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SECOND DIVISION

[G.R. No. 102965. January 21, 1999]

JAMES REBURIANO and URBANO REBURIANO, *petitioners, vs.* **HONORABLE COURT OF APPEALS, and PEPSI-COLA BOTTLING COMPANY OF THE PHILIPPINES, INC,** *respondents.*

SYNOPSIS

During the pendency of its civil case against petitioners, private respondent shortened its term of existence to July 8, 1983. The Regional Trial Court was not informed of this fact and of the SEC's approval of private respondent's Amended Articles of Incorporation. On June 1, 1987, the RTC rendered a decision in favor of private respondent. Private respondent appealed to the Court of Appeals seeking a modification of a portion of the trial court's decision and subsequently obtained a favorable decision. On February 5, 1991, the trial court issued a writ of execution. Petitioners filed a Motion to Quash Writ of Execution claiming that there was a change in the situation of the parties. Petitioners raised the question of capacity of private respondent to sue and be sued. They opined that the change in the situation of the parties renders the execution of the decision inequitable or impossible. According to petitioners, they refused to execute the judgment since there is no existing corporation to which they are indebted. The trial court denied petitioners' motion to quash. Petitioners appealed but private respondent moved to dismiss the appeal on the ground that the trial court's order denying petitioners' motion to quash writ of execution was not appealable. The trial court, however, denied private respondent's motion. The Court of Appeals, in its Resolution, dismissed petitioners' appeal. Petitioners moved for reconsideration, but the same was denied. Hence, this petition.

As a general rule, no appeal lie from the order of the trial court denying petitioners' Motion to Quash Writ of Execution. There are exceptions, but the instant case does not fall within any of such exceptions. The change contemplated by the exception is one which occurred subsequent to the judgment

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of the trial court. Here the change in the status of private respondent occurred prior to the rendition of judgment by the trial court. The appellate court likewise correctly denied due course to the appeal. Parties cannot raise for the first time on appeal from a denial of a Motion to Quash a Writ of Execution issues which they could have raised but never did during the trial and even on appeal from the decision of the trial court.

If the question of private respondent's capacity to sue can be raised for the first time in this case, the Court held that there is no reason why the suit filed by private respondent should not be allowed to proceed to execution. The law specifically allows a trustee to manage the affairs of the corporation in liquidation. In addition, Section 145 of the Corporation Law safeguards the rights of a corporation which is dissolved pending litigation. Consequently, any supervening fact, such as the dissolution of the corporation, repeal of a law, or any other fact of similar nature would not serve as an effective bar to the enforcement of such right. Thus, the Court affirmed the decision of the Court of Appeals.

SYLLABUS

1. **REMEDIAL LAW; CIVIL PROCEDURE; MOTIONS; MOTION TO QUASH WRIT OF EXECUTION; GENERAL RULE, NO APPEAL LIES FROM ORDER THEREOF; EXCEPTIONS THERETO CITED.**— The question is whether the order of the trial court denying petitioners' Motion to Quash Writ of Execution is appealable. As a general rule, no appeal lies from such an order, otherwise litigation will become interminable. There are exceptions, but this case does not fall within any of such exceptions. In *Limpin, Jr. v. Intermediate Appellate Court*, this Court held: Certain, it is, . . . that execution of final and executory judgments may no longer be contested and prevented, and no appeal should lie therefrom; otherwise, cases would be interminable, and there would be negation of the overmastering need to end litigations. There may, to be sure, be instances when an error may be committed in the course of execution proceedings prejudicial to the rights of a party. These instances, rare though they may be, do call for correction by a superior court, as where — 1) the writ of execution varies the judgment; 2) there has been a change in the situation of the parties making execution inequitable or unjust; 3) execution is

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sought to be enforced against property exempt from execution; 4) it appears that the controversy has never been submitted to the judgment of the court; 5) the terms of the judgment are not clear enough and there remains room for interpretation thereof; or, 6) it appears that the writ of execution has been improvidently issued, or that it is defective in substance, or is issued against the wrong party, or that the judgment debt has been paid or otherwise satisfied, or the writ was issued without authority; In these exceptional circumstances, considerations of justice and equity dictate that there be some mode available to the party aggrieved of elevating the question to a higher court. That mode of elevation may be either by appeal (writ of error or *certiorari*) or by a special civil action of *certiorari*, prohibition, or *mandamus*.

2. ID.; ID.; ID.; ID.; GROUND RELIED UPON BY PETITIONER DOES NOT FALL UNDER ANY OF THE EXCEPTIONS FOR THE GRANT THEREOF; WRIT OF EXECUTION WILL NOT BE RECALLED BY REASON OF ANY DEFENSE WHICH COULD HAVE BEEN MADE AT THE TIME OF THE TRIAL. — In this case, petitioners anchored their Motion to Quash on the claim that there was a change in the situation of the parties. However, a perusal of the cases which have recognized such a ground as an exception to the general rule shows that the change contemplated by such exception is one which occurred subsequent to the judgment of the trial court. Here, the change in the status of private respondent took place in 1983, when it was dissolved, during the pendency of its case in the trial court. The change occurred prior to the rendition of judgment by the trial court. It is true that private respondent did not inform the trial court of the approval of the amended articles of incorporation which shortened its term of existence. However, it is incredible that petitioners did not know about the dissolution of private respondent considering the time it took the trial court to decide the case and the fact that petitioner Urbano Reburiano was a former employee of private respondent. As private respondent says, since petitioner Reburiano was a former sales manager of the company, it could be reasonably presumed that petitioners knew of the changes occurring in respondent company. Clearly, the present case does not fall under the exception relied upon by petitioners and the Court of Appeals correctly denied due course to the appeal. As has been noted, there are in fact cases which hold that while parties are given

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a remedy from a denial of a motion to quash or recall writ of execution, it is equally settled that the writ will not be recalled by reason of any defense which could have been made at the time of the trial of the case.

3. **ID.; ID.; ID.; ID.; PARTY NOT ALLOWED TO RAISE FOR THE FIRST TIME ON APPEAL FROM DENIAL THEREOF, ISSUES WHICH IT COULD HAVE RAISED BUT NEVER DID DURING THE TRIAL.**— The Court of Appeals also held that in any event petitioners cannot raise the question of capacity of a dissolved corporation to maintain or defend actions previously filed by or against it because the matter had not been raised by petitioners before the trial court nor in their appeal from the decision of the said court. We agree with this ruling. Rules of fair play, justice, and due process dictate that parties cannot raise for the first time on appeal from a denial of a Motion to Quash a Writ of Execution issues which they could have raised but never did during the trial and even on appeal from the decision of the trial court.

4. **COMMERCIAL LAW; CORPORATIONS; COUNSEL OF DISSOLVED CORPORATION MAY BE CONSIDERED A TRUSTEE TO CONTINUE PENDING LITIGATION PRIOR TO ITS DISSOLUTION; RULING IN *GELANO* CASE (103 SCRA 90), CITED.** — If the question of private respondent's capacity to sue can be raised for the first time in this case, we think petitioners are in error in contending that "a dissolved and non-existing corporation could no longer be represented by a lawyer and concomitantly a lawyer could not appear as counsel for a non-existing judicial person." In *Gelano vs. Court of Appeals*, a case having substantially similar facts as the instant case, this Court held: However, a corporation that has a pending action and which cannot be terminated within the three-year period after its dissolution is authorized under Sec. 78 [now §122] of the Corporation Law to convey all its property to trustees to enable it to prosecute and defend suits by or against the corporation beyond the three-year period. Although private respondent did not appoint any trustee, yet the counsel who prosecuted and defended the interest of the corporation in the instant case and who in fact appeared in behalf of the corporation may be considered a trustee of the corporation at least with respect to the matter in litigation only. Said counsel had been handling the case when the same was pending before

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the trial court until it was appealed before the Court of Appeals and finally to this Court. We therefore hold that there was substantial compliance with Sec. 78 [now §122] of the Corporation Law and such private respondent Insular Sawmill, Inc. could still continue prosecuting the present case even beyond the period of three (3) years from the time of dissolution. . . .[T]he trustee may commence a suit which can proceed to final judgment even beyond the three-year period. No reason can be conceived why a suit already commenced by the corporation itself during its existence, not by a mere trustee who, by fiction, merely continues the legal personality of the dissolved corporation should not be accorded similar treatment allowed — to proceed to final judgment and execution thereof."

5. ID.; ID.; EXECUTION OF JUDGMENT IN FAVOR THEREOF, NOT BARRED BY ANY SUPERVENING FACT SUCH AS DISSOLUTION THEREOF, REPEAL OF ANY LAW OR ANY OTHER FACT OF SIMILAR NATURE. — There is, therefore, no reason why the suit filed by private respondent should not be allowed to proceed to execution. It is conceded by petitioners that the judgment against them and in favor of private respondent in C.A. G.R. No. 16070 had become final and executory. The only reason for their refusal to execute the same is that there is no existing corporation to which they are indebted. Such argument is fallacious. As previously mentioned, the law specifically allows a trustee to manage the affairs of the corporation in liquidation. Consequently, any supervening fact, such as the dissolution of the corporation, repeal of a law, or any other fact of similar nature would not serve as an effective bar to the enforcement of such right.

