

GREGORIO ARANETA, INC., PLAINTIFF AND APPELLEE, VS. LYRIC FILM EXCHANGE, INC., DEFENDANT AND APPELLANT.

G.R. No. 37730. November 14, 1933

Ponente: HULL, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-37730/>

HULL, J.:

Plaintiff is the owner of a building in the City of Manila which defendant rented from the 1st of February, 1929, until the 31st of December, 1931, at a monthly rental of P1,500. The building was used as a cine theatre.

Towards the end of May, 1931, a piece of metal covering the walls fell down and disclosed that the wall was rotten and that the theatre was in too dangerous a condition for use. The facts were reported by defendant to the owner, while the City Engineer ordered the theatre closed until proper repairs had been made.

Plaintiff at once inspected the building and hired a contractor to make the necessary repairs, which were done in some thirteen working days and within thirty days of the receipt of notice of the bad condition of the building.

When defendant was notified that the premises were repaired, it formally notified plaintiff that it regarded the contract as cancelled, and this suit was immediately instituted for the unexpired portion of the contract of lease.

Shortly after the discovery of the condition of the building, defendant removed its equipment and machinery from the building and has not again occupied it. Defendant claims that it notified plaintiff under date of May 28, 1931, that owing to the fact that the building was not kept in proper repair, defendant regarded the contract of lease for the premises as rescinded.

Plaintiff claims that it never got such letter and did not know of the intention of the defendant to claim that the lease had been cancelled until it received a copy of an extract of a special directors' meeting of defendant corporation held on July 14, 1931.

After trial the Court of First Instance of Manila held that defendant had no right to cancel the contract of lease and gave judgment for seven months' rental as provided for in the contract of lease.

From that decision defendant appeals and makes the following assignments of error:

"1. The trial court erred in not finding that the leased premises were in a dangerously ruinous condition when vacated by defendant.

"2. The trial court erred in not finding that the contract of lease was rescinded by defendant both expressly and by implication from the acts of the latter.

"3. The trial court erred in ruling that defendant had no right to rescind the contract of lease when the premises were in such a dangerously ruinous condition, as to make them unfit for the purpose for which they had been intended.

"4. The trial court erred in refusing to allow defendant to present evidence to prove that Exhibits G, I and L,

signed and sent by Guillermo Garcia Bosque, were neither authorized nor ratified by defendant and did not bind the same.

"5. The trial court erred in ordering defendant to pay to plaintiff 'future rents' for the period from June 1, 1931, to December 31, 1931, in the total sum of P10,500.

"6. The trial court erred in absolving plaintiff from defendant's cross-complaint, and failing to award the full measure of damages to defendant."

There can be no question that on and after May 27, 1931, the premises were, until repaired, in a too dangerously ruinous condition to be utilized for the purpose of the lease. Both parties could be seriously condemned had they attempted to hold public exhibitions in the theatre in the condition in which it was, as a catastrophe might well have taken place. But such an express finding is not necessary for a proper resolution of the question at issue.

As to the second assignment of error, there can be no question that defendant attempted to rescind the contract. It may well be doubted that the letter of May 28, 1931, was ever in fact mailed, but defendant removed its property from the premises and never again occupied them for the purpose of giving an exhibition. It also promptly notified plaintiff of its position after the July 14th directors' meeting.

The third assignment of error reaches the heart of the controversy, and the correct answer is found in construing article 1558 of the Civil Code, together with article 6 of the contract and the facts of the case. Article 1558 of the Code reads as follows:

"Art. 1558. If, during the lease, it should be necessary to make any urgent repairs upon the thing leased which cannot be postponed until the expiration thereof, the lessee shall be obliged to permit the work, even though it be very annoying to him, and even if during such repairs he may be deprived of a part of the estate.

"If the work of making the repairs should continue more than forty days, the price of the lease shall be reduced in proportion to the time and to the part of the estate of which the lessee is deprived.

"If the work should be of such a nature that the part which the lessee and his family require for their dwelling becomes uninhabitable, he may rescind the contract."

The contract provision, translated, reads:

"Sixth. The party of the second part shall receive the building in its present state; and all painting, repairs, and any other works to be done on the building from the commencement of the contract and during the period thereof shall be for the account of the party of the second part, with the exception of repairs on the roof to prevent leakage and those which are necessary due to force majeure or to keep the building in a serviceable state."

The repairs took less than forty days, and the place was not a dwelling. Under the lease contract, if the premises, for any cause, became unfit for the purpose of exhibiting pictures, it was the duty of plaintiff to repair it at its own expense. This, plaintiff has done. There is nothing in the contract nor is there a provision of the Civil Code, that gives the defendant the right to cancel the contract on the facts of this case. The third assignment of error cannot therefore be sustained, which virtually disposes of the entire case.

Plaintiff in its complaint recited three letters, the pertinent parts of which, translated, read:

"* * * We shall abide by our signed contract." (Exh. G.)

"* * * We agree to continue paying you the rent in accordance with our agreement but we shall try to sublease the cinematograph to another person * * *." (Exhibit I.)

"* * * although we do not make use of the building, we shall pay the rents up to the end of this year in accordance with our contract * * *. As regards the rents corresponding to the months of June to December, we shall monthly pay them as we have been doing until now." (Exhibit L.)

and when defendant tendered testimony to show that the party who signed those letters was not authorized by defendant, the trial court refused to receive the testimony on the ground that the letters having, been set out in the complaint and not denied in the answer, section 103 of the Code of Civil Procedure controlled.

In this, the trial court was in error. Plaintiff was suing on the written contract of lease, not on these letters. "They might have some evidential value, but evidence, even in writing, does not necessarily have a proper place in the pleadings. However, even granting that such ruling of the trial court was incorrect, plaintiff has not been harmed thereby because in our view of the case it is immaterial whether or not such letters were authorized.

As to the fifth assignment of error, defendant had claimed that the contract was rescinded and that it had notified plaintiff in writing to that effect. Plaintiff thereupon brought this¹ suit, which is virtually a suit for specific performance, and the claim for rentals from the date of the filing of the suit to December 31, 1931, is therefore not premature. In any event, if error had been committed, it has been cured by proof.

Defendant also presented a cross-complaint for alleged loss of profits due to the imperfect condition of the building from May 27, 1931, to December 31, 1931, under paragraph 2 of article 1554 of the Civil Code, which reads:

"2. To make thereon, during the lease, all repairs necessary in order to keep it in serviceable condition for the purpose for which it was intended."

No authorities are cited by the appellant to the effect that it is incumbent upon the owner to constantly inspect the premises and that if he fails to do so or through error of judgment fails to make repairs before the damage is material, the lessee has a cause of action. This is contrary to universal practice, as the lessee is in possession and if repairs are necessary, which it is the duty of the owner to make, the lessee should call upon the owner to make the necessary repairs. If the owner then fails to perform his duty, action would lie. In this case when the lessee in possession notified the owner of the bad condition of the building, the owner promptly made the necessary repairs. There is therefore no basis for the counterclaim, and the sixth assignment of error cannot be sustained.

The judgment appealed from is affirmed. Costs against appellant. So ordered.

Avanceña, C. J., Malcolm, Villa-Real, and Imperial, JJ., concur.

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.