

FIRST DIVISION

[G.R. No. 122544, January 28, 1999]

**REGINA P. DIZON, AMPARO D. BARTOLOME, FIDELINA D. BALZA,
ESTER ABAD DIZON AND JOSEPH ANTHONY DIZON, RAYMUND A.
DIZON, GERARD A. DIZON, AND JOSE A. DIZON, JR.,
PETITIONERS, VS. COURT OF APPEALS AND OVERLAND EXPRESS
LINES, INC., RESPONDENTS.**

[G.R. No. 124741]

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ASUNCION, AND OVERLAND EXPRESS LINES, INC.,
RESPONDENTS.**

D E C I S I O N

AUSTRIA-MARTINEZ, J.:

Two consolidated petitions were filed before us seeking to set aside and annul the decisions and resolutions of respondent Court of Appeals. What seemed to be a simple ejectment suit was juxtaposed with procedural intricacies which finally found its way to this Court.

G. R. NO. 122544:

On May 23, 1974, private respondent Overland Express Lines, Inc. (lessee) entered into a Contract of Lease with Option to Buy with petitioners^[1] (lessors) involving a 1,755.80 square meter parcel of land situated at corner MacArthur Highway and South "H" Street, Diliman, Quezon City. The term of the lease was for one (1) year commencing from May 16, 1974 up to May 15, 1975. During this period, private respondent was granted an option to purchase for the amount of P3,000.00 per square meter. Thereafter, the lease shall be on a per month basis with a monthly rental of P3,000.00.

For failure of private respondent to pay the increased rental of P8,000.00 per month effective June 1976, petitioners filed an action for ejectment (Civil Case No. VIII-29155) on November 10, 1976 before the then City Court (now Metropolitan Trial Court) of Quezon City, Branch VIII. On November 22, 1982, the City Court rendered judgment^[2] ordering private respondent to vacate the leased premises and to pay the sum of P624,000.00 representing rentals in arrears and/or as damages in the form of reasonable compensation for the use and occupation of the premises during the period of illegal detainer from June 1976 to November 1982 at the monthly rental of P8,000.00, less payments made, plus 12% interest per annum from

November 18, 1976, the date of filing of the complaint, until fully paid, the sum of P8,000.00 a month starting December 1982, until private respondent fully vacates the premises, and to pay P20,000.00 as and by way of attorney's fees.

Private respondent filed a certiorari petition praying for the issuance of a restraining order enjoining the enforcement of said judgment and dismissal of the case for lack of jurisdiction of the City Court.

On September 26, 1984, the then Intermediate Appellate Court^[3] (now Court of Appeals) rendered a decision^[4] stating that:

"x x x, the alleged question of whether petitioner was granted an extension of the option to buy the property; whether such option, if any, extended the lease or whether petitioner actually paid the alleged P300,000.00 to Fidela Dizon, as representative of private respondents in consideration of the option and, whether petitioner thereafter offered to pay the balance of the supposed purchase price, are all merely incidental and do not remove the unlawful detainer case from the jurisdiction of respondent court. In consonance with the ruling in the case of Teodoro, Jr. vs. Mirasol (*supra*), the above matters may be raised and decided in the unlawful detainer suit as, to rule otherwise, would be a violation of the principle prohibiting multiplicity of suits. (Original Records, pp. 38-39)."

The motion for reconsideration was denied. On review, this Court dismissed the petition in a resolution dated June 19, 1985 and likewise denied private respondent's subsequent motion for reconsideration in a resolution dated September 9, 1985.^[5]

On October 7, 1985, private respondent filed before the Regional Trial Court (RTC) of Quezon City (Civil Case No. Q-45541) an action for Specific Performance and Fixing of Period for Obligation with prayer for the issuance of a restraining order pending hearing on the prayer for a writ of preliminary injunction. It sought to compel the execution of a deed of sale pursuant to the option to purchase and the receipt of the partial payment, and to fix the period to pay the balance. In an Order dated October 25, 1985, the trial court denied the issuance of a writ of preliminary injunction on the ground that the decision of the then City Court for the ejectment of the private respondent, having been affirmed by the then Intermediate Appellate Court and the Supreme Court, has become final and executory.

