

GREGORIO IGNACIO, PETITIONER, VS. PHILIPPINE NATIONAL RAILWAYS, REPRESENTED BY ITS GENERAL MANAGER, HON. SEBASTIAN B. ARRASTIA, RESPONDENTS.

G.R. No. 89309. July 31, 1989

Ponente: GANCAYCO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-89309/>

GANCAYCO, J.:

The herein petitioner Gregorio Ignacio appealed from an order of the Regional Trial Court of Manila which dismissed his complaint for reformation of contract. The appeal was brought to the Court of Appeals. In its decision dated August 4, 1987, the appellate court referred the case to this Court inasmuch as only questions of law are involved.[1] Accordingly, this Court resolved to treat the case as a petition for review on certiorari under Rule 45 of the Rules of Court.[2]

The facts are not disputed.

On May 11, 1982 the Board of Directors of the respondent Philippine National Railways (PNR) passed a resolution approving the application of petitioner for the lease of the PNR station building at Sampaloc, Manila. The pertinent provisions of the said resolution are as follows:

"Res. No. 108-82

x x x

BE IT RESOLVED, as it is hereby RESOLVED, that the application of retired Station Agent Gregorio Ignacio, to lease the PNR Station Building with a floor area of 66.65 sq. m. at the rental rate of P36.00/sq. m. per annum or a total of P2,399.40 and the station premises with an area of 524.04 sq. m. at a rental rate of P12.00/sq. m. per annum or a total of P6,288.36, subject to the terms and conditions stipulated in the proposed contract, be, as it hereby is APPROVED, provided that the rental rate shall be P1,000.00 per month for both the Station building and Station premises, that the lessee shall pay in advance the sum equivalent to one-year rentals upon execution of the lease contract, and that any subleasing of the property or portions thereof shall be with the prior approval of the General Manager or his duly authorized representative.[3]

Pursuant thereto, a contract of lease was entered into between petitioner and the PNR on May 24, 1982 for the lease of the said building for a period of one (1) year commencing on June 1, 1982 and ending May 31, 1983 at a monthly rental of P1,000.00.[4] Thereafter on September 6, 1983, another contract was entered into by the same parties for the rental of the same building for a period of another year computed from June 1, 1983 to May 31, 1984 at P1,250.00 per month.[5] Upon the expiration of the aforesaid second contract, the PNR proposed an increase in the monthly rental to P1,750.00 which the petitioner refused. On March 21, 1985, the PNR asked him to vacate the premises on account of his failure to renew the contract. Thus, on June 7, 1985, petitioner filed a complaint for reformation of the proposed contract with the Regional Trial Court of Manila.

During, the pre-trial, the legal issue submitted for the consideration of the trial court was the validity of the

contract of lease. In an Order dated November 27, 1985, the trial court ruled that as there was no such proposed contract before it there was no contract to reform.

Hence, this petition. The petitioner assails the order of the trial court on the following grounds:

"I

THE LOWER COURT ERRED IN HOLDING THAT APPELLANT IS ESTOPPED IN CLAIMING THE ILLEGALITY OF THE PROPOSED AGREEMENT IN INCREASING THE ANNUAL RENTAL OF THE PREMISES LEASED FROM P1,250.00 to P1,750.00 and -

II

THE COURT A QUO ERRED IN FINALLY DISMISSING THE COMPLAINT FOR LACK OF CAUSE OF ACTION AGAINST DEFENDANT-APPELLEE."[6]

The appeal is devoid of merit.

The petitioner claims that the second contract of lease is illegal inasmuch as the P1,250.00 monthly rental stipulated therein is in violation of the terms of aforesaid Resolution No. 108-82 of the Board of Directors of the PNR which fixed the monthly rental at only P1,000.00 per month. For the same reason, petitioner assails the proposed contract for 1984 which increased the monthly rental to P1,750.00.

Suffice it to state that a mere reading of the said resolution clearly shows that the rental therein provided for is P1,000.00 per month without stating the period of the lease. It remained for the parties to stipulate on the period. Thus, the parties agreed that the period of the lease at P1,000.00 monthly rental was to be for one (1) year only under the first contract. In the second contract, the parties agreed to an additional period of one (1) year but the monthly rental was increased to P1,250.00. Petitioner had no objections to the same and faithfully complied with the second contract.

As correctly observed by the trial court petitioner is now estopped from questioning the validity of the said contracts.

In the prayer of the complaint petitioner sought a reformation of the first and second contracts in accordance with the aforesaid resolution. Such a prayer comes much too late as petitioner voluntarily entered into the same and the said contracts had already expired. Moreover, there is no claim of mistake, fraud, inequitable conduct or accident warranting a reformation thereof.[7]

This Court also notes that there is no third contract to be reformed. The parties failed to agree upon it. In order that an action for reformation may prosper, there must be a meeting of the minds of the parties to a contract, but their true intention is not expressed therein by reason of mistake, fraud, inequitable conduct or accident.[8]

In the same complaint petitioner seeks a reimbursement of one-half (1/2) of the actual amount spent by him on the improvements he introduced in the property as a builder in good faith. However, an examination of the first and second contracts of lease show that both contracts stipulate that any repairs or improvements introduced by the lessee becomes the exclusive property of the lessor, and that when the lessee vacates the premises, all improvements not so removed shall become the exclusive property of the lessor and the lessee shall lose all rights and interests over the same.[9] Such agreements have the force of law between the parties and they should comply with the same in good faith.[10]

From the foregoing observations, it is obvious that petitioner has no right at all to claim for reimbursement or the improvements he introduced in the leased premises.

WHEREFORE, the petition is DISMISSED for lack of merit, with costs against petitioner.

SO ORDERED.

Narvasa, (Chairman), Cruz, Griño-Aquino, and Medialdea, JJ., concur.

[1] Penned by Madam Justice Leonor Ines Luciano and concurred in by Justices Oscar Herrera and Justo V. Torres, Jr.

[2] E. Razon, Inc. v. Moya, 103 SCRA 41 (1981).

[3] Page 13, Rollo.

[4] Annex B to the Petition, pages 14 to 16, Rollo.

[5] Annex D to the Petition, pages 17 to 19, Rollo.

[6] Page 7, Rollo.

[7] Article 1359, Civil Code.

[8] Id.

[9] See paragraphs 8 and 13 of the first contract dated May 24, 1982 and paragraphs 7 and 12 of the second contract dated September 6, 1983.

[10] Article 1159, Civil Code.

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.