

YEK SENG CO., PETITIONER, VS. THE HONORABLE COURT OF APPEALS, DEWEY VELOSO YAP, AND DAVID T. VELOSO YAP, RESPONDENTS.

G.R. No. 87415. January 23, 1992

Ponente: CRUZ, J.

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CRUZ, J.:

The simple question raised in the case at bar could have been definitely resolved on the lowest level of the judiciary and did not have to reach the highest tribunal. If we have given the petition due course, it was only for the purpose of settling it once and for all and avoiding future needless impositions on the time of this Court.

The subject of the petition is a verbal contract of lease over a portion of a building belonging to the private respondents and occupied by the petitioner as lessee. It is situated on Ylaya Street in Manila. The leased premises have been used by the petitioner for its general merchandise business for more than twenty years. The agreed monthly rental was P3,000.00.

On December 12, 1985, the lessors notified the petitioner that they were terminating the lease as they intended to renovate the building and thereafter use it themselves. The petitioner refused to vacate. The private respondents then filed a complaint for ejectment against the petitioner in the Municipal Trial Court of Manila on January 22, 1986. For its part, the petitioner filed a petition for consignation of the monthly rentals which it claimed had been refused by the lessors.

In his decision dated July 2, 1987,[1] Judge Tirso C. Briones disposed thus:

WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against the defendant, ordering the latter and all persons claiming rights under it, to vacate the premises specifically described in the amended complaint; to pay plaintiffs the sum of P3,000.00 as rental for the reasonable use and occupancy of the premises commencing January, 1986 and monthly thereafter, until the same shall have been finally surrendered to the plaintiffs, less whatever payments that may have been made during the pendency of the case; the sum of P10,000.00 as and for attorney's fees plus costs of suit.

The petition for consignation is hereby denied for lack of merit.

This decision was affirmed by the Regional Trial Court of Manila,[2] which was in turn sustained by the Court of Appeals.[3] In this petition for review on certiorari, the principal submission is that the courts below erred in not giving the petitioner an extension of its lease in accordance with Article 1687 of the Civil Code.

This article provides as follows:

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.

In support of its position, the petitioner cites the cases of *Araneta v. De Mesa*, 35 SCRA 137, and *Divino v. Marcos*, 4 SCRA 186.

The Court can only wonder why the petitioner has invoked the first case at all as it is clearly inapplicable. A little study would have readily revealed this. The appeal was dismissed in that case simply because the question raised had already become moot and academic; no ruling was made on the merits.

In the second case, the Court upheld the extension of the lease because of the peculiar circumstances involved, as related thus by the trial court:

When the plaintiff's petition was called for hearing, the parties agreed that judgment be rendered on the pleadings in connection with such petition. According to the pleadings, there is no controversy that plaintiff has been occupying the lot in question since May 7, 1936, when he purchased from one Antonio Castro the house constructed thereon. It also appears that plaintiff was assured by the defendants that the house bought would remain thereon as long as plaintiff continues paying his rents. It further appears that on March 19, 1947, plaintiff constructed an addition to the house with the knowledge and consent of the defendants. Said addition cost the plaintiff the amount of P20,000.00.

There is no written agreement as to the duration of the lease between plaintiff and defendants. The fact remains that plaintiff entered the premises with the knowledge and consent of the defendants and with the assurance of the latter that the plaintiff could remain occupying the lot as long as he pays the corresponding rents.

Sustaining this finding, this Court made the following additional observations:

The lot in question has been rented to the petitioner for about 20 years and his predecessor in interest for more. Even though rentals had been paid monthly, still no period for the duration of the lease had been set. The lease had been consistently and tacitly renewed ("tacita reconduccion") until the ejectment case was filed (*Co Tiam v. Diaz*, 75 Phil. 672; *Villanueva v. Canlas*, 77 Phil. 381; Art. 1670, N.C.C.; Art. 1566, Old Civil Code). Having made substantial or additional improvements on the lot, and considering the difficulty of looking for another place to which petitioner could transfer such improvements, and the length of his occupancy of the lot (since 1936), and the impression acquired by him that he could stay on the premises, as long as he could pay the rentals, it would seem that there exists just grounds for granting the extension of lease and that the extension of two years granted by the trial court, is both fair and equitable.

It was considered important in that case that: 1) the plaintiff had been occupying the leased premises for more than twenty years; 2) he was assured by the defendants that he could remain in the house as long as he continued paying the rentals; and 3) he made improvements on the house costing P20,000.00 with the consent of the defendants. The petitioner in the case at bar has not pointed to similar circumstances other than the claim that it has been occupying the subject premises for more than twenty years. On this point, Judge Roberto M. Lagman of the Regional Trial Court correctly held:

On the second issue, the Court noted that the parties did not submit any evidence on the basis of the stipulation of the facts earlier narrated. Thus, there is nothing in the record which would show any fact or circumstance which justifies the extension of the lease. The mere occupancy of the premises for a number of years, by itself is not sufficient.

The circumstance that the petitioner has paid its rentals religiously during the past twenty years is also not sufficient to justify the extension it demands. Neither are the substantial improvements it allegedly made on the leased premises nor the difficulty of finding another place of business, on which it has not submitted any evidence at all. The Court makes the wry observation that the petitioner has only itself to blame if, being engaged in business, it did not take the necessary precautions against its possible and even abrupt displacement because of the termination of the month-to-month lease. As for the argument that the private respondents had not yet secured a building permit for the alleged intended renovation, it is obviously no argument at all and deserves no further comment.

In the view of the Court, the applicable case is *Cruz v. Intermediate Appellate Court*,^[4] where it was held:

Ricardo Cruz further maintains that the lease contract with Roman Legarda So is one with an indefinite period, no specific term having been agreed upon by the parties, hence the court can legally fix a longer term. He invokes the second sentence of Article 1687 of the Civil Code which states that even though a monthly rental 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.

We reject such proposition.

As earlier stated, the contract of Ricardo Cruz, being on a month-to-month basis, is a lease with a definite period. Since the contract of lease is for a definite term, the lessee cannot avail of the benefits under Article 1687 which applies only if there is no definite term. And, even assuming *arguendo* that Article 1687 applies, Ricardo Cruz would still not be entitled to have the term fixed for a longer period since his action was filed only after the contract had expired.

As held in *Vda. de Prieto vs. Santos, et al.* (98 Phil. 509 1956):

"Under this provision, if the period of a lease contract has not been specified by the parties therein, it is understood to be from month to month, if the rent agreed upon is monthly, as in the cases at bar. Consequently, the contract expires at the end of such month, unless, prior thereto, the extension of said term has been sought by appropriate action and judgment is, eventually, rendered therein granting said relief.

"Defendants herein maintain that their lease contracts did not, and could not, come to an end until after the court has fixed its lifetime and the term thus fixed has expired. This view, is, to our mind, untenable. To begin with, defendants assume that their contracts are without term, prior to the judicial action authorized in said Article 1687, whereas the same provides that the duration of lease contracts shall be yearly, monthly, weekly, or daily depending upon whether the rental agreed upon is annual, monthly, weekly, or daily. In other words, said contracts have a term fixed by law, and are not indefinite in duration, before said judicial intervention. Secondly, said Article 1687 merely gives the court discretion to extend the period of the lease. The court is not bound to extend said term. It may legally refuse to do so, if the circumstances surrounding the case warrants such action. x x x" (Emphasis reproduced)

Conformably, we hold that as the rental in the case at bar was paid monthly and the term had not been expressly agreed upon, the lease was understood under Article 1687 to be terminable from month to month. At the time the petitioner was asked to vacate the leased premises, the lease contract had already expired and therefore, following the above-quoted decisions, could no longer be extended. In fact, even if such contract had not yet expired, its extension would still be subject to the sound discretion of the court and was by no means obligatory upon it as a merely ministerial duty.

