

## FIRST DIVISION

[ G.R. No. 143675, June 09, 2003 ]

**SPOUSES ROMEO GUDA AND EMILY GUDA, PETITIONERS, VS.  
ALAN A. LEYNES AND SPOUSES MANUEL C. PERALTA AND  
HAYDEE L. PERALTA, RESPONDENTS.**

### D E C I S I O N

**VITUG, J.:**

Respondent-spouses Manuel and Haydee Peralta were the owners of a residential house and lot located at 626 Eduardo Quintos Street, Sampaloc, Manila. On 08 May 1987, they leased the property over to petitioners, the spouses Romeo and Emily Guda, for a monthly rental of two thousand pesos. The contract of lease stipulated a term of one year and that, thereafter, unless terminated by notice to that effect at least thirty days before the expiration date, the agreement would be deemed renewed on a month-to-month basis. Specifically, the agreement provided:

1. This lease agreement shall be for a period of one (1) year commencing on May 15, 1987 up to and until May 14, 1988, it may thereafter be renewed subject to LESSORS discretion, provided however, that if LESSORS do not exercise their right to terminate this lease at least thirty (30) days before the said expiration date, this agreement shall be deemed renewed on a monthly basis."<sup>[1]</sup>

And in —

"x x the event the Lessors shall desire to sell the leased premises, the LESSEES shall be given the first option to buy the said premises, if they could meet the desired price of the LESSORS, otherwise, the LESSEES shall vacate the leased premises within thirty (30) days upon notice given to them by the new owner."<sup>[2]</sup>

Upon the expiration of the agreement on 14 May 1988, petitioners continued to occupy the premises and to pay rent. Close to three years later, or on 01 May 1991, the Peraltas sold the property to Alan A. Leynes, a brother of Haydee Peralta, herein spouses' co-respondent. Insisting on exercising their "option to buy" under the contract of lease and contending that the sale to Leynes was void, petitioners refused to vacate the premises. Respondent Alan C. Leynes was thereupon prompted to file a civil case for ejectment before the Municipal Trial Court of Manila. The trial court ruled in favor of Leynes. Aggrieved, the Guda spouses filed Civil Case No. 91-58154 before the Regional Trial Court of Manila, Branch 33, for the annulment of the sale to Leynes and for specific performance pursuant to the option to buy provision of the contract of lease with the Peralta spouses. The trial court ruled in favor of the plaintiffs, declaring the sale of the property to Alan A. Leynes void and ordering the conveyance of the premises to the plaintiffs.

On appeal to it, the Court of Appeals, in its judgment of 13 June 2000, reversed the decision of the trial court.

In their instant petition, the spouses Guda would contend that when the lessors did not give notice to terminate the contract of lease thirty days at least before its expiration date and instead allowed the lessees to occupy the premises, all the terms thereof, including the provision granting them the first option to buy the leased premises, were automatically revived and that, accordingly, the sale of the property to Leynes without giving them the opportunity to exercise the option made the sale void.

The Court of Appeals responded well to the above issue; speaking through Mr. Justice Martin S. Villarama, Jr., the appellate court expounded:

"It must be clarified that even if the Contract of Lease was renewed upon the failure of the defendants Manuel and Haydee Peralta to exercise their right to terminate the lease within the period of thirty (30) days prior to the expiration date, May 14, 1988, such renewal was clearly qualified to be on a 'monthly basis.' This means that the lease was converted into a 'month-to-month' lease, *expiring at the end of each month* and renewable also every month. Otherwise, there is no definite period for the contract of lease after such expiration date. Thus it has been ruled in a number of cases that a lease on a month-to-month basis is, under Art. 1687 of the Civil Code, a lease with a definite period, upon the expiration of which upon demand by the lessor on the lessee to vacate, the ejectment of the lessee may be ordered. (Labastida vs. Court of Appeals, 287 SCRA 662; De Vera vs. Court of Appeals, 260 SCRA 396.) Clearly, such lease is deemed to expire at the end of the month upon notice to vacate addressed by the lessor to the lessee. (Paterno vs. Court of Appeals, 272 SCRA 770.)"<sup>[3]</sup>

The contract of lease allowed the lessees to continue with their occupancy of the leased premises on a month-to-month basis after its termination on 14 May 1988 if no notice of such termination were given by the lessor at least thirty days before the expiry date. The renewal clause is valid but the contract itself is not deemed renewed until after notice or positive act is made to indicate its exercise by the parties. Meanwhile, the juridical relation between the parties, constrained by the continued enjoyment of the leased premises, is one of an **implied** lease based on the principle of *tacita reconduccion*. Article 1670 of the Civil Code is thus *apropos*; it provides:

If at the end of the contract the lessee should continue enjoying the thing leased for fifteen days with the acquiescence of the lessor, and unless a notice to the contrary by either party has previously been given, it is understood that there is an implied new lease, not for the period of the original contract, but for the time established in articles 1682 and 1687.  
***The other terms of the original contract shall be revived.***"

The terms of the original contract that are carried over to the implied new lease, as so aptly ruled in *Dizon vs. Magsaysay*,<sup>[4]</sup> cover only those terms that are germane to the lessees' enjoyment of the premises, such as the rent and terms of payment, a *dictum* that has been reiterated in *Dizon vs. Court of Appeals*<sup>[5]</sup> thusly: