

FELIPE V. CRUZ, PETITIONER, VS. HON. ISAAC S. PUNO, JR., AS JUDGE, CFI OF MANILA, BRANCH XXXV, ET AL., RESPONDENTS.

G.R. No. 50998. January 31, 1983

Ponente: DE CASTRO, J.

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DE CASTRO, J.:

This case was certified to this Court by the Court of Appeals the issue raised being purely legal.

The pertinent facts, quoting from the appealed decision of the Court of First Instance of Manila presided over by the late Judge Isaac Puno, are as follows:

"In a complaint filed on December 2, 1975, plaintiff Felipe V. Cruz asserted that he is the lessor of that one-door apartment located at 3517-A Padre Pelaez Street, Sampaloc, Manila, which is being leased and occupied by defendants Rogelio Gundayao and Erlinda T. Gundayao. The lease is on a month-to-month basis and may be terminated by either party by means of a written notice served upon the other at least thirty days prior to the date of the termination. On October 16, 1975, the plaintiff made a formal demand upon the defendants to vacate and surrender the peaceful possession of the premises to the plaintiff within thirty days from receipt thereof. The defendants have failed and refuse to vacate the premises to the damage and prejudice of the plaintiff who was thus forced to avail himself of the services of counsel. The plaintiff prayed for judgment ordering the defendants to vacate the premises and to surrender its peaceful possession to him, for the payment of the sum of P190.00 a month until after the defendants have left the premises, attorney's fees and costs.

"Following the denial of their motion to dismiss, and in answer to the complaint, the defendants averred that the termination by the plaintiff of their lease contract is a ruse to violate the provisions of Presidential Decree No. 20. Prior to the institution of the suit, the plaintiff threatened the defendants, together with his four other tenants, with ejectment unless they increase their rents. The rental of the defendants is P190.00 a month and their lease contract is without a definite period. The defendants contended that the suit is barred by the provisions of Presidential Decree No. 20. They counterclaimed for damages and attorney's fees.

"On April 14, 1976, the parties stipulated on the following facts and submitted the case for decision without adducing additional oral or documentary evidence:

'1. That a contract of lease was entered into between the plaintiff and defendants on October 24, 1971 of one of the doors of a five-door apartment belonging to the plaintiff. Said contract of lease is Annex 'A' of the Complaint.

'2. That on the face of the lease contract, the period of lease is on a month-to-month basis at P190.00 rental per month. Said rental has been effective since then.

'3. That by letter dated October 16, 1975, plaintiff exercised his option of terminating the lease contract and required the defendants to vacate the premises within thirty (30) days after receipt of notice was received by the defendants. Said letter of demand is Annex 'B' of the Complaint.

'4. That despite said letter of demand, defendants have remained in possession of the premises up to this date.

'5. That plaintiff has sent a similar letter of demand upon each and every occupant of his five-door apartment and has accordingly filed ejectment suits against all of them.

'6. That after the execution of the letter of demand (Annex 'B' of the Complaint), under date of November 25, 1975, the occupants of the five-door apartment, herein defendants included, filed a notice of grievance with the Complaints and Investigation Office of Malacañang, as evidenced by Annex '1' of the Answer.

'7. The Malacañang Office, however, decided to leave the resolution of the matter to the courts.

'8. That in this particular case, defendants have, since October 16, 1975 and even prior thereto, religiously made payments of their monthly rental to plaintiff and plaintiff has accepted the payments.

'9. That in this particular case, the suit was filed on December 2, 1975.

'10. That in this particular case, as well as in the other occupants, plaintiff sought legal assistance from the legal department of the Office of the President, Malacañang, which furnished plaintiff a Presidential Opinion No. 290, Series 1974 relative to this matter, xerox copy hereto attached."[1]

Thereafter, the City Court promulgated its decision "ordering defendants and all persons claiming under them to vacate the premises situated at 3517-A Padre Pelaez St., Sampaloc, Manila and to surrender the possession thereof to plaintiff; ordering the defendants to pay plaintiff the monthly sum of P190.00 as monthly rent beginning March 3, 1976 and monthly thereafter until said defendants shall have vacated the aforementioned premises; and the further sum of P200.00 as and for attorney's fees, plus the costs of suit," which decision was set aside, on appeal, by the Court of First Instance of Manila.

