

**TAGBILARAN INTEGRATED SETTLERS ASSOCIATION [TISA]
INCORPORATED THRU ITS SECRETARY-TREASURER
REPRESENTATIVE SIXTO MUMAR, SR. AS WELL AS ITS OTHER
OFFICERS AND MEMBERS, NAMELY: AU...**

G.R. No. 148562. November 25, 2004

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

On petition for review on certiorari is the appellate court's Decision[1] of February 28, 2001 affirming that of Branch 2 of the Regional Trial Court of Tagbilaran City, Bohol.[2]

Petitioner Tagbilaran Integrated Settlers Association (TISA), is an organization founded in 1991 by individuals who have residential and business establishments in a commercial lot located at Torralba and Parras Streets in Tagbilaran City. The lot, which has an area of 2,726 square meters, is covered by TCT No. (142) 21047 in the name of respondent Tagbilaran Women's Club (TWC).

In 1986-1987, the TWC entered into separate written lease contracts for a period of one year with individual petitioners herein, Aurelio Cirunay, Roberto Medina, Basilisa Pumares, Marietta Lumayno, Ramon Ramos Jr., Delio Erana, Elemeterio Ale, Alangadi Sultan, Manuel Chatto, and Cipriano Gamil.[3]

Pertinent provisions of each contract of lease included the following: (1) stall space rented shall be exclusively used for business; (2) converting the space into dwelling is strictly prohibited; (3) no subleasing is allowed without the knowledge and consent of TWC; (4) all ordinances as to sanitary and building permits shall be complied with; (5) rentals shall be paid monthly; (6) the period of lease is for one year only; and (7) any violation of the lease contract automatically rescinds the contract of lease.[4]

The other petitioners, namely Crisosa Tapay, Julieta Duran, Panfilo Laway, Crispin Penaso, Hadje Malik, Bernardo Gulleban, Kabsaran Mamacal, Pedro Estoque and Eulalio Saramosing are sublessees of stalls in the lot.[5]

In a letter to petitioners dated January 6, 1990, TWC demanded that they vacate the rented premises on the following grounds: expiration of lease contracts, non-payment of rentals, and violations of the conditions of lease including noncompliance with sanitary and building ordinances.[6] Another letter of demand, dated July 16, 1990, was sent to petitioners who refused to vacate the premises, however.

On February 25, 1993, TWC entered into a lease contract on the lot with one Lambert Lim who at once paid a total of P240,000.00 representing payment of rentals for the first twelve (12) months.[7] Petitioners nevertheless refused to vacate the lot, they contending that the contract of lease between TWC and Lambert Lim is null and void because TWC impliedly extended to them new contracts of lease when it continued collecting monthly rentals from them.

Petitioners soon filed on March 31, 1993 a petition against TWC and Lim for prohibition, annulment of contract of lease, and damages with prayer for the issuance of a writ of preliminary prohibitory injunction before the RTC of Tagbilaran City, Bohol.[8]

In the meantime, petitioners consigned the monthly rentals before Branch 2 of the RTC (the trial court).[9]

By decision[10] of January 24, 1997, the trial court dismissed petitioners' petition, disposing as follows:

WHEREFORE, in the light of the foregoing, judgment is hereby rendered in favor of the defendants and against the plaintiffs and third-party defendants:

- Ordering the dismissal of plaintiff's complaint/petition;
- Declaring the lease contract between the First Defendant TWC and Second defendant Lambert Lim to be valid and binding;
- Ordering the plaintiffs, the third-party defendant and the herein occupants acting for and in behalf of the plaintiffs and third-party defendants to vacate the premises of the defendant TWC's lot under TCT No. (142) 21047, within three (3) months from the finality of the Decision;
- Declaring the rental deposits consigned by plaintiffs with the Clerk of Court in the total sum of P176,585.00, as payment for all rentals and damages owing to the defendants, by reason of the filing of the suit, in the equitable and proportionate amount of P56,585.00 to the First Defendant TWC, and P140,000 to Second Defendant Lambert Lim; and
- To pay the costs.[11] (Underscoring supplied)

Petitioners appealed the trial court's decision before the Court of Appeals which, by decision[12] of February 28, 2001, affirmed that of the trial court.

