

DR. MA. WENDELYN V. YAP, EVELIA H. BADIAGAN, TERESITA A. BALADAD AND FLORENCIA C. DE VERA, VS. DR. VERGEL G. CRUZ, THE HON. MARCELO R. OBIEN, AS PRESIDING JUDGE OF THE REGIONAL ...

G.R. No. 89307. May 08, 1992

Ponente: MEDIALDEA, J.

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MEDIALDEA, J.:

This petition seeks the reversal of the decision of respondent Court of Appeals in CA-G.R. Sp. No. 15790 dismissing the petition for review and affirming the decision of the Regional Trial Court of Manila, Branch 44 in Civil Case No. 86-38296 which in turn affirmed the decision of the Metropolitan Trial Court of Manila, Branch 27 in Civil Case No. 113298.

The facts of the case are as follows:

Dr. Vergel G. Cruz, the private respondent in this case was the bonafide tenant of Amado Q. Bugayon, Jr. for almost five years in the premises in question just before this controversy started. He religiously paid the monthly rentals of P1,400.00, introduced several improvements and operated a veterinary clinic known as Malate Veterinary Clinic. Sometime in the latter part of July, 1985, he offered for sale the goodwill of the veterinary clinic and some of its equipments to Dr. Wendelyn V. Yap, Evelia H. Badiagan, Teresita A. Baladad and Florencia C. de Vera, the petitioners herein. During the period of negotiations, private respondent Cruz introduced to the landlord Dr. Wendelyn V. Yap as the person interested in taking over the clinic. However, the negotiations did not materialize but the petitioners managed to enter into a contract of lease for the said premises at a monthly rental of P1,800.00 with the landlord. As a result, private respondent Cruz brought an action for "Forcible Entry with Damages" with the Metropolitan Trial Court of Manila, Branch 27 against petitioners herein and the landlord.

On June 26, 1986, the Metropolitan Trial Court of Manila, Branch 27, rendered its decision in favor of private respondent Cruz, the dispositive portion of which states:

"WHEREFORE, judgment is hereby rendered in favor of the plaintiff and all the defendants are ordered to vacate the premises in question and surrender peaceful possession of the premises to plaintiff; defendants Amado Bugayon, Jr. and Dr. Wendelyn Yap only are ordered to pay jointly and severally the plaintiff the amount of P3,000.00 as moral damages; the amount of P2,000.00 as exemplary damages and the sum of P2,000.00 as attorney's fees." (Rollo, p. 22-A)

On May 11, 1988, the Regional Trial Court of Manila, Branch 44 affirmed the aforesaid decision of the Metropolitan Trial Court and on April 21, 1989, the Court of Appeals dismissed the petition for review of petitioners and affirmed the decision of the Regional Trial Court, Branch 44. Hence, this petition was filed raising the following assignment of errors:

"2.1. The Hon. Court of Appeals erred in ruling that the lower courts were correct in their decision that the petitioners must vacate the premises and turn over the possession thereof to the private respondent despite the fact that the private respondent had already failed and refused to pay for the rentals thereof, thus, did not have any right thereto, and the petitioners had a valid lease agreement thereof with the owner of the premises;

"2.2. The Hon. Court of Appeals erred in ruling that the owner of the premises must be forced to re-lease the premises to the private respondent even if there is already a valid and existing contract with the petitioners and the refusal of the owner to lease the same to the private respondent due to the latter's failure to pay the rentals therefor;

"2.3. The Hon. Court of Appeals erred in ruling that the possession by the petitioners of the premises located at 1118 Pres. Quirino Avenue was dependent upon the sale of the goodwill of the Malate Veterinary Clinic by the private respondent to the petitioners." (pp. 74-75, Rollo)

There is no dispute that the petitioners gained access to the leased premises in question by virtue of the offer of the private respondent to sell the goodwill over his veterinary clinic to them. By one reason or another, i.e., the alleged increase in the asking price for the goodwill from P12,000.00 to P15,000.00 and the alleged failure of private respondent to secure the necessary permits and licenses from the government authorities, the negotiations bagged down. What then happens to the leasehold rights of private respondent over the premises in question which he had already transferred to petitioners? Private respondent claims that in view of the failure of negotiations, the petitioners should have returned the leased premises to him but instead of so doing, they entered into a lease contract with the landlord thereby ousting him therefrom through strategy or stealth.

On the other hand, the bone of contention of petitioners is that the lease between private respondent and the landlord was automatically terminated because while the negotiations for the sale of the goodwill was still on-going, the private respondent stopped paying the rentals for the leased premises which was already on a month-to-month basis as the formal lease had long expired. They claim that they were informed of the same and given the option by the landlord to either vacate the premises or enter into a new lease agreement with him and to pay an increased rental of P1,800.00 for the premises beginning the month of August, 1985. As such, their possession of the premises has absolutely nothing to do with the proposed sale of the goodwill by private respondent. Thus, they claim that the decision of the lower courts is contrary to law inasmuch as it had equated the sale of the goodwill with the possession of the premises occupied by the petitioners.

Correctly, the petitioners claim a right to the premises in question apart from the proposed sale of the goodwill. Precisely, private respondent's action for forcible entry and damages recognizes such fact because he predicates his cause of action on the deprivation of his possession by virtue of the new lease contract executed by the petitioners with the landlord. Whether this contract is valid is the question to be resolved here.

We rule in favor of private respondent. When the petitioners and the landlord executed a new contract of lease, the lease of private respondent was still valid and subsisting. There is no question that private respondent has not effectively relinquished his leasehold rights over the premises in question in view of the failure of negotiations for the sale of the goodwill. Clearly, the transfer of the leasehold rights is conditional in nature and has no force and effect if the condition is not complied with.

True, the lease of private respondent is on a month-to-month basis and may be terminated at the end of any month after proper notice or demand to vacate has been given (*Rivera v. Florendo*, G.R. No. 60066, July 31, 1986, 143 SCRA 278; *Zablan v. CA*, G.R. No. 57844, September 30, 1987, 154 SCRA 487; *Uy Hoo and Sons Realty Development Corp. v. CA*, G.R. No. 83263, June 14, 1989, 174 SCRA 100; *Palanca v. IAC*, G.R. No. 71566, December 15, 1989, 180 SCRA 119). In the case at bar, however, the lack of proper notice or demand to vacate upon the private respondent is clearly evident. In the absence of such notice, the lease of private respondent

continues to be in force and can not be deemed to have expired as of the end of the month automatically. Neither can the non-payment of the rent for the month of August, 1985 be a ground for termination of the lease without a demand to pay and to vacate. The instant case can easily be differentiated from the case of *Vda. de Kraut v. Lontok*, G.R. No. L-18374, February 27, 1963, 7 SCRA 281, which was cited by petitioners in support of their contention that a lease on a month-to-month basis may be terminated at the end of any month and shall be deemed terminated upon the lessee's refusal to pay the increased rental because here there was neither demand on the part of the landlord to pay the rental nor refusal on the part of the private respondent to pay the same as in fact he made a tender of his rental payment in the latter part of August, 1985. Thus, when the landlord and the petitioners entered into a new contract of lease effectively depriving the private respondent of his lease, they were clearly guilty of forcible entry in view of the subsisting lease of private respondent.

ACCORDINGLY, the petition is hereby DENIED and the questioned decision of the Court of Appeals is AFFIRMED.

SO ORDERED.

Narvasa, C.J., Cruz, Grino-Aquino, and Bellosillo, JJ., concur.

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