To quote again from the decision of the Regional Trial Court:

As correctly cited by the plaintiffs, "The power of the Courts to fix a longer term for lease is protestative or

discretionary, 'may' is the word -- to be exercised or not in accordance with the particular circumstances of the case; a longer term to be granted where equities come into play demanding extension, to be denied where none appears, always with due deference to the parties freedom to contract." (Divino v. Marcos, January 31, 1962, 4 SCRA 186.) Moreover, the lease had already expired when the extension was sought. In the case of Prieto v. Santos, 98 Phil. 509 cited in Alegre v. Laperal, 22 SCRA 934, it was held that "an extension of the lease may be sought by the tenant before, not after the termination of the lease." At any rate, whatever extension the defendant may be entitled to has already been dissipated by the length of time -- 2 years --- that this case has been pending.

The petitioner also contends that it was denied its day in court when judgment was rendered against it without the benefit of a trial on the merits. This posture is likewise unacceptable. Contrary to its submission, the case was not decided by Summary Procedure but in accordance with Rule 20, Section 3, and Rule 30, Section 2, of the Rules of Court. There was no trial on the merits because, as the record will show, the petitioner's counsel agreed to submit the case for decision on the basis of the stipulations of the parties at the pre-trial conference. Judgment was rendered on that basis.

It must be added that even if there was indeed no trial before the Municipal Trial Court, the petitioner was heard nonetheless when it appealed to the Regional Trial Court; when it filed its motion for reconsideration of the decision; and when it appealed to the respondent court. The petitioner cannot pretend that it was unable to fully argue its case before that court, for the fact is that it did so, not only in its brief but also when it filed a motion for reconsideration of its decision and also a motion for a hearing on that motion.

The respondent court did not err in sustaining the award of attorney's fees in the sum of P10,000.00, taking into account the fact that the petitioner unreasonably resisted the private respondent's demand to vacate the property following the termination of their lease contract. The petitioner's intransigence made it necessary for the latter to litigate for the enforcement of their just and valid claim and thus incur the expenses that must now be justly charged to it.

Judge Lagman acutely observed that the petitioner had already enjoyed a de facto extension of two years during the period the ejectment case was pending, first before the Municipal Trial Court and then before his court. We note with disapproval that by appealing to the Court of Appeals and later to this Court, the petitioner gained another extension of more than three years, for a total of almost six years from the time the amended complaint was filed on June 17, 1986.

It is an economic fact that construction costs rose considerably during that period, thus increasing the expenses of the renovation intended by the private respondents. Such increase could have been also awarded against the petitioner as part of the actual damages of the private respondents except that no evidence of this has been presented.

Many lessees are able to defer their deserved ejectment through the simple expedient of appealing their lost cause all the way up to even this Court. This transparent gambit is all-too-familiar. The delay entailed in deciding these appeals is usually unavoidable because the courts of justice are saddled by a heavy load of cases and cannot dispose of them as fast as might be desired. It is common knowledge of this difficulty that has encouraged the filing of groundless appeals by "clever" lawyers who know from the start that they are doomed to fail.

Counsel are admonished against abusing the judicial process by lodging appeals intended merely to unduly prolong a case and so "buy time" for their clients. In the future, this Court will take a sterner view of such tactics and impose severe sanctions upon lawyers who, for money or malice, would cynically frustrate the ends of the law and the speedy administration of justice by deliberately delaying the final disposition of their hopeless cases. Atty. Ismael M. Estella, the petitioner's counsel, is particularly enjoined to take serious heed of this warning.

WHEREFORE, the petition is DENIED and the appealed decision AFFIRMED in toto, with triple costs against the petitioner.

SO ORDERED.

Narvasa, C.J., Griño-Aquino, and Medialdea, JJ., concur.

[1] Rollo, p. 43.

[2] Through Judge Roberto M. Lagman.

[3] Penned by Justice Emeterio C. Cui, with Javellana and Elbiñas, JJ., concurring.

[4] 180 SCRA 702.

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