

UNITED REALTY CORPORATION, PETITIONER, VS. HON. COURT OF APPEALS AND REVEREND FATHER JOSE TORRALBA SY, RESPONDENTS.

G.R. NO. 62603. March 27, 1990

Ponente: GANCAYCO, J.

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GANCAYCO, J.:

Whether the contract of lease is for a definite or indefinite period of time and the applicability of the provisions of Presidential Decree No. 20 and Batas Pambansa Bilang 25 are the issues in this case.

The facts are undisputed.

In March 1964 and December 1964 petitioner and private respondent Rev. Father Jose Torralba Sy, entered into separate contracts of lease over two apartments located at 913-E and 913-F Josefina Street, Sampaloc, Manila, with the common provision covering its duration at follows:

“To hold the same for one month from the (15th day of March, 1964 for Apt. No. 913-E and 1st day of January, 1965 for Apt. No. 913-F) and so on from month to month at a rent of TWO HUNDRED PESOS (P200.00) PESOS, Philippine Currency, per month, payable in advance on the first TEN (10) days of each calendar month, until the lease shall terminate, which termination shall be determined by either party giving FIVE (5) days notice in writing.”[1]

It was further stipulated in the two contracts that “in case the lessee shall continuously withhold possession of the apartments after he or she has been properly notified of the termination of his or her right to occupy the same, the lessor shall be entitled to collect P400.00 every month or fraction thereof, as reasonable compensation for the use of the place and as damages.”

Private respondent removed the portion separating the two apartments and converted the same principally for use as a Buddhist chapel.

On August 1, 1970, petitioner leased to private respondent the apartment at 937-E Josefina Street, Sampaloc, Manila, effective August 1, 1970 for the monthly rental of P300.00,[2] payable in advance within the first ten (10) days of the month for his use as residence only. It was also stipulated in said contract that “in case the lessee shall continuously withhold possession of apartments after he/she has been notified of the termination his/her right to occupy the same, the lessor shall entitled to collect P500.00 every month or fraction thereof, as reasonable compensation for the use of the place and as damages.”

On September 24, 1975, petitioner sent a letter to private respondent that effective November 1, 1975 the new rental for the two apartments will be P500.00 per door or P1,000.00 for the two doors, likewise payable in advance within the first ten (10) days of the calendar month, with the request that petitioner be informed of private respondent’s decision as to the new rate not later than October 25, 1975 so that it may be guided accordingly.[3] Instead private respondent complained of the Department of Public Information, Malacañang, Manila. In the

confrontation between the parties, the Presidential Complaint and Action Committee found that there was no violation of P. D. No. 20 as the subject premises are being used principally as a Buddhist Temple and therefore are not covered. Private respondent then sent a letter-complaint thru counsel dated November 13, 1975 to then Asst. Executive Secretary Ronaldo E. Zamora who in response issued Opinion No. 480, Series of 1975 dated November 20, 1975 signed by Deputy Executive Secretary Roberto V. Reyes.[4] Therein it was held that the increase in rental demanded was in violation of P.D. No. 20 and that as 1/4 of the two-door apartments is being used likewise as a chapel incidental to the calling of the private respondent as a monk it cannot be called as a commercial or public establishment or as a place for the exercise of one's profession because the same is not for profit.

However, on November 16, 1976, in response to the letter of petitioner, Secretary Ronaldo E. Zamora, as Presidential Assistant for Legal Affairs, issued Opinion No. 629, Series of 1976, as follows:

“While it may be conceded *arguendo* that for being used as a place for worship, the premises may not necessarily be considered as commercial for purposes of ruling out the applicability of Presidential Decree No. 20 dated October 12, 1972, which freezes rates of rentals of dwelling unit at their present levels when the same do not exceed P300.00 per month, it is equally true that the same will, as it does, not fall within the protective mantle of the decree.

“It is to be noted that the decreed prohibition against rental increase applies only to dwelling units or lots used for residential purposes, the monthly rent of which does not exceed P300. On this point Republic Act No. 6359 defines ‘dwelling unit’ as follows:

‘A dwelling unit refers to a house and lot used for residential purposes and shall include not only buildings, dwelling places, except motels, hotels, or hotel rooms; but also those used for home industries or retail store if the owner thereof and his family actually live therein and use it principally for residential purpose; Provided. That in case of a rental store the capital thereof does not exceed five thousand pesos.’ (Underscoring supplied.)

“Thus, if the leased apartment units are used principally for purposes of religious worship, the incidental fact that Father Sy and/or his family live therein will not include them in that class of tenants favored by the emergency law on housing (*Morales vs. Zamora*, 31 Phil. 204). In such case, the matter of regulating the monthly rentals become conventional between him and the URC. This should not be understood to mean, however, that the latter is free to demand an arbitrary amount. Equity and justice required that both parties observe reasonable terms and conditions in bringing about a mutual covenant.

