

## FIRST DIVISION

[ G.R. No. 118248, April 05, 2000 ]

**DKC HOLDINGS CORPORATION, PETITIONER, VS. COURT OF APPEALS, VICTOR U. BARTOLOME AND REGISTER OF DEEDS FOR METRO MANILA, DISTRICT III, RESPONDENTS.**

### DECISION

**YNARES-SANTIAGO, J.:**

This is a petition for review on certiorari seeking the reversal of the December 5, 1994 Decision of the Court of Appeals in CA-G.R. CV No. 40849 entitled "*DKC Holdings Corporation vs. Victor U. Bartolome, et al.*",<sup>[1]</sup> affirming in toto the January 4, 1993 Decision of the Regional Trial Court of Valenzuela, Branch 172,<sup>[2]</sup> which dismissed Civil Case No. 3337-V-90 and ordered petitioner to pay P30,000.00 as attorney's fees.

The subject of the controversy is a 14,021 square meter parcel of land located in Malinta, Valenzuela, Metro Manila which was originally owned by private respondent Victor U. Bartolome's deceased mother, Encarnacion Bartolome, under Transfer Certificate of Title No. B-37615 of the Register of Deeds of Metro Manila, District III. This lot was in front of one of the textile plants of petitioner and, as such, was seen by the latter as a potential warehouse site.

On March 16, 1988, petitioner entered into a Contract of Lease with Option to Buy with Encarnacion Bartolome, whereby petitioner was given the option to lease or lease with purchase the subject land, which option must be exercised within a period of two years counted from the signing of the Contract. In turn, petitioner undertook to pay P3,000.00 a month as consideration for the reservation of its option. Within the two-year period, petitioner shall serve formal written notice upon the lessor Encarnacion Bartolome of its desire to exercise its option. The contract also provided that in case petitioner chose to lease the property, it may take actual possession of the premises. In such an event, the lease shall be for a period of six years, renewable for another six years, and the monthly rental fee shall be P15,000.00 for the first six years and P18,000.00 for the next six years, in case of renewal.

Petitioner regularly paid the monthly P3,000.00 provided for by the Contract to Encarnacion until her death in January 1990. Thereafter, petitioner coursed its payment to private respondent Victor Bartolome, being the sole heir of Encarnacion. Victor, however, refused to accept these payments.

Meanwhile, on January 10, 1990, Victor executed an Affidavit of Self-Adjudication over all the properties of Encarnacion, including the subject lot. Accordingly, respondent Register of Deeds cancelled Transfer Certificate of Title No. B-37615 and issued Transfer Certificate of Title No. V-14249 in the name of Victor Bartolome.

On March 14, 1990, petitioner served upon Victor, via registered mail, notice that it was exercising its option to lease the property, tendering the amount of P15,000.00 as rent for the month of March. Again, Victor refused to accept the tendered rental fee and to surrender possession of the property to petitioner.

Petitioner thus opened Savings Account No. 1-04-02558-I-1 with the China Banking Corporation, Cubao Branch, in the name of Victor Bartolome and deposited therein the P15,000.00 rental fee for March as well as P6,000.00 reservation fees for the months of February and March.

Petitioner also tried to register and annotate the Contract on the title of Victor to the property. Although respondent Register of Deeds accepted the required fees, he nevertheless refused to register or annotate the same or even enter it in the day book or primary register.

Thus, on April 23, 1990, petitioner filed a complaint for specific performance and damages against Victor and the Register of Deeds,<sup>[3]</sup> docketed as Civil Case No. 3337-V-90 which was raffled off to Branch 171 of the Regional Trial Court of Valenzuela. Petitioner prayed for the surrender and delivery of possession of the subject land in accordance with the Contract terms; the surrender of title for registration and annotation thereon of the Contract; and the payment of P500,000.00 as actual damages, P500,000.00 as moral damages, P500,000.00 as exemplary damages and P300,000.00 as attorney's fees.

Meanwhile, on May 8, 1990, a Motion for Intervention with Motion to Dismiss<sup>[4]</sup> was filed by one Andres Lanozo, who claimed that he was and has been a tenant-tiller of the subject property, which was agricultural riceland, for forty-five years. He questioned the jurisdiction of the lower court over the property and invoked the Comprehensive Agrarian Reform Law to protect his rights that would be affected by the dispute between the original parties to the case.

On May 18, 1990, the lower court issued an Order<sup>[5]</sup> referring the case to the Department of Agrarian Reform for preliminary determination and certification as to whether it was proper for trial by said court.

On July 4, 1990, the lower court issued another Order<sup>[6]</sup> referring the case to Branch 172 of the RTC of Valenzuela which was designated to hear cases involving agrarian land, after the Department of Agrarian Reform issued a letter-certification stating that referral to it for preliminary determination is no longer required.

On July 16, 1990, the lower court issued an Order denying the Motion to Intervene,<sup>[7]</sup> holding that Lanozo's rights may well be ventilated in another proceeding in due time.

After trial on the merits, the RTC of Valenzuela, branch 172 rendered its Decision on January 4, 1993, dismissing the Complaint and ordering petitioner to pay Victor P30,000.00 as attorney's fees. On appeal to the CA, the Decision was affirmed *in toto*.

Hence, the instant Petition assigning the following errors:

(A)

FIRST ASSIGNMENT OF ERROR

THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE PROVISION ON THE NOTICE TO EXERCISE OPTION WAS NOT TRANSMISSIBLE.

(B)

SECOND ASSIGNMENT OF ERROR

THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE NOTICE OF OPTION MUST BE SERVED BY DKC UPON ENCARNACION BARTOLOME PERSONALLY.

(C)

THIRD ASSIGNMENT OF ERROR

THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE CONTRACT WAS ONE-SIDED AND ONEROUS IN FAVOR OF DKC.

(D)

FOURTH ASSIGNMENT OF ERROR

THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE EXISTENCE OF A REGISTERED TENANCY WAS FATAL TO THE VALIDITY OF THE CONTRACT.

(E)

FIFTH ASSIGNMENT OF ERROR

THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT PLAINTIFF-APPELLANT WAS LIABLE TO DEFENDANT-APPELLEE FOR ATTORNEY'S FEES. <sup>[8]</sup>

The issue to be resolved in this case is whether or not the Contract of Lease with Option to Buy entered into by the late Encarnacion Bartolome with petitioner was terminated upon her death or whether it binds her sole heir, Victor, even after her demise.

Both the lower court and the Court of Appeals held that the said contract was terminated upon the death of Encarnacion Bartolome and did not bind Victor because he was not a party thereto.

Article 1311 of the Civil Code provides, as follows-

"ART. 1311. Contracts take effect only between the parties, their assigns and heirs, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by