

FRANCISCO D. PALANCA, PETITIONER, VS. THE HONORABLE INTERMEDIATE APPELLATE COURT AND REYNALDO INCOMIO, RESPONDENTS.

G.R. No. 71566. December 15, 1989

Ponente: GUTIERREZ, JR., J.

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GUTIERREZ, JR., J.:

This petition for review on certiorari seeks to set aside the decision of the then Intermediate Appellate Court which affirmed the decision of the Regional Trial Court of Quezon City in an ejectment case mainly on the issue of the applicability of Batas Pambansa Blg. 25, the law regulating the rentals of dwelling units.

In 1965, petitioner Francisco D. Palanca leased his apartment unit, located at No. 714-F Epifanio de los Santos Avenue, Cubao, Quezon City to private respondent Reynaldo Incomio (a market vendor) at a monthly rental of one hundred and sixty pesos (P160.00). The rental was later increased by mutual agreement between the lessor and lessee to five hundred pesos (P500.00) starting from November 1979.

The petitioner demanded from the private respondent the execution of a written contract of lease as the contract had been merely verbal since 1965. The private respondent, however, refused to sign any written contract despite the long period of time given him. The petitioner therefore terminated the month-to-month contract of lease. He sent a letter of demand dated November 20, 1981 to the private respondent asking the latter to vacate the premises on or before December 15, 1981. The private respondent did not leave the premises.

The petitioner brought his complaint for unlawful detainer before the barangay authorities but no amicable settlement could be reached. The case was certified for filing with the proper court.

On May 24, 1982, the petitioner filed his complaint against the respondent with the Metropolitan Trial Court, Branch 28 of Quezon City. In his answer, the respondent alleged that he was forced by the petitioner to agree to the increase of rentals to P500.00 in November 1979. According to him, he agreed due to the petitioner's threat of ejectment. He further asserted that said increase was violative of section 1 of Batas Pambansa Blg. 25 which prohibits the annual increase of monthly rentals (not exceeding P300.00) of all residential units by more than ten per cent (10%) of the monthly rentals existing at the time of the approval of said Act (i.e., April 10, 1979).

While the ejectment case was pending before the Metropolitan Trial Court, respondent Incomio filed a complaint before the barangay authorities and later, before the Quezon City Fiscal's Office for alleged violation of Batas Pambansa Blg. 25. The fiscal dismissed the complaint on December 23, 1987 on the ground that the complainant consented to the increased rental as shown by the consistent payments since 1979 until the ejectment case was filed in 1982. The fiscal stated that a mutual agreement to increase is not prohibited by law, citing the opinion of the then Ministry of Justice to which office the fiscal had sent a query on the matter. The opinion embodied in the Minister's answer dated April 21, 1981 states:

"While it is true that Sec. 1, PD No. 20 prohibits any increase in the agreed monthly rental of a dwelling unit

rented at P300.00 a month or less, the injunction is explicitly directed against the unilateral increase of the rental by the lessor, thus:

'No lessor of a dwelling unit or of land on which another's dwelling is located shall, upon promulgation of this Decree and until otherwise provided, increase the monthly rental agreed upon between the lessor and the lessee as of the effectivity of this Act when said monthly rental does not exceed three hundred pesos a month.'

"Where the lessor and the lessee, however, come to terms and mutually agree on the increase, such agreement is legal and binding between the parties as this is sanctioned under LOI No. 768, which contains the implementing rules of PD No. 20, specifically par. 3 (a) thereof, which states:

'3. The following shall not constitute grounds for judicial ejectment of lessee:

a. When the lessee has failed to pay any increased rental not mutually agreed upon provided, that in case of refusal of the lessor to accept payment of the rent previously agreed upon, the lessee shall either consignate the amount in Court or deposit the said amount in a bank for the account of the lessor.'

"In the instant case, complainant's payment of the increased rental for over a period of two (2) years without objection or protest is indicative of voluntary acquiescence on his part to the hiked rental thereby lending credence to respondent's claim that the aforesaid increase was mutually consented to by the parties and, therefore, not covered by the proscription of Presidential Decree No. 20." (At p. 33, Rollo)

The Metropolitan Trial Court, after trying the ejectment case dismissed the petitioner's complaint. The court stated that Batas Pambansa Blg. 25 applies to this case such that the increase in rentals from P160.00 to P500.00 monthly was violative of Section 1 of the same law. Moreover, the lease, being on a month-to-month basis as fixed by Article 1687 of the Civil Code, was for an indefinite period of time; hence, the petitioner has no legal ground to eject the defendant. The petitioner cannot unilaterally terminate the month-to-month period because an action for ejectment of a lessee where the lease was not for a definite period (as in this case) is not obtainable under section 6 of the same law.