APPEARANCES OF COUNSEL

Wenceslao S. Fajardo for petitioner.
Romulo M. Jubay for private respondent.

D E C I S I O N

MENDOZA, *J.*:

In Civil Case No. Q-35598, entitled "Pepsi-Cola Bottling Company of the Philippines, Inc. *v.* Urbano (Ben) Reburiano

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and James Reburiano," the Regional Trial Court, Branch 103 rendered on June 1, 1987 a decision, the dispositive portion of which reads:

> ACCORDINGLY, judgment is hereby rendered in favor of plaintiff Pepsi-Cola Bottling Co. of the Philippines, Inc.
>
> 1. Ordering the defendants Urbano (Ben) Reburiano and James Reburiano to pay jointly and severally the plaintiff the sum of P55,000.00, less whatever empties (cases and bottles) may be returned by said defendants valued at the rate of P55.00 per empty case with bottles.
>
> 2. Costs against the defendants in case of execution.
>
> SO ORDERED.

Private respondent Pepsi-Cola Bottling Company of the Philippines, Inc. appealed to the Court of Appeals seeking the modification of the portion of the decision, which stated the value of the cases with empty bottles as ₱55.00 per case, and obtained a favorable decision. On June 26, 1990, judgment was rendered as follows:

> WHEREFORE, the decision appealed from is SET ASIDE and another one is rendered, ordering the defendant-appellees to pay jointly and severally the plaintiff-appellant the sum of P55,000.00 with interest at the legal rate from January 1982. With costs against defendants-appellees.

After the case had been remanded to it and the judgment had become final and executory, the trial court issued on February 5, 1991 a writ of execution.

It appears that prior to the promulgation of the decision of the trial court, private respondent amended its articles of incorporation to shorten its term of existence to July 8, 1983. The amended articles of incorporation was approved by the Securities and Exchange Commission on March 2, 1984. The trial court was not notified of this fact.

On February 13, 1991, petitioners moved to quash the writ of execution alleging —

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3. That when the trial of this case was conducted, when the decision was rendered by this Honorable Court, when the said decision was appealed to the Court of Appeals, and when the Court of Appeals rendered its decision, the private respondent was no longer in existence and had no more juridical personality and so, as such, it no longer had the capacity to sue and be sued;

4. That after the [private respondent], as a corporation, lost its existence and juridical personality, Atty. Romualdo M. Jubay had no more client in this case and so his appearance in this case was no longer possible and tenable;

5. That in view of the foregoing premises, therefore, the decision rendered by this Honorable Court and by the Honorable Court of Appeals are patent nullity, for lack of jurisdiction and lack of capacity to sue and be sued on the part of the [private respondent];

6. That the above-stated change in the situation of parties, whereby the [private respondent] ceased to exist since 8 July 1983, renders the execution of the decision inequitable or impossible.[1]

Private respondent opposed petitioners' motion. It argued that the jurisdiction of the court as well as the respective parties' capacity to sue had already been established during the initial stages of the case; and that when the complaint was filed in 1982, private respondent was still an existing corporation so that the mere fact that it was dissolved at the time the case was yet to be resolved did not warrant the dismissal of the case or oust the trial court of its jurisdiction. Private respondent further claimed that its dissolution was effected in order to transfer its assets to a new firm of almost the same name and was thus only for convenience.[2]

On February 28, 1991, the trial court issued an order[3] denying petitioners' motion to quash. Petitioners then filed a notice of appeal, but private respondent moved to dismiss the appeal on the ground that the trial court's order of February 28, 1991

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[1] Petition, Annex D; *Rollo*, pp. 14-15.

[2] *Id.*, Annex E; *Rollo*, pp. 17-18.

[3] *Id.*, Annex F; *Rollo*, p. 22.

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denying petitioners' motion to quash writ of execution was not appealable.[4] The trial court, however, denied private respondent's motion and allowed petitioners to pursue their appeal.

In its resolution[5] of September 3, 1991, the appellate court dismissed petitioners' appeal. Petitioners moved for a reconsideration, but their motion was denied by the appellate court in its resolution, dated November 26, 1991.

