies authorized by law to exercise the power to reform an instrument, must necessarily exercise that power sparingly and with great caution and zealous care. Moreover, the remedy, being an extraordinary one, must be subject to limitations as may be provided by law. Our law and jurisprudence set such limitations, among which is laches. A suit for reformation of an instrument may be barred by lapse of time. The prescriptive period for actions based upon a written contract and for reformation of an instrument is ten (10) years under Article 1144 of the Civil Code.[12] Prescription is intended to suppress stale and fraudulent claims arising from transactions like the one at bar which facts had become so obscure from the lapse of time or defective memory.[13] In the case

at bar, respondent corporation had ten (10) years from 1968, the time when the contract of lease was executed, to file an action for reformation. Sadly, it did so only on May 15, 1992 or twenty-four (24) years after the cause of action accrued, hence, its cause of action has become stale, hence, time-barred.

In holding that the action for reformation has not prescribed, the Court of Appeals upheld the ruling of the Regional Trial Court that the 10-year prescriptive period should be reckoned not from the execution of the contract of lease in 1968, but from the date of the alleged 4-year extension of the lease contract after it expired in 1988. Consequently, when the action for reformation of instrument was filed in 1992 it was within ten (10) years from the extended period of the lease. Private respondent theorized, and the Court of Appeals agreed, that the extended period of lease was an "implied new lease" within the contemplation of Article 1670 of the Civil Code,[14] under which provision, the other terms of the original contract were deemed revived in the implied new lease.

We do not agree. First, if, according to respondent corporation, there was an agreement between the parties to extend the lease contract for four (4) years after the original contract expired in 1988, then Art. 1670 would not apply as this provision speaks of an implied new lease (*tacita reconduccion*) where at the end of the contract, the lessee continues to enjoy the thing leased "with the acquiescence of the lessor", so that the duration of the lease is "not for the period of the original contract, but for the time established in Article 1682 and 1687." In other words, if the extended period of lease was expressly agreed upon by the parties, then the term should be exactly what the parties stipulated, not more, not less. Second, even if the supposed 4-year extended lease be considered as an implied new lease under Art. 1670, "the other terms of the original contract" contemplated in said provision are only those terms which are germane to the lessee's right of continued enjoyment of the property leased.[15] The prescriptive period of ten (10) years provided for in Art. 1144[16] applies by operation of law, not by the will of the parties. Therefore, the right of action for reformation accrued from the date of execution of the contract of lease in 1968.

Even if we were to assume for the sake of argument that the instant action for reformation is not time-barred, respondent corporation's action will still not prosper. Under Section 1, Rule 64 of the New Rules of Court,[17] an action for the reformation of an instrument is instituted as a special civil action for declaratory relief. Since the purpose of an action for declaratory relief is to secure an authoritative statement of the rights and obligations of the parties for their guidance in the enforcement thereof, or compliance therewith, and not to settle issues arising from an alleged breach thereof, it may be entertained only before the breach or violation of the law or contract to which it refers.[18] Here, respondent corporation brought the present action for reformation after an alleged breach or violation of the contract was already committed by petitioner Bentir. Consequently, the remedy of reformation no longer lies.

We no longer find it necessary to discuss the other issues raised considering that the same are predicated upon our affirmative resolution on the issue of the prescription of the action for reformation.

WHEREFORE, the petition is hereby GRANTED. The Decision of the Court of Appeals dated January 17, 1997 is REVERSED and SET ASIDE. The Order of the Regional Trial Court of Tacloban City, Branch 7, dated December 15, 1995 dismissing the action for reformation is REINSTATED.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Puno, Pardo, and Ynares-Santiago, JJ., concur.

[1] 76 C.J.S. Reformation of Instruments § 1.

[2] Id., at § 4.

[3] 2-a Report of the Code Commission, p. 56.

[4] The order granting the motion and admitting the amended complaint was raised in a petition for certiorari before the Court of Appeals. Said petition, docketed as CA-G.R. SP No. 30994, was eventually dismissed by the appellate court.

[5] Rollo, pp. 23-26.

[6] Id., at 27-29.

[7] Id., at 36-37.

[8] Id., at 31-40.

[9] Id., at 42.

[10] Id., at 10-11.

[11] See Note 1.

[12] Ramos vs. Court of Appeals, 180 SCRA 635 (1989); Spouses Jayme and Solidarios vs. Alampay, 62 SCRA 131 (1975); Conde vs. Cuenca, 99 Phil. 1056 (1956).

[13] Ochagabia vs. Court of Appeals, 304 SCRA 587 (1999); Peñaflor vs. IAC, 145 SCRA 223 (1986).

[14] 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.

[15] Dizon v. Magsaysay, 57 SCRA 250 [1974].

[16] ART. 1144. The following actions must be brought within ten years from the time the right of action accrues:

(1) Upon a written contract;

(2) Upon an obligation created by law;

(3) Upon a judgment.

[17] The second paragraph of said section was deleted in the present Section 1, Rule 63 of the 1997 Rules of Civil Procedure.

[18] Reparations Commission vs. Northern Lines, Inc. 34 SCRA 203 (1970).

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.