

DANIEL GUSTILO, PETITIONER, VS. HON. COURT OF APPEALS AND NOEMI VDA. DE GUSTILO, RESPONDENTS.

G.R. No. 61083. February 28, 1983

Ponente: ABAD SANTOS, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-61083/>

ABAD SANTOS, J.:

Private respondent Noemi Vda. de Gustilo, as attorney-in-fact for her two sons, leased to the petitioner Daniel Gustilo two parcels of agricultural land measuring a little over 40 hectares for a period of ten crop years beginning in the crop year 1963-1964, and expiring in the crop year 1972-1973. The stipulated rental was P500.00 per crop year but in 1969 the parties agreed to increase it to P1,000.00 per crop year. In the same year, the two sons sold the lands to their mother which explains why they are not parties in this case.

The contract of lease contains this provision: "(c) That at the expiration of this ten (10) crop years of lease, the LESSEE shall have an option to another five (5) crop years."

In Civil Case No. 12257 of the Court of First Instance of Negros Occidental, Mrs. Gustilo sued her brother-in-law Daniel for "collection of rental." During the pre-trial, the parties identified the issues between them as follows:

- Whether or not all the rentals had been paid by the defendant; and
- Whether or not the rental payable under the option to continue the lease shall be P1,000.00 per crop year as had been agreed in 1969.

On the first issue, the trial court found that Daniel Gustilo had over-paid Noemi by P4,000.00 and this finding is not disputed by the latter.

Anent the second issue, the trial court said:

"What should be the rental payable for the option period? Is it the same rate as that for the original period, as contended by defendant? Or, shall the rentals be subject to another agreement after the expiration of the original period, as urged by plaintiff? The contract itself is silent on this point. It is, however, more logical to assume that the real intention of the parties was that, should the defendant exercise the option to continue the lease for another five years, the same, especially the matter of lease rentals, is subject to terms and conditions to be agreed upon and may be different from those which they have agreed on for the original period. Had the parties decided to maintain the same terms and conditions for the option period then they could have clearly embodied their intent in the original contract itself. Not having done so, it can be said that the real intention of the parties was to subject the option period to a new set of terms and conditions, especially regarding lease rental."

Brushing aside Mrs. Gustilo's claim that the rental for the option period should be P20,000 per crop year and also Daniel's claim that it should be only P1,000.00 per crop year, the trial court fixed the rental at P5,000.00 per crop year. The trial court also awarded Mrs. Gustilo P2,000.00 as attorney's fees.

Mr. Gustilo appealed to the Court of Appeals (now Intermediate Appellate Court) which affirmed the rental fixed

by the trial court thus:

"We find the amount of P5,000.00 yearly rental for the entire 40 hectares fixed by the trial court to be just and reasonable. It was a figure reached by the trial court, after taking into account the prevailing lease rentals in the milling district where the properties are located during the years 1973 to 1976. We find no compelling reason to disturb those findings."

Not satisfied with the decision of the appellate court, Mr. Gustilo has asked Us to review it.

We required Mrs. Gustilo to comment. She moved for an extension of 30 days which was granted with a warning that no further extension shall be given. Nonetheless, she asked for another extension of 30 days which was denied. Undaunted, she moved for a final extension of 15 days which was also denied.

We have decided to resolve the instant petition notwithstanding the lapse of the respondent because the case is simple and lends itself to easy solution.

The only question is: What should be the rental for the extended period of the lease in the absence of a specific stipulation concerning it.

The reasoning of the Court of Appeals in affirming the P5,000.00 per crop year rental fixed by the trial court is not clear. In fact, it is somewhat confusing. The Court of Appeals cited *Mercy's Inc. vs. Verde*, 18 SCRA 174, that—

"There is no question that thereunder the lessees were given the privilege to renew the contract for another period. However, it may be pointed out that for the contract to be renewed, the option must first be exercised. The lessees ask for the execution of a new agreement otherwise the original contract would lapse." (Italics supplied by the C.A.)

The case cited has no relevance to the instant case where the lessee exercised his option to continue the lease and where the only question is the amount of the rental for the new period.

We hold that in a contract of lease where the lessee is given the option to continue or renew the contract and nothing is said about the rental as in the instant case, the old terms are to be followed in the renewed lease. In the case at bar, the stipulated rental in the original contract was P500.00, later increased to P1,000.00 per crop year. Accordingly, the rental for the renewed period should also be P1,000.00 per crop year.

WHEREFORE, the decision of the Court of Appeals is modified in respect of the following: the petitioner shall pay rental in the amount of P1,000.00 per crop year beginning with that of crop year 1973-1974 and he shall not pay attorney's fees to the private respondent; it is affirmed as to the rest. Costs against the private respondent.

SO ORDERED.

Concepcion Jr., Guerrero, De Castro and Escolin, JJ., concur.

Makasiar, J., the decision of the Court of Appeals should be affirmed. Hence, I dissent. The majority opinion is unrealistic.

Aquino, J., on leave.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.