

VICENTE NOBLE, PLAINTIFF AND APPELLEE, VS. CITY OF MANILA, DEFENDANT AND APPELLANT.

G.R. No. 44142. December 24, 1938

Ponente: AVANCEÑA, C.J.

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AVANCEÑA, C.J.:

Under a contract entered into between Jose Syquia and the City of Manila on October 18, 1926, the former constructed on a piece of land of the latter on Tayuman Street, Tondo, Manila, a school building, containing twenty compartments, pursuant to the instructions, specifications and conditions imposed by the city. The contract contains the following two clauses:

"Mr. Syquia shall lease the building to the City, after the construction thereof, for a period of not more than three years, at a monthly rental of P600, payable within the first five days of every month following.

"The City shall buy the building from Mr. Syquia within three years from the occupancy thereof for P46,600."

On April 13, 1927, this contract was amended in part by the following clauses:

"(c) That the contractor shall lease the building to the City of Manila for a period of not more than three (3) years and for a monthly rent of not more than P30 per room: Provided, however, That the City of Manila, in turn, shall lease to the contractor for the same period of not more than three years, the land of the City on which the building is to be constructed, for the nominal price of one peso a month; and

"(d) That the City of Manila shall buy the school building within the said period of three (3) years according to the price stipulated in the contract: Provided, however, That, if at the end of three years, the City of Manila, for any reason, shall be unable to pay the stipulated sales price, the contract of lease of the land and of the building Annex, shall be deemed extended for the same period, and so on successively.

"The terms and conditions of the contract of October 18, 1926 are kept alive and confirmed, as forming a part of this amended contract, except as it is incompatible therewith."

On May 13th following, with the conformity of the city. in consideration of the amount of P40,000, Syquia conveyed to Lutgarda Sandoval all his right, title and interest or participation in the building, as well as all his right, title or participation in the contract of lease thereof with the city under the stipulated conditions.

On July 22, 1927, also with the conformity of the city, Lutgarda Sandoval, in consideration of the same sum of P40,000, transferred the same building to Vicente Noble, with all her right, interest or participation in the contract of lease thereof with the city under the same stipulated conditions.

Under the terms of these transfers, all the rights of Syquia flowing from his contract with the city, were fully transferred, first, to Sandoval, and, thereafter, to Noble.

After the construction of the building, the City of Manila occupied it in accordance with the contract, paying its monthly rental of P600.

On March 21, 1933, the then mayor of the city, Tomas Earnshaw, proposed to Vicente Noble that, in order to comply with the rules of accounting then existing, the contract be amended in the sense that, the lease be made renewable every year, instead of every three years (Exhibit 1), and for this purpose it was agreed, by the document Exhibit J, that it be renewable from year to year until the leased building is purchased in accordance with the original contract of July 22, 1927.

The City of Manila failed to pay the stipulated rent corresponding to the month of February, 1934, and following, whereupon Vicente Noble, on April 10, 1934, filed the complaint which gave rise to this case, wherein he asks that the city be ordered to purchase the building for the price of P46,600, with legal interest thereon from the filing of the complaint, and to pay the rentals at the rate of P600 a month, corresponding to the month of February, 1934 and following, until the purchase of the building is effected and the price thereof paid.

In its answer, the defendant City of Manila, after admitting some allegations of the complaint and denying others, prayed by way of cross-complaint that the lease of the building by the city be rescinded and set aside and that the same be expropriated.

After the filing of the complaint and the answer, the court, upon petition of the defendant and by virtue of the cross-complaint, ordered, on June 11, 1934, that, upon the deposit of the amount of P46,000 by the defendant, the latter take immediate possession of the building for the purposes of the expropriation thereof, convoking and hearing the parties on the appointment of the commissioners to appraise the building. A reconsideration of this resolution was asked before it became final, as a result of which, the court, then presided over by another judge, reconsidered the order of June 11, 1934, setting the same aside and denying the petition for the appointment of commissioners on appraisal. The reconsideration of this order was also sought, and it was agreed that the same be resolved when the case is decided on the merits.

