

PURIFICACION M. MACLAN, MABINI M. EUGENIO, TOBIAS MARCELO, ANTONIO MACLAN, FELIPE J. EUGENIO AND JOSE P. MARCELO, PETITIONERS, VS. MARIO L. SANTOS AND THE COURT OF APPEALS, RESP...

G.R. No. 55074. December 17, 1987

Ponente: NARVASA, J.

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NARVASA, J.:

At issue in these proceedings is the correctness of a judgment of the Court of Appeals[1] reversing a decision of the Court of First Instance of Bulacan[2] which had dismissed the private respondent's suit to enjoin the petitioners from terminating the latter's lease of certain fishponds owned by the former.

The subject of the original action consists of three contiguous parcels of land measuring some 48-1/3 hectares in area, located in Paombong, Bulacan, and utilized as fishponds. One parcel, with an area of 156,578 square meters, is registered in the name of petitioners Purificacion M. Maclan and Mabini M. Eugenio under Transfer Certificate of Title No. 11057 of the Registry of Deeds of Bulacan. A second parcel, measuring 127,991 square meters, is covered by Transfer Certificate of Title of the same Registry in the name of petitioner Tobias Marcelo. The third, with an area of 199,196 square meters, is registered under Transfer Certificate of Title No. 13646 of the same Registry in the name of the estate of the deceased Fortunata Palma Vda. de Marcelo, of which petitioner Jose P. Marcelo is the administrator.[3]

There appears to be no dispute that in January 1963 said properties were leased by the petitioners to the private respondent Mario L. Santos under a written agreement stipulating a period of four years running from May 28, 1963 to May 28, 1967 for the transition ponds, or "bansutan," and from August 28, 1963 to August 28, 1967 for the fishponds proper, at an annual rental of P23,000.00 payable yearly within the first five days of the month of March. Before that, from 1959 to 1963, Santos had been a sub-lessee of the same properties. The lease ran its full course without incident.[4] It is what happened afterwards that is the subject of divergent claims by the parties and has led to the present litigation.

The private respondent, Santos, asserts that when his lease expired, he was allowed by the lessors (petitioners) to remain in possession of the fishpond lands for another period of five years at an annual rental of P28,000.00, and that he paid said rental at the agreed times for the first two years. When, however, he tendered the rental for the third year, the lessors refused, allegedly without valid reason, to accept it. Thereupon he made a consignment of said rental and filed suit in the Trial Court to prevent the lessors from terminating the lease and to compel them to respect his rights as lessee until August 1972, as well as to recover actual, moral and exemplary damages.[5]

The lessors have a different version. They claim that shortly before the expiration of the lease in 1967, they orally agreed to a one-year lease of the same fishponds, expiring May 28, 1968 for the transition ponds and August 28, 1968 for the fishponds proper, at an increased rental of P28,000.00, the lessee to pay the real estate taxes. When that period was about to expire, the lessee sought another extension and once more the lessors verbally agreed to

another one-year period expiring on the same dates in 1969 at the same rate of rental and subject to same condition that the lessee pay the realty taxes. Near the end of the second one-year period, the lessee again sought another year of extension, offering a rental of P33,000.00. The lessors rejected the offer because they felt that a fair rental would run between P45,000.00 and P50,000.00, and there was in fact a standing offer of the first-mentioned sum from another party. On that occasion, the lessors requested the lessee to return possession of the fishponds upon expiration of the second extension, but the latter brought the matter to court instead and continued to hold on to said properties.[6]

Because of the pendency of his suit which went through a protracted trial, the lessee succeeded in remaining in possession of the fishponds until 1972 when the five-year renewal which he postulated and tried to prove would have expired. Some four years later, the Trial Court rendered judgment sometime in 1976, dismissing his complaint and sentencing him to pay the lessors P51,000.00 with legal interest from the filing of the action, P100,000.00 as moral, exemplary and corrective damages, and P10,000.00 for attorney's fees.[7]

The lessee appealed to the Court of Appeals which reversed the Trial Court, as already stated, declared that there existed a valid renewed five-year contract of lease in his favor, commencing from the expiration of the written lease contract, at an annual rental of P28,000.00, and awarded him the sum of P15,000.00 for attorney's fees and expenses of litigation.[8]

The petitioners anchor their present plea on well-established exceptions to the general rule making the findings of fact of the Court of Appeals binding and conclusive upon this Court, laying particular stress on the Appellate Court's having "*** clearly misconstrued and misapplied the law *** (which) calls for exercise *** of *** (this Court's) supervisory power in the interest of justice," and "**** drawn incorrect conclusions from facts established by the evidence or *** otherwise arrived at certain conclusions which are based on misapprehension of facts and pure conjectures, and made inferences which are manifestly mistaken or absurd."[9]

