

CONCHITA T. VDA. DE CHUA, THELMA CHUA, ASSISTED BY HER HUSBAND, CHARLIE DY, CHARLITO CHUA, REYNALDO CHUA, SUSAN CHUA, ALEX CHUA, EDDIE CHUA, SIMON CHUA, AND ERNESTO CHUA, PETITI...

G.R. No. 70909. January 05, 1994

Ponente: QUIASON, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-70909/>

QUIASON, J.:

This is an appeal by certiorari under Rule 45 of the Revised Rules of Court from the decision of the Court of Appeals in AC-G.R. CV No. 67692 entitled "Conchita Vda. de Chua, et al. v. Herminigilda Herrera, et al.," affirming with modification the decision of the Court of First Instance of Cebu in Civil Case No. R-16589.

The facts as found by the Court of Appeals, are summarized as follows:

"Sometime in 1950, defendant Herminigilda Herrera executed a Contract of Lease (Exh. "A") in favor of Tian On (sic) (or Sy Tian On) whereby the former leased to the latter Lots Nos. 620 and 7549 containing an area of 151 square meters, located at Manalili Street (now V. Gullas Street) Cebu City, for a term of ten (10) years, renewable for another five (5) years. The contract of lease (Exh. "A") contains a stipulation giving the lessee an option to buy the leased property (Exh. A-2) and that the lessor guarantees to leave the possession of said property to the lessee for a period of ten (10) years or as long as the lessee faithfully fulfills the terms and conditions of their contract (Exh. A-5).

In accordance with the said contract of lease, the lessee, Tian On, erected a residential house on the leased premises.

On February 2, 1954, or within four (4) years from the execution of the said contract of lease (Exh. "A"), the lessee, Sy Tian On, executed a Deed of Absolute Sale of Building (Exh. "B") in favor of Chua Bok, the predecessor-in-interest of the plaintiffs herein, whereby the former sold to the latter the aforesaid residential house for and in consideration of the sum of P8,000.00. Pertinent provisions of this deed of sale (Exh. "B") read as follows:

‘x x x. That with the sale of the said house and as a legal consequence, I hereby assign all my rights and privileges as a lessee of the lot on which the said building is constructed together with its corresponding obligations as contained and expressly stipulated in the Contract of Lease executed in 1950 between myself and the lot owner, Herminigilda Herrera, to the said vendee, Chua Bok who hereby accepts the said assignment of the said lease and hereby promises and bind himself to abide by all the terms and conditions thereof, a copy of the Lease Contract is hereby attached as Appendix "A" and made a part hereof.

‘That the present sale is made with the knowledge and express consent of the lot-owner and lessor, Herminigilda Herrera who is represented herein by her attorney-in-fact, Vicenta R. de Reynes who hereby also honors the annulment of the lease made by Sy Tian On in favor of Chua Bok, and hereby promises and binds herself to respect and abide by all the terms and conditions of the lease contract which is now assigned to the said Chua Bok.

IN WITNESS WHEREOF, the parties have hereunto affixed their signatures on this 2nd day of February 1954, in the City of Cebu, Philippines.

(Sgd.) CHUA BOK
Vendee-Lessee-Assignee

(Sgd.) SY TIAN ON
Vendor-Lessor-Assignor

HERMINIGILDA HERRERA

By:

(Sgd.) VICENTA R. DE REYNES
Attorney-in-fact
Lot-owner-Lessor

SIGNED IN THE PRESENCE OF:

(Sgd.) ILLEGIBLE

AND

(Sgd.) ILLEGIBLE

After the said sale transaction, Chua Bok and his family (plaintiffs herein) resided in the said residential building and they faithfully and religiously paid the rentals thereof.

When the original Contract of Lease expired in 1960, Chua Bok and defendant Herminigilda Herrera, through her alleged attorney-in-fact executed the following ?