On April 25, 1935, the court rendered its decision declaring that the City of Manila has no right to expropriate the building and that it should comply with the terms of the contract of October 18, 1926, and to pay to the plaintiff, for the price of the building, the sum of P46,000, plus the rentals thereof, corresponding to the month of February, 1934 and following, until the final and absolute conveyance of the building is made, with legal interest on the rentals due and unpaid.

According to the original contract of October 18, 1926, under the clauses above-quoted, the city had to buy the building within three years, or to lease it within the same period of time. The purchase constituted the principal consideration with respect to Syquia, the lease being merely secondary because it was to subsist only while the purchase has not been effected, but once this is effected, necessarily it has to cease. If the purchase is not made after the three years, the lease has to cease just the same, but then Syquia would be entitled to demand that the city comply with its obligation to buy the building. Consequently, it may be stated that the purchase of the building by the city was the principal consideration which prompted its construction.

When that original contract was amended on April 13, 1927, as to the clauses also above-quoted, it was agreed that the period of the lease, instead of three years, be extended every three years in advance, if the city, within the first three years, is not in a position to pay the purchase price. The only express amendment in this second contract is the extension of the period of the lease and the elimination of the obligation of the city to have to buy the building within the first three years. The original contract is deemed amended only in these respects, leaving in force its other conditions except as they are incompatible with the amendment. In this sense we say that the period within which the city should buy the building, under the old contract", has been amended. But there is no inconsistency between the extension of the period of the lease and the obligation itself of the city to purchase the building, contracted by it when the original contract was entered into.

We conclude that, despite the amendment of the original contract, the obligation of the city to purchase the building was kept alive, although not necessarily within the first three years of its occupancy. The defendant itself has acknowledged this obligation on March 21, 1933 in Exhibit J, wherein it was stated that the lease was renewable from year to year until the leased building is purchased pursuant to the original contract of July 22, 1927.

The contract, therefore, in so far as it refers to the purchase of the building, as we have interpreted it, is in force, not having been revoked by the parties or by judicial decision. This being the case, the city being bound to buy the building at an agreed price, under a valid and subsisting contract, and the plaintiff being agreeable to its sale, the expropriation thereof, as sought by the defendant, is baseless. Expropriation lies only when it is made necessary by the opposition of the owner to the sale or by the lack of any agreement as to the price. There being in the present case a valid and subsisting contract, between the owner of the building and the city, for the purchase thereof at an agreed price, there is no reason for the expropriation. Expropriation, as a manifestation of the right of eminent domain of the state and as a limitation upon private ownership, is based upon the consideration that it should not be an obstacle to human progress and to the development of the general welfare of the community. In the circumstances of the present case, however, the expropriation would depart from its own purposes and turn out to be an instrument to repudiate compliance with obligations legally and validly contracted.

It is said that the contract should be rescinded as unfair and against morals, not because it was so when it was entered into, but because after what has already been paid by way of rentals for the lease, if the sale is now made, the same would be excessively favorable to the plaintiff and prejudicial to the defendant. But if this state of things is the result of too much delay in effecting the purchase, this is attributable to the defendant itself, for it was up to it entirely to make the purchase at any time since the contract was entered into. Moreover, the fact that a contract turns out to be more favorable to a party than to another does not of itself constitute a legal ground to set aside the contract. At any rate, the evidence shows that, at the price of P46,600 the sale would not give the plaintiff more than 12 per cent profit, more or less, on his invested capital, which cannot be considered as excessive.

As the defendant has abandoned the lease, we concur in the conclusion of the court that it is bound, under its contract with the predecessors in interest of the plaintiff, to purchase the building for P46,600 and that it is not entitled to the expropriation proceedings. This conclusion resolves the other errors assigned on this appeal.

Wherefore, we affirm the appealed judgment, with the costs to the appellant. So ordered.

Villa-Real, Imperial, Diaz, Laurel, and Concepcion, JJ., concur.

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