Both parties appealed to the Regional Trial Court Branch 95, Quezon City. The petitioner based his appeal on the allegation that the decision was contrary to the facts and the applicable laws. The private respondent appealed on the ground that the court failed to adjudge the petitioner as liable for the damages prayed for in the answer.

The Regional Trial Court reversed the dismissal order of the Metropolitan Trial Court on June 15, 1984. It ruled that the increase in rentals from P160.00 to P500.00 was valid because a reading of Pres. Decree No. 20 as amended (cited in the opinion of the Minister of Justice) will show that the law does not intend to prohibit the raising of rental amounts by mutual consent of the parties.

Citing the opinion of the Minister of Justice, the court ruled that the law prohibits only a unilateral increase of the rentals by the lessor but not one that is mutually agreed.

The Regional Trial Court further ruled that the verbal contract of lease on a month-to-month basis was a lease with a definite period and falls under the exception in Section 6, Batas Pambansa Blg. 25. Hence, the lease may be terminated any month, after which judicial ejectment is allowed. The court explained that the petitioner-lessor had the legal right to terminate the verbal contract of lease at the end of a month when, as in this case, the defendant refused to sign a written agreement to renew the lease.

The private respondent appealed to the respondent Intermediate Appellate Court which, on March 22, 1985, set aside the Regional Trial Court's decision and reinstated the Metropolitan Trial Courts order of dismissing the complaint for unlawful detainer. A motion for reconsideration was denied. In its decision, the respondent appellate court dealt only with the limitation on the increase of rentals. It held that the change between Pres.

Decree No. 20 and Batas Pambansa Blg. 25 is "significant" such that in the latter the legislature laid down a public policy against any mode of increase beyond the prescribed rate, including one arranged by mutual agreement.

The present petition raises the main issue of whether or not an increase in rentals by mutual agreement of the parties by more than 10% a month is covered by the prohibition in Section 1, Batas Pambansa Blg. 25. Additionally, the petition raises the question of whether or not a contract of lease on a month to month basis is one with a definite period.

The private respondent reiterates in his brief his objection to the petitioner's premise that the increase was mutually agreed upon. The private respondent explains that he gave his consent only because he was threatened by the lessor with ejectment. He states that the prohibition in Section 1 of Batas Pambansa Blg. 25 applies to this case since the increase was imposed by a unilateral act of the petitioner.

It is apparent from the records that the private respondent consistently paid the increased rents since November 1979. For two and a half years as of the time the complaint for ejectment was filed in May 1982 there was no effort on his part to sue the petitioner for violation of Batas Pambansa Blg. 25. The Regional Trial Court was correct in finding that the "long period of time the payment of said rent could not have lasted without the defendant (private respondent herein) having freely consented to it." There is no satisfactory proof of the alleged coercion but even assuming that the alleged threat which pressured him to make payments was true, the moment he was compelled by the petitioner to consent to the increased rentals beyond the amount fixed by law was the time for him to sue. The Court can not accord relief to the private respondent who now claims lamely that his failure to sue at the earliest time possible was due to his ignorance of any law that was violated. If he was indeed prejudiced by the increase to which he consented, he should have immediately sought legal assistance and availed of any remedy available to him or at least, withheld the payment of the full amount of P500.00 for some time. The records show, however, that he let time pass by without manifesting any sign of being aggrieved or showing any resistance to the arrangement.

The fact that the petitioner later on demanded that the lease contract be in written form and assuming the truth of the allegation that the petitioner wanted a further increase of rental to P1,000.00, still these do not change the earlier agreement. For it was only then that the respondent thought of questioning the validity of the increased rental which was fixed as early as November 1979.

In view of this, the Court rules that there was consent and acquiescence on the part of private respondent to the increase of the rentals by more than 10% a month. The acquiescence alone amounts to a voluntary act of accepting the arrangement. Hence, there was mutual agreement.

Is the mutually agreed increase of rentals from P160.00 to P500.00 a month covered by the prohibition under Sec. 1, Batas Pambansa Blg. 25?