Unable to secure an injunction, private respondent also filed before the RTC of Quezon City, Branch 102 (Civil Case No. Q-46487) on November 15, 1985 a complaint for Annulment of and Relief from Judgment with injunction and damages. In its decision^[6] dated May 12, 1986, the trial court dismissed the complaint for annulment on the ground of *res judicata*, and the writ of preliminary injunction previously issued was dissolved. It also ordered private respondent to pay P3,000.00 as attorney's fees. As a consequence of private respondent's motion for reconsideration, the preliminary injunction was reinstated, thereby restraining the execution of the City Court's judgment on the ejectment case.

The two cases were thereafter consolidated before the RTC of Quezon City, Branch

77. On April 28, 1989, a decision^[7] was rendered dismissing private respondent's complaint in Civil Case No. Q-45541 (specific performance case) and denying its motion for reconsideration in Civil Case No. 46487 (annulment of the ejectment case). The motion for reconsideration of said decision was likewise denied.

On appeal,^[8] respondent Court of Appeals rendered a decision^[9] upholding the jurisdiction of the City Court of Quezon City in the ejectment case. It also concluded that there was a perfected contract of sale between the parties on the leased premises and that pursuant to the option to buy agreement, private respondent had acquired the rights of a vendee in a contract of sale. It opined that the payment by private respondent of P300,000.00 on June 20, 1975 as partial payment for the leased property, which petitioners accepted (through Alice A. Dizon) and for which an official receipt was issued, was the operative act that gave rise to a perfected contract of sale, and that for failure of petitioners to deny receipt thereof, private respondent can therefore assume that Alice A. Dizon, acting as agent of petitioners, was authorized by them to receive the money in their behalf. The Court of Appeals went further by stating that in fact, what was entered into was a "conditional contract of sale" wherein ownership over the leased property shall not pass to the private respondent until it has fully paid the purchase price. Since private respondent did not consign to the court the balance of the purchase price and continued to occupy the subject premises, it had the obligation to pay the amount of P1,700.00 in monthly rentals until full payment of the purchase price. The dispositive portion of said decision reads:

"WHEREFORE, the appealed decision in Case No. 46487 is AFFIRMED. The appealed decision in Case No. 45541 is, on the other hand, ANNULLED and SET ASIDE. The defendants-appellees are ordered to execute the deed of absolute sale of the property in question, free from any lien or encumbrance whatsoever, in favor of the plaintiff-appellant, and to deliver to the latter the said deed of sale, as well as the owner's duplicate of the certificate of title to said property upon payment of the balance of the purchase price by the plaintiff-appellant. The plaintiff-appellant is ordered to pay P1,700.00 per month from June 1976, plus 6% interest per annum, until payment of the balance of the purchase price, as previously agreed upon by the parties.

SO ORDERED."

Upon denial of the motion for partial reconsideration (Civil Case No. Q-45541) by respondent Court of Appeals,^[10] petitioners elevated the case *via* petition for *certiorari* questioning the authority of Alice A. Dizon as agent of petitioners in receiving private respondent's partial payment amounting to P300,000.00 pursuant to the Contract of Lease with Option to Buy. Petitioners also assail the propriety of private respondent's exercise of the option when it tendered the said amount on June 20, 1975 which purportedly resulted in a perfected contract of sale.

G. R. NO. 124741:

Petitioners filed with respondent Court of Appeals a motion to remand the records of Civil Case No. 38-29155 (ejectment case) to the Metropolitan Trial Court (MTC), then City Court of Quezon City, Branch 38, for execution of the judgment^[11] dated November 22, 1982 which was granted in a resolution dated June 29, 1992. Private

respondent filed a motion to reconsider said resolution which was denied.

Aggrieved, private respondent filed a petition for *certiorari*, prohibition with preliminary injunction and/or restraining order with this Court (G.R. Nos. 106750-51) which was dismissed in a resolution dated September 16, 1992 on the ground that the same was a refiled case previously dismissed for lack of merit. On November 26, 1992, entry of judgment was issued by this Court.

On July 14, 1993, petitioners filed an urgent *ex-parte* motion for execution of the decision in Civil Case No. 38-29155 with the MTC of Quezon City, Branch 38. On September 13, 1993, the trial court ordered the issuance of a third alias writ of execution. In denying private respondent's motion for reconsideration, it ordered the immediate implementation of the third writ of execution without delay.

