

FIRST DIVISION

[G.R. No. 126454, November 26, 2004]

**BIBLE BAPTIST CHURCH AND PASTOR REUBEN BELMONTE,
PETITIONERS, VS. COURT OF APPEALS AND MR. & MRS. ELMER
TITO MEDINA VILLANUEVA, RESPONDENTS.**

DECISION

AZCUNA, J.:

This petition for review on *certiorari* seeks to annul the Decision^[1] dated August 7, 1996, of the Court of Appeals in CA-G.R. CV No. 45956, and its Resolution^[2] dated September 12, 1996, denying reconsideration of the decision. In the questioned issuances, the Court of Appeals affirmed the Decision^[3] dated June 8, 1993, of the Regional Trial Court of Manila, Branch 3, in Civil Case No. 90-55437.

The antecedents are:

On June 7, 1985, the Bible Baptist Church (petitioner Baptist Church) entered into a contract of lease^[4] with Mr. & Mrs. Elmer Tito Medina Villanueva (respondent spouses Villanueva). The latter are the registered owners of a property located at No. 2436 (formerly 2424) Leon Guinto St., Malate, Manila. The pertinent stipulations in the lease contract were:

1. That the LESSOR lets and leases to the LESSEE a store space known as 2424 Leon Guinto Sr. St., Malate, Manila, of which property the LESSOR is the registered owner in accordance with the Land Registration Act.
2. That the lease shall take effect on June 7, 1985 and shall be for the period of Fifteen (15) years.
3. That LESSEE shall pay the LESSOR within five (5) days of each calendar month, beginning Twelve (12) months from the date of this agreement, a monthly rental of Ten Thousand Pesos (P10,000.00) Philippine Currency, plus 10% escalation clause per year starting on June 7, 1988.
4. **That upon signing of the LEASE AGREEMENT, the LESSEE shall pay the sum of Eighty Four Thousand Pesos (P84,000.00) Philippine Currency. Said sum is to be paid directly to the Rural Bank, Valenzuela, Bulacan for the purpose of redemption of said property which is mortgaged by the LESSOR.**

5. That the title will remain in the safe keeping of the Bible Baptist Church, Malate, Metro Manila until the expiration of the lease agreement or the leased premises be purchased by the LESSEE, whichever comes first. In the event that the said title will be lost or destroyed while in the possession of the LESSEE, the LESSEE agrees to pay all costs involved for the re-issuance of the title.
6. That the leased premises may be renovated by the LESSEE, to the satisfaction of the LESSEE to be fit and usable as a Church.
7. That the LESSOR will remove all other tenants from the leased premises no later than March 15, 1986. It is further agreed that if those tenants are not vacated by June 1, 1986, the rental will be lowered by the sum of Three Thousand Pesos (P3,000.00) per month until said tenants have left the leased premises.
8. **That the LESSEE has the option to buy the leased premises during the Fifteen (15) years of the lease. If the LESSEE decides to purchase the premises the terms will be: A) A selling Price of One Million Eight Hundred Thousand Pesos (P1.8 million), Philippine Currency. B) A down payment agreed upon by both parties. C) The balance of the selling price may be paid at the rate of One Hundred Twenty Thousand Pesos (P120,000.00), Philippine Currency, per year.**

x x x.^[5]

The foregoing stipulations of the lease contract are the subject of the present controversy.

Although the same lease contract resulted in several cases^[6] filed between the same parties herein, petitioner submits, for this Court's review, only the following errors allegedly committed by the Court of Appeals:

- a) Respondent Court of Appeals erred in finding that the option to buy granted the petitioner Baptist Church under its contract of lease with the Villanuevas did not have a consideration and, therefore, did not bind the latter;
- b) [R]espondent court again also erred in finding that the option to buy did not have a fixed price agreed upon by the parties for the purchase of the property; and
- c) [F]inally, respondent court erred in not awarding petitioners Baptist Church and its pastor attorney's fees.^[7]

In sum, this Court has three issues to resolve: 1) Whether or not the option to buy given to the Baptist Church is founded upon a consideration; 2) Whether or not by the terms of the lease agreement, a price certain for the purchase of the land had been fixed; and 3) Whether or not the Baptist Church is entitled to an award for attorney's fees.

The stipulation in the lease contract which purportedly gives the lessee an option to buy the leased premises at any time within the duration of the lease, is found in paragraph 8 of the lease contract, *viz*:

8. That the LESSEE has the option to buy the leased premises during the Fifteen (15) years of the lease. If the LESSEE decides to purchase the premises the terms will be: A) A selling Price of One Million Eight Hundred Thousand Pesos (P1.8 million), Philippine Currency. B) A down payment agreed upon by both parties. C) The balance of the selling price may be paid at the rate of One Hundred Twenty Thousand Pesos (P120,000.00), Philippine Currency, per year.

