

**LEVI A. LEDESMA AND SALUD B. LEDESMA,
PLAINTIFFS-APPELLANTS, VS. BENJAMIN JAVELLANA,
DEFENDANT-APPELLEE.**

G.R. No. 55187. April 28, 1983

Ponente: VASQUEZ, J.

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VASQUEZ, J.:

Plaintiffs-appellants took this appeal from a decision of the Court of First Instance of Iloilo in Civil Case No. 10908, entitled "Levi A. Ledesma and Salud B. Ledesma, Plaintiffs, versus Benjamin Javellana, Defendant." The appeal was originally taken to the erstwhile Court of Appeals (now Intermediate Appellate Court) which certified the same to this Court inasmuch as the appeal involves a pure question of law.

Plaintiffs-appellants are the registered owners of seven parcels of land located in the municipality of Passi, Province of Iloilo. On August 3, 1968, they entered into a contract of lease with the defendant-appellee over the said parcels of land for the stipulated rental of P30,000.00 per annum. The contract contains, among others, the following provision:

"1. This lease shall be for a period of ten (10) consecutive years beginning the crop year 1969-1970 up to and including, the crop year 1978-79 with an option of another ten (10) years should the LESSEE so desire said extension;" (Exhs. 'A-1' and '1-A', Record on Appeal, p. 16.)

As early as October 21, 1976, the defendant-appellee, through counsel, wrote a letter to the appellants manifesting the appellee's intention to renew the lease contract for another ten (10) years upon its termination, as expressly provided for in the contract. The appellants expressed conformity to the renewal of the contract, but refused to accede to the claim of the appellee that the renewal shall be under the same terms and conditions as the original contract. In view of their failure to arrive at an agreement regarding the conditions under which the contract of lease shall be renewed, the appellants commenced this action in the Court of First Instance of Iloilo on January 20, 1977 praying for a judicial declaration that paragraph 1 of the contract of lease should be interpreted to mean that the appellee's right to renew the lease contract for another ten (10) years shall be subject to such new terms and conditions that the parties thereto may agree upon, particularly with respect to the amount of the yearly rental and the terms and conditions of the payment thereof.

After the appellee filed his answer to the complaint, a pre-trial was conducted in which the aforementioned legal question was defined to be the sole issue involved in the case. Upon the parties' filing their respective memoranda, the trial court rendered its decision, the dispositive portion of which reads as follows:

"WHEREFORE, judgment is rendered in favor of the defendant and against the plaintiffs declaring that the exercise by the defendant of his option to extend the contract of lease (Exhs. 'A' and 'I') for another ten (10) years shall be subject to the same rentals, terms and conditions stipulated upon in the said contract. No costs.

SO ORDERED." (Record on Appeal, pp. 21-22.)

Plaintiffs-appellants made the following Assignments of Errors in their Brief:

"I

THE LOWER COURT ERRED IN HOLDING THAT THE EXERCISE BY THE DEFENDANT-APPELLEE OF HIS OPTION TO EXTEND THE CONTRACT OF LEASE FOR ANOTHER TEN (10) YEARS SHALL BE SUBJECT TO THE SAME RENTALS, TERMS AND CONDITIONS STIPULATED THEREIN.

II

THE LOWER COURT ERRED IN GIVING MEANING TO THE CONTRACT OF LEASE WHICH DOES NOT APPEAR FROM ITS TERMS AND WHICH CANNOT BE DEDUCED FROM THE INTENTION OF THE PARTIES THERETO.

III

THE LOWER COURT ERRED IN NOT HOLDING THAT THE CONTRACT OF OPTION IS SEPARATE AND DISTINCT FROM THE CONTRACT ITSELF.

IV

THE LOWER COURT ERRED IN NOT APPLYING THE PRINCIPLE OF EQUITY IN THE INSTANT CASE." (Plaintiffs-Appellants' Brief, pp. 9-10.)

We shall discuss the first three assigned errors jointly. They all revolve on the common issue of whether or not the renewal of the lease contract in question should be under the same terms and conditions as the original contract.

The answer to the question thus posed is not difficult to find. Pertinent legal principles and jurisprudence are unanimous in suggesting an affirmative resolution of the said question.

As early as 1914 in the case of "Hicks vs. Manila Hotel Company" (28 Phil. 325), a similar issue was resolved by this Court against the contention of the appellants. The said case involved a contract whereby the plaintiff therein was given the exclusive right to serve the patrons of the defendant Manila Hotel five-passenger automobiles for a period of one (1) year. The contract contained a clause for the renewal of the same for a second year reading: "This agreement to remain in effect for a period of one year from date, with preference over others of renewing for a further period of one year." It was held that "such a clause relates to the very contract in which it is placed, and does not permit the defendant upon the renewal of the contract in which the clause is found, to insist upon different terms than those embraced in the contract to be renewed"; and that "a stipulation to renew always relates to the contract in which it is found and the rights granted thereunder, unless it expressly provides for variations in the terms of the contract to be renewed."

The same principle is upheld in American law regarding the renewal of lease contracts. In 50 Am. Jur., 2d, Sec. 1159, at p. 45, We find the following citation:

"The rule is well-established that a general covenant to renew or extend a lease which makes no provision as to the terms of a renewal or extension implies a renewal or extension upon the same terms as provided in the original lease."

In the lease contract under consideration, there is no provision to indicate that the renewal will be subject to new terms and conditions that the parties may yet agree upon. It is to renewal provisions of lease contracts of the kind presently considered that the principles stated above squarely apply. We do not agree with the contention of the appellants that if it was intended by the parties to renew the contract under the same terms and conditions stipulated in the contract of lease, such should have been expressly so stated in the contract itself. The same

argument could easily be interposed by the appellee who could likewise contend that if the intention was to renew the contract of lease under such new terms and conditions that the parties may agree upon, the contract should have so specified. Between the two assertions, there is more logic in the latter.

The settled rule is that in case of uncertainty as to the meaning of a provision granting extension to a contract of lease, the tenant is the one favored and not the landlord. (Cruz vs. Alberto, 39 Phil. 99.)

"As a general rule, in construing provisions relating to renewals or extensions, where there is any uncertainty, the tenant is favored, and not the landlord, because the latter, having the power of stipulating in his own favor, has neglected to do so; and also upon the principle that every man's grant is to be taken most strongly against himself." (50 Am. Jur. 2d, Sec. 1162, p. 48; see also 51 C.J.S. 599.)

In their fourth assigned error, appellants invoke equity to grant them the relief sought in this proceeding. They advert to the alleged injustice that they would suffer if they shall receive a yearly rental of only P30,000.00 for the next ten (10) years after the expiration of the contract, or up to 1990, considering the existing economic conditions, particularly the inflationary trend that had occurred since the time the original contract was entered into. The appellants mention the fact that, whereas the real estate tax on the properties in question was only P365.60 per annum in 1968, it has risen to P6,170.80 per annum in 1977 which eats up a considerable portion of the yearly rental that they receive from the lease of the lands in question.

We fully sympathize with the situation in which the appellants have found themselves. Regretfully, We also find Ourselves unable to remedy what turned out to be a bad bargain in which they had entered into. Equity is not an antidote against the disadvantages of a bad transaction, and it may not be invoked to allow a contract to be interpreted in a manner different from that impelled by its terms. If the appellants believe, as they so insinuate, that the contract of lease does not express the true intention of the parties thereto, their remedy is to ask for a reformation of the same in accordance with the provisions of Articles 1359, etc. of the New Civil Code. Such relief may not be decreed in this proceeding for lack of the requisite evidentiary basis upon which to make a proper determination thereof.

WHEREFORE, the judgment appealed from is hereby AFFIRMED. Without costs.

SO ORDERED.

Melencio-Herrera, Plana, Relova, and Gutierrez, Jr., JJ., concur.

Teehankee, J., (Chairman), took no part.

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