“Under the circumstances, therefore, this Office, on equitable considerations and for reasons of public policy, believes that rental increases should be raised to reasonable levels only .”[5]

On January 3, 1977, petitioner through counsel furnished private respondent through counsel a xerox copy of said Opinion No. 629, Series of 1976 and demanded that the private respondent vacate and surrender the two premises within five (5) days from receipt of the same and to pay his rental indebtedness minus the deposit made. Nevertheless, private respondent failed to vacate the premises.

Hence, petitioner filed a complaint for unlawful detainer in the City of Manila on March 7, 1977. After the issues were joined and the trial on the merits, a decision was rendered on February 16, 1981 dismissing the complaint and counterclaim without pronouncement as to costs. Both parties asked for a reconsideration of the decision but the same was denied. Hence, both parties appealed to the Court of First Instance of Manila, wherein in due course a decision was rendered on December 28, 1981 affirming the judgment of the City Court with the modification finding private respondent entitled to moral damages in the amount of P4,000.00, exemplary damages in the amount of P2,000.00 and attorney's fees of P2,000.00 and the costs of the suit. A motion for reconsideration filed by petitioner was denied by the trial court in an order of February 25, 1982.

Hence, a petition for review was filed by petitioner with the Court of Appeals, wherein after the issues were joined, a decision was rendered on October 7, 1982 dismissing the petition with costs against petitioner.[6] A motion for reconsideration filed by petitioner of the decision was denied in a resolution of November 17, 1982.

Thus, this petition.

A reading of the two contracts of lease entered into between petitioner and private respondent hereinabove reproduced show that its period is from month to month and that the lease maybe terminated when either party gives 5 days notice in writing.

No doubt such a stipulation between the parties demonstrates that the agreement of lease is for a definite that period and not for an indefinite period as held by the appellate court.

In *Rantael vs. CA*,[7] involving a similar contract of lease between the parties this Court found that a lease on a month to month basis expires after the last day of the 30th day period repeating the same cycle of the 30-day period until either party express their prerogative under their agreement to terminate the same.

The only difference between *Rantael* and the present case is that in the former the parties may terminate the agreement upon 30 days notice while in this case, the agreement is that the termination by either party may be upon 5 days notice. Such difference is of no moment. And such agreement is binding and is the law between the parties.

Since the lease agreement in question is for a definite period it follows that petitioner has a right to judicially eject private respondent from the premises as an exception to the general rule provided for in Section 4 of P.D No. 20 which provides as follows:

“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.”(Underscoring supplied.)

Moreover, under Section 5(f) of B.P. Blg. 25 one of the grounds for ejectment is the expiration of the period of a written lease contract. In this his case, because of the failure of the private respondent to pay the increased rental demanded by petitioner, petitioner elected to terminate the contract and asked the private respondent to vacate the premises. A lease contract may be terminated at the end of any month, which shall be deemed terminated upon the refusal to pay the increased monthly rental demanded by the petitioner, provided the same is not exorbitant.[8]

Further, there is no question in this case that the two apartments subject of litigation if not a greater portion thereof is not used by private respondent as his residence but for a Buddhist Temple. Thus, it is with more reason that this lease agreement does not fall within the protective mantle of the provision of P.D. No. 20 and B.P. No. 25 which covers only dwelling units.

Lastly, considering that during the pendency of this appeal, the private respondent died on August 23, 1987, thus the said lease agreements were effectively terminated by the death of private respondent who is the lessee of the premises in question.

WHEREFORE, the petition is GRANTED. The decision of the Court of Appeals dated October 7, 1982 and its Resolution dated November 17, 1982 are hereby reversed and set aside and another judgment is hereby rendered ordering private respondent and/or his heirs or successors-in-interest to immediately vacate the premises of the property in question and to pay the unpaid rentals thereof of P1,000.00 a month for the two apartments until they

vacate the premises, with costs against private respondent.

SO ORDERED.

Narvasa, (Chairman), Cruz, and Medialdea, JJ., concur.
Griño-Aquino, J., no part as I signed the CA decision.

[1] Exhibits A and A-1; page 6, Rollo.

[2] Exhibit A-2.

[3] Exhibit B.

[4] Exhibit D and D-2.

[5] Exhibit E-1; pages 44-45, Rollo.

[6] Madame Justice Milagros A. German was the ponente, concurred in by Justices Carolina C. Griño-Aquino and Vicente V. Mendoza.

[7] 97 SCRA 453 (1980).

[8] Vda. de Kraut vs. Lontok, 7 SCRA 281 (1963).

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