The petitioner argues that it is not covered and the said provision is not applicable because there is nothing in that law which prohibits a mutual agreement. The petitioner further states that contrary to the conclusion of the respondent appellate court, i.e., that the legislature intended to prohibit not only an increase imposed by the lessor but also one that is mutually agreed, there is in fact no substantial difference between section 1, Pres. Decree No. 20 and Section 1, Batas Pambansa Blg. 25 (which amends the former) as both laws proscribe an increase made by the lessor alone. The petitioner stresses that both statutes do not explicitly prohibit an agreement to increase.

Section 1 of Batas Pambansa Blg. 25 provides:

"Section 1. Authority to Increase Rentals. - Upon the effectivity of this Act and for a duration of five years

thereafter the monthly rentals of all residential units not exceeding three hundred pesos shall not be increased, for any one year period, by more than ten per cent (10%) of the monthly rentals existing at the time of the approval of this Act." [underscoring supplied]

It is true that the above-quoted provision, unlike Section 1 of Pres. Decree No. 20, fails to specify the person or persons responsible for the increase. However, we construe the provision to mean that the prohibition applies only to an increase imposed by the lessor upon the lessee. This is in line with the view that the legislature has consistently adopted the same intent in the law to prevent abuse by the lessor. The absence of any provision as to who initiates the increase does not change the meaning of the law by extending the prohibition even to cases where the parties have freely agreed to increased rates and ultimately complied accordingly.

It is worthwhile noting that even in a later amendment embodied in Section 1, Batas Pambansa Blg. 877, to wit:

"Section 1. Monthly Rentals and Maximum Increases - Beginning July 1, 1985 and for a duration of two and a half years thereafter ending on December 31, 1987, monthly rents of all residential units not exceeding four hundred eighty (P480.00) pesos shall not be increased by the lessor by more than the rates herein provided:"
xxx (Underscoring supplied)

the intention to prohibit a unilateral increase by the lessor beyond the limit fixed by the law was retained. Republic Act. No. 6643, which has extended the effectivity of Batas Pambansa Blg. 877 until December 31, 1989, carries the same legislative intent. The Court rules that from the effectivity of Pres. Decree No. 20, and under the amending laws which succeeded it, it is only an increase by the lessor which is the subject of restriction.

The rental law, which lays down a policy of protecting the interests of the lessee, should not be interpreted as stifling the right of both the landlord and the tenant together to fix the rental at a desired and reasonable amount by mutual and voluntary agreement. The tenant may, if he chooses, waive his right against reasonable increases so long as he knows that he can afford the agreed amount and believes he is getting the kind of dwelling for the amount he is paying.

Regarding the nature of the verbal lease contract on a month-to-month basis, the petitioner contends that the lease is one with a definite period, expiring at the end of every month. Hence, the petitioner can terminate the lease upon notice and judicially eject the private respondent at the end of the month. The petitioner states further that it is the exception and not the general rule in Section 6, Batas Pambansa Blg. 25 that should apply. Section 6 of the said law provides:

"Section 6. Application of the Civil Code and Rules of Court of the Philippines. - 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 residential units covered by this Act shall be suspended during the effectivity of this Act, but other provisions of the Civil Code and the Rules of Court on lease contracts, insofar as they are not in conflict with provisions of this Act, shall apply."

The private respondent insists that the lease is not for a definite period and he should be allowed to stay in the premises for as long as he can pay the rent. This means, according to him, that there is no definite period when the lease shall be terminated. He admits, however, that the rent is paid monthly.

Paragraph (1) of Article 1673 of the Civil Code, which the above quoted provision suspends, provides:

"Art. 1673 The lessor may judicially eject the lessee for any of the following causes:

1. When the period agreed upon, or that which is fixed for the duration of leases under Articles 1682 and 1689 has expired;"

xxx xxx xxx

Article 1687 on lease of urban lands in turn provides:

"Art. 1687 If the period for the lease has not been fixed it is understood to be from year to year, if the rent agreed upon is annual; from month to month, if it is monthly; from week to week, if the rent is weekly; and from day to day, if the rent is to be paid daily. However, even though a monthly rent is paid, and no period for the lease has been set, the courts may fix a longer term for the lease after the lessee has occupied the premises for over one year. If the rent is weekly, the Courts may likewise determine a longer period after the lessee has been in possession for over six months. In case of daily rent, the courts may also fix a longer period after the lessee has stayed in the place for over one month."