Petitioner's motion for reconsideration of the appellate court's decision having been denied by Resolution[13] of June 11, 2001, they lodged the present petition which raises the same issues raised before the trial court and the appellate court, to wit: (1) granting that the contracts of lease between TWC and petitioners have expired, whether implied new lease contracts existed which justify petitioners' continued occupation of the lot; (2) whether TWC violated its obligation under Article 1654 (c) of the Civil Code when it entered into a lease contract with Lim on February 25, 1993; and (3) whether the provisions of Presidential Decree No. 1517, Presidential Decree No. 20, Proclamation No. 1893, and Presidential Decree No. 1517 apply to the case at bar.[14]

The petition fails.

The lease contracts executed by TWC and petitioners in 1986/1987 were for a period of one year. Following Article 1669[15] of the Civil Code, the lease contracts having been executed for a determinate time, they ceased on the day fixed, that is, a year after their execution without need of further demand.

While no subsequent lease contracts extending the duration of the original lease were forged, it appears that TWC allowed petitioners to continue occupying the lot as in fact it continued to demand, collect and accept monthly rentals.[16] An implied new lease (tacita reconduccion) was thus created pursuant to Article 1670 of the New Civil Code which provides:

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.

Since the period for the tacita reconduccion was not fixed and the rentals were paid on a monthly basis, the contract was from month-to-month.[17]

A month-to-month lease under Article 1687[18] is a lease with a definite period, hence, it is terminable at the end of each month upon demand to vacate by the lessor.[19]

When notice to vacate dated January 6, 1990 was sent by TWC to petitioners, followed by another dated July 16, 1990, the tacita reconduccion was aborted. For a notice to vacate constitutes an express act on the part of the lessor that it no longer consents to the continued occupation by the lessees of its property.

The notice required [under Article 1670] is the one given after the expiration of the lease period for the purpose of aborting an implied renewal of the lease.[20] (Emphasis supplied)

As thus correctly found by the Court of Appeals,

[t]he implied lease of appellants expired upon demand made by the appellee TWC on January 1990. From then on appellee TWC had the right to terminate the lease at the end of the term of the impliedly renewed contracts whose expiration dates w[ere] at the end of the month of January 1990. Although appellants continued to pay rent[al]s after said date, it is clear that they no longer have the right to continue in the possession of the subject lot because their continued stay therein was without the consent of appellee TWC.[21]

Contrary to petitioners' contention, the subsequent acceptance by the lessor of rental payments does not, absent any circumstance that may dictate a contrary conclusion, legitimize the unlawful character of their possession.[22]

As for petitioners' contention that TWC violated Article 1654 (c) of the Civil Code when it entered into a lease contract with Lim on February 25, 1993 without their previous consent, the same does not lie. For after TWC notified petitioners, by letter of January 6, 1990, to vacate the occupied premises, the implied new lease had been aborted and they, therefore, had no right to continue occupying the lot. Their continued occupation of the premises had thus become unlawful.

While TWC as a lessor is obliged to, under Article 1654 of the Civil Code, maintain the lessee in the peaceful and adequate enjoyment of the lease, the obligation persist only for the duration of the contract.[23]

As to whether petitioners are covered by P.D. No. 1517, Proclamation No. 1893, RA 7279 and Presidential Decree No. 20, this Court holds in the negative.

Under P.D. 1517, only legitimate tenants who have resided on the land for ten years or more who have built their homes on the land and residents who have legally occupied the lands by contract, continuously for the last ten years, are given the right of first refusal to purchase the land within a reasonable time.[24] In the case at bar, petitioners entered into one year lease contracts with TWC for commercial use only and conversion of the rented premises to dwelling was strictly prohibited. On that score alone, petitioners' case does not fall under P.D. No. 1517.

At all events, P.D. No. 1517 is indisputably applicable only in specific areas declared to be located within the so-called urban zones.[25] As found by the trial court, petitioners failed to show that there was a proclamation issued by the President declaring the lot to be within the urban land reform zone, a condition sine qua non under Section 4[26] of P.D. 1517.[27]

As for Proclamation No. 1893,[28] the same covers only the Metropolitan Manila Area.

