

SECOND DIVISION

[G.R. No. 123581, August 29, 1997]

**RODRIGO B. BANGAYAN, BENJAMIN B. BANGAYAN, ET. AL.,
PETITIONERS, VS. THE HONORABLE COURT OF APPEALS AND
ANGELITA OCAMPO LIM, RESPONDENTS.**

D E C I S I O N

PUNO, J.:

In this petition for review, petitioners assail the decision of the Court of Appeals dated February 21, 1995, in CA-G.R. SP No. 136101 reversing and setting aside the decision of the Regional Trial Court of Manila, Branch 10, dated February 9, 1994, in Civil Case No. 90-54459.

The facts show that on July 6, 1988, Teofista Ocampo and Petronilla Lingat entered into a Contract of Lease involving a piece of land with a two storey building of mixed materials located at 2309 Severino Street, Sta. Cruz, Manila, at a monthly rental of P7,000.00. The lease contract contains the following provisions:

"x x x

"4. The lessee hereby expressly warrants that the leased premises shall be used exclusively by her for an automobile supply and parts company and partly as a dwelling place for her employees only and the lessee is strictly prohibited from using the said premises for any other purpose without the written consent of the lessor.

"5. The lessee shall not directly or indirectly sublease, assign, transfer, convey, mortgage or in any manner encumber its (sic) right of lease over the leased premises or any portion thereof under any circumstances whatsoever.

"8. The lessee hereby expressly acknowledges the right of the lessor to sell the leased premises, but in the event of the sale, the lessee shall be given by the lessor the FIRST OPTION to purchase the property. And in the event that it is sold to a third person, the lessor is duty bound to place a condition on the deed of sale to the effect that this Lease Contract shall be binding and shall be honored by the vendee.

"x x x"

On January 2, 1990, Atty. Almario Amador, counsel of Petronilla Lingat, notified Teofista Ocampo by mail that she could exercise her right of first option within 30 days from receipt of his letter. In response, Ocampo asked Atty. Amador for the selling price of the property. In a letter dated February 3, 1990, Atty. Amador

informed Ocampo that she should make a written offer to buy and indicate the price she was willing to pay for the property.

The parties' negotiation appears to have bogged down on who should first make the offer with a price. In a letter dated February 9, 1990, Ocampo reiterated to Atty. Amador her desire to buy the property and again inquired about its price. On February 22, 1990, Atty. Amador terminated the negotiation by sending the following letter to Ocampo's counsel, viz:

Since she failed and refused and still failing and refusing to exercise her FIRST OPTION within the period stated in our letter, our client is now free to offer the subject property to other interested buyers and to entertain and receive offers for her consideration. Meanwhile, your client is not precluded to make the offer. Moreover, it shall now be on a 'FIRST COME, FIRST SERVE' basis as your client has waived her above mentioned privilege."^[1]

In March 1990, Petronilla Lingat agreed to sell the above property to Rodrigo, Roberto, and Benjamin, Jr., all surnamed Bangayan, at P1,000,000.00. The Bangayans partially paid the consideration.^[2] On April 5, 1990, Atty. Amador advised Ocampo of the sale of the property to the Bangayans. He also cancelled the Contract of Lease for breach of its terms and conditions. Ocampo was asked to vacate the premises and to pay the rentals in arrears. Ocampo did not heed the demand and an ejectment case against her was filed by the Bangayans before the Metropolitan Trial Court.

On May 7, 1990, Petronilla Lingat executed a Deed of Absolute Sale involving the said property to the Bangayans. A new Transfer Certificate of Title No. 193035 was issued by the Register of Deeds of Manila in favor of the Bangayans with the adverse claim of Teofista Ocampo annotated therein.

On September 18, 1990, Ocampo filed a complaint against Petronilla Lingat and the Bangayans for the annulment of their deed of sale, cancellation of title issued to the Bangayans, reconveyance of title and damages before the Regional Trial Court of Manila, Branch 10. The case was docketed as Civil Case No. 90-54459.

While Civil Case No. 90-54459 was pending in the Regional Trial Court, the ejectment case was decided against Ocampo by the Metropolitan Trial Court on February 21, 1991. The assailed decision was affirmed by the Regional Trial Court, the Court of Appeals and by this Court on October 2, 1991.

It appears that Teofista Ocampo died in October 1991. She was substituted in Civil Case No. 90-54459 by her daughter, Angelita Ocampo Lim. Allegedly, Teofista Ocampo assigned her right of first option to buy the leased property to Angelita Ocampo Lim before she died. On February 9, 1994, the Regional Trial Court of Manila^[3] dismissed the case of Ocampo. It found that Teofista Ocampo cannot be substituted by her daughter. It held that the death of Ocampo terminated her lease contract with Lingat and extinguished all her rights therein, including her right of first option.

Angelita Ocampo Lim appealed to the Court of Appeals. In a Decision dated February 21, 1995, the appellate court reversed the trial court. The dispositive