CONTRACT OF LEASE

THIS CONTRACT OF LEASE made and entered into this- ____ day of August, 1960, in the City of Cebu, Philippines, by and between:

HERMINIGILDA HERRERA, of legal age, single, Filipino and a resident of Cebu City, Philippines, hereinafter known as Party of the First Part;

and

CHUA BOK of legal age, married and resident of Cebu City, Philippines, hereinafter known as the Party of the Second Part.

W I T N E S S E T H:

That the Party of the First Part who is the owner of a parcel of land located at Manalili Street, Cebu City containing an area of about 151 (One Hundred Fifty-One) square meters, more or less, known as Lot No. ____ of the Cadastral Survey of Cebu, hereby lets and leases unto the Party of the Second Part who hereby accepts in lease the above mentioned lot under the following terms and conditions:

1. That the term of this contract shall be for a period of FIVE (5) years from August 1, 1960 to August 1, 1965, at a monthly rental of SIXTY PESOS (P60.00) Philippine Currency;
2. That the rental of P60.00 will be paid within the first 10 days of every month, to the Party of the First Part without express demand and in advance;

x x x x x x x x

4. That the Party of the Second Part is given an option to buy the said leased premises if he is qualified and when the Party of the First Part decides to sell the same and that the Party of the Second Part is also given the option to renew the Contract of Lease upon terms and conditions to be agreed by both parties;

x x x x x x x x

6. That it is hereby expressly reserved that should the property leased be sold by the Party of the First Part to any other party, the terms and conditions of this Contract shall be valid and will continue for the duration of this contract. The Third Party shall be expressed (sic) bound to respect the terms of this Contract of Lease;

x x x x x x x x

That the parties herein, do hereby mutually and reciprocally stipulate that they will comply with the terms and conditions herein before set forth. That the Party of the First Part hereby (sic) these presents guarantees that she will leave the property in the possession of the Party of the Second Part for five (5) years or as long as the Party of the Second Part faithfully fulfills with the terms and conditions herein set forth.

IN WITNESS WHEREOF, we have hereunto affixed our signatures on this 9th day of September, 1960, in the City of Cebu, Philippines.

(Sgd.) CHUA BOK
Party of the Second Part

HERMINIGILDA HERRERA

By: Party of the First Part

(Sgd.) VICENTA R. DE REYNES
Attorney-in-Fact

SIGNED IN THE PRESENCE OF:

(Sgd.) ILLEGIBLE

(Sgd.) B. E. SUN'

After the expiration of the contract of lease in question (Exh. "C") the plaintiffs herein, who are the successors-in-interest of Chua Bok (who had meanwhile died) continued possession of the premises up to April 1978, with adjusted rental rate of P1,000.00 (Exh. "D"); later readjusted to P2,000.00.

On July 26, 1977, defendant Herrera through her attorney-in-fact, Mrs. Luz M. Tormis, who was authorized with a special power of attorney, sold the lots in question to defendants-spouses, Vicente and Victoria Go. The defendants-spouses were able to have aforesaid sale registered with the Register of Deeds of the City of Cebu and the titles to the two parcels of land were transferred in their names (Exhs. "5-Herrera", or "5-Go" and "6-Herrera" or "6-Go").

Thereafter, or on November 18, 1977, plaintiffs filed the instant case seeking the annulment of the said sale between Herminigilda Herrera and spouses Vicente and Victoria Go, alleging that the conveyance was in violation of the plaintiffs' right of option to buy the leased premises as provided in the Contract of Lease (Exh. "C") and that the defendants-spouses acted in bad faith in purchasing the said lots knowing fully well that the said plaintiffs have the option to buy those lots.

After due trial, the lower court rendered judgment, the dispositive portion of which reads as follows:

WHEREFORE, in view of the foregoing, this Court ORDERS:

- 1) The DISMISSAL of plaintiffs' complaint, as against defendant spouses GO;
- 2) The plaintiffs to VACATE Lot No. 620 and Lot No. 7549, ownership over which by defendants Vicente and Victoria T. Go being found valid and legitimate, and to peacefully turn over the same to said spouses, and to REMOVE the building thereon at plaintiffs' own expense, or such removal may be done by the declared land-owners, likewise at plaintiffs' expense.
- 3) Defendant Herrera to pay the spouses Go, the sum of P15,000.00 as reimbursement to them for what they already paid to their lawyer;
- 4) Defendant Herrera to pay plaintiffs the sum of P50,000.00 (later reduced to P20,000.00, on motion of defendant Herrera, which the court a quo granted) in concept of moral damages suffered by the latter; and
- 5) Defendant Herrera to pay the costs of the proceedings (Record on Appeal, pp. 229-230)" (Rollo, pp. 63--68).

Plaintiffs and defendant Herrera appealed from the decision of the trial court to the Court of Appeals.

In said court, plaintiffs-appellants claimed that the trial court erred: (a) in dismissing their complaint as against defendants-spouses Go, (b) in ordering them to vacate the lots in question and to remove the improvements they had introduced in the premises, and (c) in ordering the execution of the judgment pending appeal. Defendant-appellant Herrera, on her part, claimed that the trial court erred in ordering her to pay P15,000.00 as attorney's fees to defendants-spouses Go and P50,000.00 as moral damages to plaintiffs-appellants.

The Court of Appeals affirmed with modification the decision of the trial court, thus:

"WHEREFORE, premises considered the appealed decision is hereby MODIFIED by eliminating the award of P20,000.00 moral damages in favor of the plaintiffs-appellants, the award of P15,000.00 attorney's fees in favor of defendants-appellees (Go spouses) and the costs of the proceedings. In all other respects the appealed decision is hereby AFFIRMED" (Rollo, p. 78).

In their petition filed with us, petitioners (plaintiffs-appellants in AC-G.R. CV No. 67692) gave up their demand for the nullification of the sale of the lots in question to respondent-spouses Go and limited their appeal to questioning the affirmance by the Court of Appeals of the decision of the trial court, ordering their ejectment from the premises in question and the demolition of the improvements introduced thereon.

In support of their right to possess the premises in question, petitioners rely on the contract of lease (Exh. "C") entered into by and between Chua Bok and Vicenta R. de Reynes, as attorney-in-fact of respondent Herrera, as well as on the tacit renewal thereof by respondent Herrera (Rollo, pp. 35-48).

In declaring the contract of lease (Exh. "C") void, the Court of Appeals noted that Vicenta R. de Reynes was not armed with a special power of attorney to enter into a lease contract for a period of more than one year.

We agree with the Court of Appeals.

The lease contract (Exh. "C"), the linchpin of petitioners' cause of action, involves the lease of real property for a period of more than one year. The contract was entered into by the agent of the lessor and not the lessor herself. In such a case, the law requires that the agent be armed with a special power of attorney to lease the premises.

Article 1878 of the New Civil Code, in pertinent part, provides:

"Special Powers of Attorney are necessary in the following cases:

xxx xxx xxx

(8) To lease any real property to another person for more than one year."

It is true that respondent Herrera allowed petitioners to occupy the leased premises after the expiration of the lease contract (Exh. "C") and under Article 1670 of the Civil Code of the Philippines, a tacit renewal of the lease (*tacita reconduccion*) is deemed to have taken place. However as held in *Bernardo M. Dizon v. Ambrosio Magsaysay*, 57 SCRA 250 (1974), a tacit renewal is limited only to the terms of the contract which are germane to the lessee's right of continued enjoyment of the property and does not extend to alien matters, like the option to buy the leased premises.

In said case, Magsaysay leased to Dizon a parcel of land for a term of two years, expiring on April 1, 1951. Under the lease contract, Dizon was given the preferential right to purchase the land under the same conditions as those offered to other buyers. After the lease contract expired, Dizon continued to occupy the leased premises and to pay the monthly rentals, which Magsaysay accepted. On March 24, 1953, Dizon learned that Magsaysay had sold the property to a third party without giving him the opportunity to exercise the preferential right to purchase given him under the lease contract. Dizon then filed an action against Magsaysay and the buyer to annul the sale of the property or in the alternative, to recover damages from Magsaysay. The trial court dismissed the action and the Court of Appeals affirmed the dismissal. In the Supreme Court, Dizon claimed that a new lease contract was impliedly created when Magsaysay had allowed him to continue to occupy the premises after the expiration of the original lease contract and that the other terms of the said contract, including the lessee's preferential right to purchase, were deemed revived. Dizon invoked Article 1670 of the Civil Code of the Philippines, which provides:

"Art. 1670. If at the end of the contract the lessee should continue enjoying the thing leased for fifteen days with the acquiescence of the lessor, and unless a notice to the contrary by either party has previously been given, it is understood that there is an implied new lease, not for the period of the original contract, but for the time established in Articles 1682 and 1687. The other terms of the original contract shall be revived (Underlining supplied).

We dismissed Dizon's appeal and sustained the interpretation of the Court of Appeals that "the other terms of the original contract" mentioned in Article 1670, are only those terms which are germane to the lessee's right of continued enjoyment of the property leased. We held:

"This is a reasonable construction of the provision, which is based on the presumption that when the lessor allows the lessee to continue enjoying possession of the property for fifteen days after the expiration of the contract he is willing that such enjoyment shall be for the entire period corresponding to the rent which is customarily paid - in this case up to the end of the month because the rent was paid monthly. Necessarily, if the presumed will of the parties refers to the enjoyment of possession, the presumption covers the other terms of the contract related to such possession, such as the amount of rental, the date when it must be paid, the care of the property, the responsibility for repairs, etc. But no such presumption may be indulged in with respect to special agreements which by nature are foreign to the right of occupancy or enjoyment inherent in a contract of lease."

Petitioners also question the jurisdiction of the trial court in Civil Case No. R-16589 in ordering their ejectment from the leased premises and the removal of the improvements introduced thereon by them. They claim that the action in Civil Case No. R-16589 was for the annulment of the sale of the property by defendant Herrera to defendants-spouses Go, and not an appropriate case for an ejectment. The right of possession of petitioners of the leased premises was squarely put in issue by defendants-spouses Go in their counterclaim to petitioner's complaint, where they asked that "xxx the plaintiffs should vacate their premises as soon as feasible or as the Honorable Court may direct" (Record on Appeal, CA-G.R. No. 67692-R; p. 45).

The said counterclaim in effect was an accion publiciana for the recovery of the possession of the leased premises.

Clearly the Court of First Instance had jurisdiction over actions which involve the possession of real property or any interest therein, except forcible entry and detainer actions (Section 44[b], Judiciary Act of 1948; *Concepcion v. Presiding Judge, Br. V, CFI Bulacan*, 119 SCRA 222 [1982]).

A counterclaim is considered a complaint, only this time, it is the original defendant who becomes the plaintiff (*Valisno v. Plan*, 143 SCRA 502 [1986]). It stands on the same footing and is to be tested by the same rules as if it were an independent action. Hence, the same rules on jurisdiction in an independent action apply to a counterclaim (*Vivar v. Vivar*, 8 SCRA 847 [1963]; *Calo v. Ajax International, Inc. v. 22 SCRA 996* [1968]; *Javier v. Intermediate Appellate Court*, 171 SCRA 605 [1989]; *Quiason, Philippine Courts and Their Jurisdictions*, 1993 ed., p. 203).

Finally, petitioners claim that the Court of Appeals erred in eliminating the award of moral damages in the amount of P20,000.00 given to them by the trial court (Rollo, pp. 48-52). The elimination of said award is a logical consequence of the finding that petitioners had no right of option to purchase the leased premises that can be enforced against respondent Herrera.

WHEREFORE, the petition is DENIED.

SO ORDERED.

Cruz, (Chairman), Davide, Jr., and Bellosillo, JJ., concur.

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.