Under Article 1479 of the Civil Code, it is provided:

Art. 1479. A promise to buy and sell a determinate thing for a price certain is reciprocally demandable.

An accepted unilateral promise to buy or to sell a determinate thing for a price certain is binding upon the promissor if the promise is supported by a consideration distinct from the price.

The second paragraph of Article 1479 provides for the definition and consequent rights and obligations under an option contract. For an option contract to be valid and enforceable against the promissor, there must be a separate and distinct consideration that supports it.

In this case, petitioner Baptist Church seeks to buy the leased premises from the spouses Villanueva, under the option given to them. Petitioners claim that the Baptist Church "agreed to advance the large amount needed for the rescue of the property but, *in exchange*, it asked the Villanuevas to grant it a long term lease and an option to buy the property for P1.8 million."^[8] They argue that the consideration supporting the option was their agreement to pay off the Villanueva's P84,000 loan with the bank, thereby freeing the subject property from the mortgage encumbrance. They state further that the Baptist Church would not have agreed to advance such a large amount as it did to rescue the property from bank foreclosure had it not been given an enforceable option to buy that went with the lease agreement.

In the petition, the Baptist Church states that "[t]rue, the Baptist Church did not pay a separate and specific sum of money to cover the option alone. But the P84,000 it paid the Villanuevas in advance should be deemed consideration for the one contract they entered into – the lease with option to buy."^[9] They rely on the case of *Teodoro v. Court of Appeals*^[10] to support their stand.

This Court finds no merit in these contentions.

First, petitioners cannot insist that the P84,000 they paid in order to release the Villanuevas' property from the mortgage should be deemed the separate consideration to support the contract of option. It must be pointed out that said amount was in fact apportioned into monthly rentals spread over a period of one year, at P7,000 per month. Thus, for the entire period of June 1985 to May 1986,

petitioner Baptist Church's monthly rent had already been paid for, such that it only again commenced paying the rentals in June 1986. This is shown by the testimony of petitioner Pastor Belmonte where he states that the P84,000 was advance rental equivalent to monthly rent of P7,000 for one year, such that for the entire year from 1985 to 1986 the Baptist Church did not pay monthly rent.^[11]

This Court agrees with respondents that the amount of P84,000 has been fully exhausted and utilized by their occupation of the premises and there is no separate consideration to speak of which could support the option.^[12]

Second, petitioners' reliance on the case of *Teodoro v. Court of Appeals*^[13] is misplaced. The facts of the *Teodoro* case reveal that therein respondent Ariola was the registered lessee of a property owned by the Manila Railroad Co. She entered into an agreement whereby she allowed Teodoro to occupy a portion of the rented property and gave Teodoro an option to buy the same, should Manila Railroad Co. decide to sell the property to Ariola. In addition, Teodoro, who was occupying only a portion of the subject rented property, also undertook to pay the Manila Railroad Co., the *full* amount of the rent supposed to be paid by the registered lessor Ariola. Consequently, unlike this case, Teodoro paid *over and above* the amount due for her own occupation of a portion of the property. That amount, which should have been paid by Ariola as lessor, and for her own occupation of the property, was deemed by the Court as sufficient consideration for the option to buy which Ariola gave to Teodoro upon Ariola's acquiring the property.

Hence, in *Teodoro*, this Court was able to find that a separate consideration supported the option contract and thus, its enforcement may be demanded. Petitioners, therefore, cannot rely on *Teodoro*, for the case even supports the respondents' stand that a consideration that is separate and distinct from the purchase price is required to support an option contract.

Petitioners further insist that a consideration need not be a separate sum of money. They posit that their act of advancing the money to "rescue" the property from mortgage and impending foreclosure, should be enough consideration to support the option.

In *Villamor v. Court of Appeals*,^[14] this Court defined consideration as "the why of the contracts, the essential reason which moves the contracting parties to enter into the contract."^[15] This definition illustrates that the consideration contemplated to support an option contract need not be monetary. Actual cash need not be exchanged for the option. However, by the very nature of an option contract, as defined in Article 1479, the same is an onerous contract for which the consideration must be something of value, although its kind may vary.

Specifically, in *Villamor v. Court of Appeals*,^[16] half of a parcel of land was sold to the spouses Villamor for P70 per square meter, an amount much higher than the reasonable prevailing price. Thereafter, a deed of option was executed whereby the sellers undertook to sell the other half to the same spouses. It was **stated** in the deed that the only reason the spouses bought the first half of the parcel of land at a much higher price, was the undertaking of the sellers to sell the second half of the land, also at the same price. This Court held that the cause or consideration for the option, on the part of the spouses-buyers, was the undertaking of the sellers to sell