

SECOND DIVISION

[G.R. No. 115968, June 19, 1997]

**SPOUSES RUBIN FERRER AND AMPARO FERRER, PETITIONERS,
VS. THE HONORABLE COURT OF APPEALS AND LUIS TINSAY,
RESPONDENTS.**

D E C I S I O N

ROMERO, J.:

Assailed in this petition for review on *certiorari* is the decision of the Court of Appeals in CA-G.R. NO. 32353^[1] affirming the decision of Branch 24 of the Regional Trial Court of Iloilo City. The RTC earlier reversed the decision of Branch 4 of the Municipal Trial Court in Cities.

Private respondent Luis Tinsay is the owner of a 300-square meter lot along Mabini Street, Iloilo City. Said lot was leased to petitioner-spouses Rubin and Amparo Ferrer sometime in 1974 for an initial monthly rate of P10.00 until it reached the amount of P540.00 at the time the complaint was instituted. The lease agreement was verbal and there was no period agreed upon.

On July 3, 1991, private respondent advised petitioners, through a letter, that he was terminating the lease agreement effective the end of July 1991. Petitioners failed to vacate the premises as demanded prompting private respondent to institute a complaint for illegal detainer and damages with the Municipal Trial Court. Said court ruled in favor of private respondent by ordering petitioners to vacate the premises, to pay the unpaid rentals, and accorded the former the option to either reimburse the latter one half of the value of the improvements introduced into the property or remove said improvements if the former refuses to reimburse the latter.

Petitioners appealed to the Regional Trial Court which reversed the decision of the Municipal Trial Court by extending the lease for a fixed period of one year reckoned from the date of receipt by petitioners of its decision and ordering them to pay a monthly rental of P5,000.00 for the duration of the fixed extended period.

On appeal, the Court of Appeals affirmed the decision of the Regional Trial Court holding that the fixing of the period of the lease contract is addressed to the sound discretion of the court as provided in Article 1687 of the Civil Code. It further held that the decision of the lower court was prompted by considerations of equity and justice stating that to fix the period to a longer term of seven or eight years as prayed for by petitioners would be unduly burdensome for private respondent who has expressed a need for the premises in question. This is especially true considering the fact that there was originally no agreement as to the term of the lease. Thus, to fix the lease for a longer period would be unreasonable.

The Court of Appeals also held that petitioners cannot take refuge under the

provisions of B.P. 877 (Rent Control Law) for the reason that the parties already stipulated in the pre-trial conducted by the municipal trial court that the premises in question are commercial and not residential land. As such, petitioners cannot now take a position inconsistent with their pre-trial stipulations. It added that the lease agreement being a month to month lease which is a definite period, it is terminable at the end of each month at the option of the lessor.

Hence, this petition. Petitioners submit that they are entitled to a longer extended period of lease, as well as to reimbursement of the actual value of the improvements introduced in the premises.

Petitioners claim that Article 1687 of the Civil Code gives the court the authority to grant an extended lease by fixing a longer period considering that they have been staying in the premises for forty-seven years (since 1946) and that they have spent around 3.5 million pesos for the building. They state that they are amenable to a period of seven to eight years considering the above-mentioned circumstances. They also invoke the provisions of B.P. 877 as being applicable to them claiming that the building they built is classified as residential. They argue that since the building they built is a residential unit and the period of the lease is not fixed, hence indefinite, the court is prevented from ejecting them from the premises without violating the provisions of B.P. 877. They contend that where no period for the lease is stipulated, the lessee may continue under the terms provided under the Rent Control Law, i.e., they may stay in the premises indefinitely until the effectivity of B.P. 877 as extended by R.A. 7644.^[2]

This Court finds petitioners' contentions without merit. Article 1687, which petitioners cite to support their contention that the court may fix a longer term for the lease especially in view of their long occupation of the premises, provides:

"If the period for the lease has not been fixed, it is understood to be from year to year, if the rent agreed upon is annual, from month to month, if it is monthly; from week to week, if the rent is weekly; and from day to day, if the rent is paid daily. However, even though a monthly rent is paid, and no period for the lease has not been set, the courts may fix a longer term for the lease after the lessee has occupied the premises for over one year. If the rent is weekly, the court may likewise determine a longer period after the lessee has been in possession for over six months. In the case of daily rent, the court may also fix a longer period after the lessee has stayed in the place for over one month."

In the case of Roman Catholic Archbishop of Manila v. Court of Appeals^[3] citing *Divino v. Marcos*,^[4] this Court, commenting on the above-cited article, said:

"x x x the power of the court to 'fix a longer term for lease is potestative or discretionary - 'may' is the word - to be exercised or not in accordance with the particular circumstances of the case; a longer term to be granted where equities come into play demanding extension, to be denied where none appear, always with due deference to the parties' freedom to contract. x x x" (*Acasio v. Corp. de los PP Dominicas de Filipinas*, G.R. No. L-9428, Dec. 21, 1956)

In the same above-cited case, this Court then concluded: