

TEODORICA R. VIUDA DE JOSE, PETITIONER, VS. JULIO VELOSO BARRUECO, RESPONDENT.

G.R. No. 45955. April 05, 1939

Ponente: LAUREL, J.

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LAUREL, J.:

The petitioner-appellant brought this case before this court thru petition for a writ of certiorari to review the decision of the Court of Appeals promulgated on October 30, 1937.

Mary Ando leased from Julio Veloso Barrueco a China cabinet valued at P70. She undertook, under the lease, to pay P14 upon signing the contract and P5 monthly thereafter for a period not specified but extendible at the owner's pleasure. The contract of lease further provided that upon lessee's default, the contract would be rescinded; that the lessee was not at liberty to remove said cabinet from house No. 1030 Misericordia Street where she lived, and that upon failure to comply with the terms of the lease, the owner could immediately take possession of the property leased. Under similar terms and conditions, Mary Ando also leased from said store a narra wardrobe valued at P120, paying P24 cash and P10 monthly.

Unable to pay the rent of the house, Mary Ando attempted to move therefrom, taking with her the cabinet and the wardrobe. She was prevented from doing so by Teodorica R. Viuda de Jose, the owner of the house, who claimed to be entitled to said personal properties in lieu of rents due.

Upon a complaint filed by Julio Veloso Barrueco to recover the properties in question from Teodorica R. Viuda de Jose, the Court of First Instance of Manila held that the contracts of lease (Exhibits A and B) were fictitious, and that the real contract between the plaintiff and Mary Ando was one of sale on the installment basis, wherefore, the complaint was dismissed and defendant declared entitled to the properties in litigation. Brought to the Court of Appeals, the judgment was reversed, and the contracts between plaintiff and Mary Ando held to be those of lease.

The case is here on petition, by defendant Teodorica R. Viuda de Jose, now petitioner, contending that the decision of the Court of Appeals is erroneous for the following reasons:

"(a) Resumiendo las condiciones de ambas escrituras de 'arrendamiento,' Exhibits A y B, extractadas en la parte de la decision recurrida arriba acotada, se destacan estos datos:

Exhibit

Valor del mueble

Primer pago

Precio restante

Alquiler mensual

Periodo necesario de pago

A -----

B -----

P70.00

120.00

P14.00

24.00

P56.00

96.00

P5.00

10.00

Once meses

Diez meses

"(b) Al otorgarse la escritura hay inmediatamente pagos de P14 y P24, que no son alquileres, y que no tienen otro significado sino pagos a cuenta del precio de los muebles. Estas cantidades representan exactamente el pago anticipado del 20 por ciento, o una quinta parte del valor.

"(c) Los cuatro quintos restantes del valor son pagaderos en forma de mensualidades dentro de un periodo de 10 a 11 meses. Si este alquiler no es a cuenta del importe del mueble, el contrato sera escandalosamente inhumano, por usurario y opresivo.

"(d) Es indudable que estos pagos son para cubrir el precio estipulado, pues el recurrido admite que la consideracion de la venta ulterior son las mismas mensualidades, y la 'arrendataria' dice que 'los alquileres * * * eran a cuenta del importe total,' 'como pago a plazos'.

"(e) Los precios de los muebles fijados en las escrituras guardan armonia con la indole de venta a plazos, pues esta aumentado considerablemente. En el mismo dia en que el asunto se vio en el Juzgado Municipal de Manila, la apeladarecurrente tomo precios en los establecimientos de muebles identicos, y hallo que solo valen P61 en total, en vez de P190 (n. t., p. 21). Esta prueba no ha sido contradicha.

"(f) Los partes no solo se han obligado, el uno a entregar los muebles, y la otra, a pagarlos. En efecto, la cosa ha sido entregada, y parte del precio fue pagado.

"(g) La decision dice que no es venta a plazos, sino arrendamiento con opcion de compra, pero si la consideracion del arrendamiento y la de la compra es una y la misma, como ocurre en el presente caso, segun la misma decision recurrida, entonces no existe contrato doble, sino uno y simple, de venta condicional o a plazos. Para que sea arrendamiento con opcion de compra debe haber un precio para la compra distinta del precio de arrendamiento, que no ocurre en el presente caso."

A perusal of the record of this case shows that in Exhibit A, the amount of P70 was fixed as the cost price for the cupboard, P14 as the down payment made at the signing of the contract and P5 as the monthly rentals of said furniture. In Exhibit B the amount of P120 was also fixed as the cost price of the modern narra wardrobe, the down payment made as P24 and the monthly rental at P10. These Exhibits A and B are denominated contracts of lease, the monthly payments for both pieces of furniture are called rentals, and Mary Ando is mentioned as "lessee." What is the nature of these contracts? The answer to this question is not to be found in any denomination which the parties may have given to the instruments, and not alone in any particular provision it contains, disconnected from all others, but in the ruling intention of the parties, gathered from all the language they have

used. It is the legal effect of the whole which is to be sought for. The form of the instrument is of little account. (See *Herryford vs. Davis*, 26 Law. ed. [U. S.], pp. 160, 162.)

We find that the parties intended to have the ownership of the furniture transferred to Mary Ando upon the latter complying with the conditions of the contract. (Testimony of plaintiff, p. 9, s. n.; and of Mary Ando, p. 17, s. n.) Cf. *Valdez vs. Sipal* 1.^o, 46 Phil., 930.)

In *H. E. Heacock Co. vs. Buntal Manufacturing Co.* (G. R. No. 44471, promulgated September 26, 1938), we said:

"A mayor abundamiento debemos decir que el hecho de haberse fijado el precio de la maquina en el contrato, hace que este no sea de arrendamiento sino de compraventa, porque en los contratos de arrendamiento, a diferencia de los contratos de compraventa, es redundancia injustificable, fijar o hacer mencion siquiera del precio de la cosa que se da en arrendamiento. (Arts. 1445, 1543, Código Civil.) Cuando los terminos de un contrato no son claros o son contradictorios entre si, como lo son los del Exhibit A, debe darse efecto a la intencion de las partes (art. 1281 del Código Civil), y la intencion de la demandante y de los demandados en esta causa segun la vemos impresa en el contrato Exhibit A, considerando en conjunto todos sus terminos y clausulas, es que el contrato por ellos celebrado fue el de compraventa a plazos, y no de arrendamiento."

In *Manila Gas Corporation vs. Calupitan* (G. R. No. 46378, promulgated December 17, 1938), we also observed:

"Por las consideraciones arriba expuestas, somos de opinion, y asi declaramos, que cuando en un contrato que se titula de arrendamiento de cosa mueble se estipula que el supuesto arrendatario pagara cierta cantidad al firmarse el contrato, y en o antes del dia 5 de cada mes, otra cantidad determinada, en concepto de alquiler, dando al supuesto arrendatario derecho de opcion para comprar la citada cosa mueble antes de expirar el plazo del arrendamiento, que es el tiempo que se necesita para pagar dicho importe a razon de un tanto al mes, descontando los pagos hechos en concepto de adelanto y de supuestos alquileres mensuales, y dicho supuesto arrendatario hace el adelanto y paga varias mensualidades, haciendose constar en su cuenta y en los recibos que se le expiden que dichos pagos son a cuenta del importe de la cosa mueble supuestamente arrendada, dicho contrato tiene el caracter de venta a plazo y no de arrendamiento."

Sellers desirous of making conditional sales of their goods, but who do not wish openly to make a bargain in that form, for one reason or another, have frequently resorted to the device of making contracts in the form of leases either with options to the buyer to purchase for a small consideration at the end of term, provided the so-called rent has been duly paid, or with stipulations that if the rent throughout the term is paid, title shall thereupon vest in the lessee. It is obvious that such transactions are leases only in name. The so-called rent must necessarily be regarded as payment of the price in installments since the due payment of the agreed amount results, by the terms of the bargain, in the transfer of title to the lessee.

The writ of certiorari is granted, and the judgment of the Court of Appeals is reversed and that of the Court of First Instance of Manila declared in full force and effect. Without costs. So ordered.

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

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