The private respondent stresses that the lease which is governed by Articles 1673 and 1687 is for an indefinite period and that under Batas Pambansa Blg. 25, the right to judicially eject the lessee is not available.

In the recently decided case of *Uy Hoo and Sons Realty Development Corporation v. Court of Appeals and Thomas Kuan*, (G.R. No. 83263, June 14, 1989), this Court ruled that a month to month lease under Article 1687 is a lease with a definite period, the expiration of which upon previous demand by the lessor to vacate, can justify ejectment. In that case, the Court quoted *inter alia* from *Miranda v. Ortiz*, (156 SCRA 10 [1987]):

"x x x. In *Rivera v. Florendo* promulgated on July 31, 1986, this Court made the following pronouncement, viz:

'What is suspended under Section 6 of Batas Pambansa Blg. 25 is Article 1673 of the Civil Code of the Philippines and not Article 1687 of the same Code. The effect of said suspension is that independently of the grounds for ejectment enumerated in Batas Pambansa Blg. 25, the owner/lessor cannot eject the tenant by reason of the expiration of the period of the lease as fixed or determined under Article 1687. It does not mean that the provisions of Article 1687 itself had been suspended. Thus, the determination of the period of a lease agreement can still be made in accordance with said Article 1687.'

'Admittedly, no definite period for the lease was agreed upon by petitioners and private respondent. However, as the rent was paid on a monthly basis the period of lease is considered to be from month to month in accordance with Article 1687. When petitioners gave private respondent notice to vacate the premises in question, the contract of lease is deemed to have expired as of the end of the month. As we have ruled in *Baen v. Court of Appeals*, *supra*, even if the month to month arrangement is on a verbal basis, if it is shown that the lessor needs the property for his own use or for the use of any immediate member of the family or for any of the other statutory grounds to eject under Section 5 of Batas Pambansa Blg. 25, which happens to be applicable, then the lease is considered terminated as of the end of the month, after proper notice or demand to vacate has been given. (See *Crisostomo v. Court of Appeals*, 116 SCRA 199).'

x x x x x x x x

"The ruling was reiterated in *Zablan v. C.A., et al.*, G.R. No. 57844, September 30, 1987, in which it was further pointed out that (1) if the verbal lease agreement on a month? to-month basis were held to be for an indefinite period and not terminable at the end of any given month, the law would be rendered illusory in the sense that the owner/lessor notwithstanding his pressing need for the premises could never successfully eject the tenant because the period of lease would never expire during the effectivity of Batas Pambansa Blg. 25. x x x."

The Court noted that notwithstanding the fact that the *Miranda* case and the *Rivera* case quoted therein involved a need for the lessor to re-possess the leased premises for his own use, (which in fact is not present in this case), the Court applied the ruling therein on the ground that:

"x x x the thrust of the decision in said cases appears to be that 'the determination of the period of a lease

agreement can still be made in accordance with said Article 1687, and that in a month to month lease situation, when petitioners (lessor) gave private respondent (lessee) notice to vacate the premises in question, the contract of lease is deemed to have expired as of the end of the month." (Uy Hoo and Sons Realty Development Corp. v. Court of Appeals and Thomas Kuan, supra, p. 9)

Furthermore, the Court presented the following reasoning why it arrived at the conclusion that a verbal lease contract under Article 1687 is one with a definite period so that at the end of a month the lease shall expire upon demand by the lessor to vacate:

"Besides, while Section 5 (f) of BP Blg. 25, originally stated that 'expiration of the period of a written lease contract' is one of the grounds for judicial ejectment (like need of the leased premises by the lessor under 5 [c]). BP Blg. 877 amended Sec. 5 (f) of BP Blg. 25 into stating that 'expiration of the period of the lease contract is a ground for judicial ejectment x x x.'"

There is no showing under the circumstances of this case why the same rule should not apply to the respondent. Considering our rulings on the two issues raised by the petitioner, the lessor can judicially eject the lessee in this case.

WHEREFORE, the petition is hereby GRANTED. The decision of the respondent appellate court is REVERSED and SET ASIDE. The decision of the Regional Trial Court of Quezon City, Branch 95, dated 15 June 1984, in Civil Case No. Q-40803 is REINSTATED.

SO ORDERED.

Fernan, C.J., (Chairman), Feliciano, Bidin, and Cortes, JJ., concur.

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