With respect to Section 28 of R.A. 7279, it covers only lands in urban areas, including existing areas for priority development, zonal improvement sites, slum improvement, resettlement sites, and other areas that may be identified by the local government units as suitable for socialized housing.[29] Petitioners have not shown, nay

alleged, however, that the lot falls within the coverage of said law.

Finally, with respect to Presidential Decree No. 20,[30] the same seeks to regulate rentals of properties used for housing purposes and not for commercial use, hence, its inapplication to petitioners' case.

Finally, with respect to the disposition of the amount consigned in court by petitioners, there being no factual basis to conclusively determine whether a portion thereof represents rentals accruing before the execution on February 25, 1993 of the lease contract between Lim and TWC and whether said lease contract remains unabrogated, the matter of determining who between TWC and Lim has the right to the consigned amount and the accrued rentals rests with the trial court.

WHEREFORE, the challenged decision of the appellate court which affirmed that of the trial court is hereby **AFFIRMED** with **MODIFICATION** in that petitioners and any occupants of the lot acting for and in their behalf are ordered to **PAY** any unpaid and accrued monthly rentals plus legal interest until the leased premises have been surrendered to the TWC and/or Lambert Lim.

Let the records of the case be remanded to the court of origin, Branch 2 of the Regional Trial Court of Tagbilaran City, which is directed to determine who between respondents herein has a right to the consigned amount in the sum of P176,585.00 and to any accrued and unpaid rentals to due petitioners.

Costs against petitioners.

SO ORDERED.

Panganiban, (Chairman), Sandoval-Gutierrez, and Garcia, JJ., concur.
Corona, J., on leave.

[1] Rollo at 27-36.

[2] Id. at 20-26.

[3] Id. at 22.

[4] CA Rollo at 65-66.

[5] Rollo at 23.

[6] Id. at 23-24.

[7] Id. at 71.

[8] Id. at 4.

[9] Id. at 31.

[10] Id. at 20-26.

[11] Id. at 26.

[12] Id. at 27-36.

[13] Id. at 43-44.

[14] Id. at 7-9.

[15] Art. 1669. If the lease was made for a determinate time. It ceases upon the day fixed, without the need of a demand.

[16] Rollo at 8.

[17] *Paterno v. Court of Appeals*, 272 SCRA 770, 778 (1997).

[18] Civil Code, 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. If the rent is weekly, the courts may likewise determine a longer period after the lessee has been in possession for over six months. In case of daily rent, the courts may also fix a longer period after the lessee has stayed in the place for over one month.

[19] *Chua v. Court of Appeals*, 242 SCRA 744, 751 (1995).

[20] *Ibid.*

[21] Rollo at 33.

[22] *LL and Company Development and Agro-Industrial Corporation v. Huang Chao-Chun*, 378 SCRA 612, 627 (2002).

[23] Civil Code, Article 1654. The lessor is obliged:

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(3) To maintain the lessee in the peaceful and adequate enjoyment of the lease for the entire duration of the contract.

[24] P.D. 1517, Section 6. Land Tenancy in Urban Land Reform Areas. – Within the Urban Zones legitimate tenants who have resided on the land for ten years or more who have built their homes on the land and residents who have legally occupied the lands by contract, continuously for the last ten years shall not be dispossessed of the land and shall be allowed the right of first refusal to purchase the same within a reasonable time and at reasonable prices, under terms and conditions to be determined by the Urban Zone Expropriation and Land Management Committee created by Section 8 of this Decree.

[25] *Delos Santos v. Court of Appeals*, 368 SCRA 226, 229 (2001).

[26] P.D. 1517, Section 4. Proclamation of Urban Land Reform Zones. – The President shall proclaim specific parcels of urban and urbanizable lands as Urban Land Reform Zones, otherwise known as Urban Zones for purposes of this Decree xxx.

[27] Rollo at 25.

[28] Proclamation No. 1893, Declaring the Entire Metropolitan Manila Area as an Urban Land Reform Zone (September 11, 1979).

[29] *Banson v. Court of Appeals*, 246 SCRA 42, 46 (1995).

[30] Presidential Decree No. 20, Amending Certain Provisions of Republic Act No. 6359, entitled “An Act to Regulate Rentals for the Years of Dwelling Units or of Land on which Another’s Dwelling is Located and Penalizing Violations thereof, and for Other Purposes.”

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