An examination of the record sustains those contentions and gives sufficient justification for the review sought. Not the least of the considerations which moved the Court to entertain and give due course to the petition is the fact that on the crucial issue of the length of the term for which the lease which expired in 1967 was orally renewed, the findings of the Court of Appeals and those of the Trial Court are diametrically opposed. This gives rise to one of the recognized exceptions to the rule of conclusiveness of the Appellate Court's finding's of fact.[10]

The Trial Court adduced the following reasons for sustaining the petitioner's claim of yearly renewals in preference to that of the private respondent that a five-year period had been agreed upon:

- (a) neither party demanded the execution of a written contract, an unusual omission if in fact a period of five years had been agreed upon, and considering that earlier sub-lease and lease agreements for shorter periods had been reduced to writing;
- (b) under customary usage, yearly rental payment's are characteristic of a lease that expires annually and is terminable at the end of each year if no period is fixed therefor;[11]
- (c) the petitioners, as lessors, had far greater reason to opt for a yearly lease than for a longer agreement because inflation was driving up rental rates.

The Court finds these reasons more convincing than those advanced by the Court of Appeals in support of an alleged five-year agreement. While there appears to be no dispute that the private respondent introduced various improvements on the leased properties, what proof there is as to the character and value of these does not support his claim that he would not have made them had he not counted on a long-term occupancy. Moreover, there is nothing in the record to indicate that this was done with such knowledge or acquiescence on the part of the

petitioners as would amount to a recognition that the lease was for a longer period than one year. The Trial Court put it very well when, in ruling that said improvements were consistent with a year-to-year lease, it pointed out that "*** there is hardly any fishpond that does not need some kind of repair or improvement during the lease, no matter how short the period of the lease may be." [12]

Moreover:

“the duration of a lease depends upon the stipulations in the contract of rental, and cannot be affected by the more or less valuable improvements voluntarily made by the lessee upon the property.” [13]

Nor does the private respondent's supposed agreement with the petitioners to undertake the correction of the boundary of one of the fishponds which was being encroached upon by neighboring property any more convincingly argue for the claim of a five-year lease period. In the context of the testimony offered on that point, [14] it was more of a unilateral promise than anything else made by said respondent by way of inducement for the petitioners to agree to a further extension of the lease.

In fine, between the conflicting versions offered by the parties, the Court finds that of the petitioners more plausible, more in accord with the ordinary course of transactions of the kind sued upon. The reversal sought herein is fully in order.

In view of the conclusion thus reached, the question whether an oral contract of lease for a period of five years entered into in the circumstances postulated by the private respondent is enforceable under the Statute of Frauds, has become moot and is no longer inquired into.

Since it was established that during the "hold-over" period from 1969 to 1972, the reasonable rental value of the fishpond properties was P45,000.00 a year, the private respondent should be held liable for the difference between said amount and the amount of P28,000.00 that he actually paid yearly during that period.

WHEREFORE the petition is granted. The Decision of the Court of Appeals review of which is sought is reversed and set aside. The judgment of the Trial Court, modified only to reduce the award of moral, exemplary and corrective damages to P50,000.00 is reinstated and affirmed. The award of P51,000.00 as actual damages shall bear interest at six (6%) percent per annum from the filing of the counterclaim in Civil Case No. 3787-M until paid. Costs against the private respondent.

SO ORDERED.

Teehankee, C.J., Cruz, Paras, and Gancayco, JJ., concur.

[1] in CA-G.R. No. 59431-R

[2] in Civil Case No. 3787-M

[3] Rollo, p. 37

[4] Exhibits A and C; Rollo, pp. 37-38

[5] Rollo, pp. 37-38

[6] Rollo, pp. 39-40

[7] Rollo, pp. 41-53

[8] Id., p. 66

[9] Rollo, p. 12

[10] Garcia vs. Court of Appeals, 33 SCRA 622; Alsua-Betts vs. Court of Appeals, 92 SCRA 332, 366

[11] "In Valencia vs. Tantoco, 99 Phil. 824, 836, this Court quoted with approval, and affirmed, the ruling of a Court of First Instance to the effect that: "*** Lease of fisheries under the common practice is 'kung ano ang pasok ay siyang labas', that is, if the lease commences on November 30, it will end November 30 of the succeeding year, a one-year period."

[12] Rollo, p. 48

[13] Cortes vs. Ramos, 46 Phil. 184, citing Iturralde vs. Garduño, 9 Phil. 605.

[14] Tobias Marcelo, TSN August 22, 1972, pp. 1937-1940; Mario Santos, TSN August 22, 1972, pp. 1538-1540.

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