On December 22, 1993, private respondent filed with the Regional Trial Court (RTC) of Quezon City, Branch 104 a petition for certiorari and prohibition with preliminary injunction/restraining order (SP. PROC. No. 93-18722) challenging the enforceability and validity of the MTC judgment as well as the order for its execution.

On January 11, 1994, RTC of Quezon City, Branch 104 issued an order^[12] granting the issuance of a writ of preliminary injunction upon private respondent's posting of an injunction bond of P50,000.00.

Assailing the aforequoted order after denial of their motion for partial reconsideration, petitioners filed a petition^[13] for certiorari and prohibition with a prayer for a temporary restraining order and/or preliminary injunction with the Court of Appeals. In its decision,^[14] the Court of Appeals dismissed the petition and ruled that:

"The avowed purpose of this petition is to enjoin the public respondent from restraining the ejectment of the private respondent. To grant the petition would be to allow the ejectment of the private respondent. We cannot do that now in view of the decision of this Court in CA-G.R. CV Nos. 25153-54. Petitioners' alleged right to eject private respondent has been demonstrated to be without basis in the said civil case. The petitioners have been shown, after all, to have no right to eject private respondents.

WHEREFORE, the petition is DENIED due course and is accordingly DISMISSED.

SO ORDERED."^[15]

Petitioners' motion for reconsideration was denied in a resolution^[16] by the Court of Appeals stating that:

"This court in its decision in CA-G.R. CV Nos. 25153-54 declared that the plaintiff-appellant (private respondent herein) acquired the rights of a vendee in a contract of sale, in effect, recognizing the right of the private respondent to possess the subject premises. Considering said decision, we should not allow ejectment; to do so would disturb the *status quo* of the parties since the petitioners are not in possession of the subject

property. It would be unfair and unjust to deprive the private respondent of its possession of the subject property after its rights have been established in a subsequent ruling.

WHEREFORE, the motion for reconsideration is DENIED for lack of merit.

SO ORDERED."^[17]

Hence, this instant petition.

We find both petitions impressed with merit.

First. Petitioners have established a right to evict private respondent from the subject premises for non-payment of rentals. The term of the Contract of Lease with Option to Buy was for a period of one (1) year (May 16, 1974 to May 15, 1975) during which the private respondent was given an option to purchase said property at P3,000.00 per square meter. After the expiration thereof, the lease was for P3,000.00 per month.

Admittedly, no definite period beyond the one-year term of lease was agreed upon by petitioners and private respondent. However, since the rent was paid on a monthly basis, the period of lease is considered to be from month to month in accordance with Article 1687 of the New Civil Code.^[18] Where the rentals are paid monthly, the lease, even if verbal may be deemed to be on a monthly basis, expiring at the end of every month pursuant to Article 1687, in relation to Article 1673 of the Civil Code.^[19] In such case, a demand to vacate is not even necessary for judicial action after the expiration of every month.^[20]

When private respondent failed to pay the increased rental of P8,000.00 per month in June 1976, the petitioners had a cause of action to institute an ejectment suit against the former with the then City Court. In this regard, the City Court (now MTC) had exclusive jurisdiction over the ejectment suit. The filing by private respondent of a suit with the Regional Trial Court for specific performance to enforce the option to purchase did not divest the then City Court of its jurisdiction to take cognizance over the ejectment case. Of note is the fact that the decision of the City Court was affirmed by both the Intermediate Appellate Court and this Court.

Second. Having failed to exercise the option within the stipulated one-year period, private respondent cannot enforce its option to purchase anymore. Moreover, even assuming *arguendo* that the right to exercise the option still subsists at the time private respondent tendered the amount on June 20, 1975, the suit for specific performance to enforce the option to purchase was filed only on October 7, 1985 or more than ten (10) years after accrual of the cause of action as provided under Article 1144 of the New Civil Code.^[21]

In this case, there was a contract of lease for one (1) year with option to purchase. The contract of lease expired without the private respondent, as lessee, purchasing the property but remained in possession thereof. Hence, there was an implicit renewal of the contract of lease on a monthly basis. The other terms of the original contract of lease which are revived in the implied new lease under Article 1670 of the New Civil Code^[22] are only those terms which are germane to the lessee's right