As stated in the Resolution of the Court of Appeals of June 7, 1979, the fundamental question involved is whether, considering the provision of the Contract of Lease of the parties which reads:

"3. That this lease may be terminated by either party by means of a written notice served in advance prior to the date of such termination, said Lessee hereby undertaking and binding themselves to dismantle and remove within the aforesaid period of thirty days."[2]

the lease may be considered one for an indefinite period for the purpose of applying Presidential Decree No. 20.

The pertinent provision of PD No. 20 reads:

"SEC. 4.— Except when the lease is for a definite period, the provisions of paragraph (1) of Article 1673 of the Civil Code of the Philippines insofar as they refer to dwelling unit or land on which another's dwelling is located shall be suspended until otherwise provided; but other provisions of the Civil Code and the Rules of Court of the Philippines on lease contracts, insofar as they are not in conflict with the provisions of this act, shall apply."[3]

To exempt the lease from the application of PD No. 20, it must, therefore, be one with a definite period. In the instant case, it is not disputed that the lease is on a month-to-month basis because the rental agreed upon is monthly. Does this fact make the lease one with a definite period? This is a question that has already been set at rest in the similar case of *Rantael vs. Court of Appeals, et al.*[4] In said case, respondent Llave and petitioner-lessee Rantael entered into an "Agreement on Occupancy of Apartment" which provides for the starting point of the lease with the phrase "on a month-to-month basis." The said agreement also provided inter alia that "Upon thirty (30) days notice, either party may terminate this agreement, each fulfilling their respective obligations herein agreed." Because of the refusal of the lessee to vacate the premises despite notice, the question arose as to whether or not said agreement provides for a "fixed or definite" period for the lease and in the

affirmative would consequently fall under express exception of Section 4, Presidential Decree No. 20. The City Court of Quezon City where the suit for ejectment was brought rendered a decision in favor of the lessor which was affirmed in toto by the Court of First Instance of Rizal. In appeal, the Court of Appeals dismissed the petition for review on certiorari of the questioned decision. On review, this Court ruled that the provisions of the agreement between the parties cannot but be read as providing for a definite period for the lease and therefore falls under the express exception of Section 4 of Presidential Decree No. 20.

At all events, the fact remains that the parties agreed, under the stipulation of the lease contract as quoted above, that either one of them may, on a thirty-day notice, terminate the lease. This agreement is, at the time it was entered into, a perfectly valid undertaking. Not being against the law, public policy or custom, it is the law between the parties,[5] as all valid contracts are, and the obligations thereof may not be impaired by law, as so ordained by the constitution.[6]

It seems all too clear that to hold, under the authority of Presidential Decree No. 20, that the lessor may not anymore exercise this right under the agreement and subject the lessee to the corresponding obligation, or the other way around, as the right to terminate may be exercised also by the lessee, would be to lend to the decree a legal infirmity arising from the provision of the Constitution that no law impairing the obligations of contract shall be passed.[7] The decree, with all its manifest social justice intent, could not have meant to ignore any constitutional injunction. It means only to regulate, or perhaps even restrict, the exercise of proprietary right for a higher purpose than just protecting private interest, which is that of advancing general welfare by giving direly needed benefits to the poor and the underprivileged under conditions of economic crisis, but not at the cost of the sanctity of contracts, the obligations arising from which being shielded by the constitution from impairment.

The decree, therefore, in order that it would not be tainted with constitutional repugnancy, must be construed as only restricting the freedom of the parties to contract, but only in a prospective manner. Thus, to raise the rent in specified specie of leases after the decree has been promulgated would constitutionally come within the regulatory provision of the decree. In the instant case, this is not what is sought to be done by the petitioner. He seeks to enforce an obligation validly imposed on, and voluntarily assumed by, the private respondent, already existing with complete validity and full enforceability at the time Presidential Decree No. 20 took effect. The contract could not be made to lose these qualities or attributes by a law or decree without doing violence to the Constitution.

WHEREFORE, the petition is hereby granted and the appealed decision reversed. The decision of the City Court in favor of petitioner is hereby reinstated, particularly the dispositive portion thereof.

SO ORDERED.

Aquino, Guerrero, Abad Santos and Escolin, JJ., concur.

Makasias (Chairman), J., no part.

Concepcion Jr., J., is on leave.

[1] pp. 1-3, p. 36, Rollo.

[2] p. 102, Rollo.

[3] p. 48, Rollo.

[4] 97 SCRA 454.

[5] Article 1159, New Civil Code.

[6] Article IV, Section 11, 1973 Constitution.

[7] Ibid.

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