Hence, this petition for review on *certiorari*. Petitioners pray that the resolutions, dated September 3, 1991 and November 26, 1991, of the Court of Appeals be set aside and that a new decision be rendered declaring the order of the trial court denying the motion to quash to be appealable and ordering the Court of Appeals to give due course to the appeal.[6]

On the other hand, private respondent argues that petitioners knew that it had ceased to exist during the course of the trial of the case but did not act upon this information until the judgment was about to be enforced against them; hence, the filing of a Motion to Quash and the present petition are mere dilatory tactics resorted to by petitioners. Private respondent likewise cites the ruling of this Court in *Gelano v. Court of Appeals*[7] that the counsel of a dissolved corporation is deemed a trustee of the same for purposes of continuing such action or actions as may be pending at the time of the dissolution to counter petitioners' contention that private respondent lost its capacity to sue and be sued long before the trial court rendered judgment and hence execution of such judgment could not be complied with as the judgment creditor has ceased to exist.[8]

First. The question is whether the order of the trial court denying petitioners' Motion to Quash Writ of Execution is

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[4] *Id.*, Annex H; *Rollo*, pp. 24-25.

[5] Per Justice Venancio D. Aldecoa, Jr. and concurred in by Justices Luis L. Victor and Filemon H. Mendoza.

[6] Petition, p. 5; *Rollo*, p. 6.

[7] 103 SCRA 90 (1981).

[8] Comment, pp. 4-6; *Rollo*, p. 54.

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appealable. As a general rule, no appeal lies from such an order, otherwise litigation will become interminable. There are exceptions, but this case does not fall within any of such exceptions.

In *Limpin, Jr. v. Intermediate Appellate Court*, this Court held:[9]

> Certain, it is, . . . that execution of final and executory judgments may no longer be contested and prevented, and no appeal should lie therefrom; otherwise, cases would be interminable, and there would be negation of the overmastering need to end litigations.
>
> There may, to be sure, be instances when an error may be committed in the course of execution proceedings prejudicial to the rights of a party. These instances, rare though they may be, do call for correction by a superior court, as where —
>
> 1) the writ of execution varies the judgment;
>
> 2) there has been a change in the situation of the parties making execution inequitable or unjust;
>
> 3) execution is sought to be enforced against property exempt from execution;
>
> 4) it appears that the controversy has never been submitted to the judgment of the court;
>
> 5) the terms of the judgment are not clear enough and there remains room for interpretation thereof; or,
>
> 6) it appears that the writ of execution has been improvidently issued, or that it is defective in substance, or is issued against the wrong party, or that the judgment debt has been paid or otherwise satisfied, or the writ was issued without authority;
>
> In these exceptional circumstances, considerations of justice and equity dictate that there be some mode available to the party aggrieved of elevating the question to a higher court. That mode of elevation may be either by appeal (writ of error or *certiorari*) or by a special civil action of *certiorari*, prohibition, or *mandamus*.

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[9] 147 SCRA 516, 521-523 (1987).

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In this case, petitioners anchored their Motion to Quash on the claim that there was a change in the situation of the parties. However, a perusal of the cases which have recognized such a ground as an exception to the general rule shows that the change contemplated by such exception is one which occurred subsequent to the judgment of the trial court. Here, the change in the status of private respondent took place in 1983, when it was dissolved, during the pendency of its case in the trial court. The change occurred prior to the rendition of judgment by the trial court.

It is true that private respondent did not inform the trial court of the approval of the amended articles of incorporation which shortened its term of existence. However, it is incredible that petitioners did not know about the dissolution of private respondent considering the time it took the trial court to decide the case and the fact that petitioner Urbano Reburiano was a former employee of private respondent. As private respondent says,[10] since petitioner Reburiano was a former sales manager of the company, it could be reasonably presumed that petitioners knew of the changes occurring in respondent company. Clearly, the present case does not fall under the exception relied upon by petitioners and, the Court of Appeals correctly denied due course to the appeal. As has been noted, there are in fact cases which hold that while parties are given a remedy from a denial of a motion to quash or recall writ of execution, it is equally settled that the writ will not be recalled by reason of any defense which could have been made at the time of the trial of the case.[11]

Second. The Court of Appeals also held that in any event petitioners cannot raise the question of capacity of a dissolved corporation to maintain or defend actions previously filed by or against it because the matter had not been raised by petitioners before the trial court nor in their appeal from the decision of the said court. The appellate court stated:

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[10] *Rollo*, p. 59.

[11] 2 Vicente J. Francisco, The New Rules of Court in the Philippines 648 (1964).

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It appears that said motion to quash writ of execution is anchored on the ground that plaintiff-appellee Pepsi Bottling Company of the Philippines had been dissolved as a corporation in 1983, after the filing of this case before the lower court, hence, it had lost its capacity to sue. However, this was never raised as an issue before the lower court and the Court of Appeals when the same was elevated on appeal. The decision of this Court, through its Fourth Division, dated June 26, 1990, in CA-G.R. CV No. 16070 which, in effect, modified the appealed decision, consequently did not touch on the issue of lack of capacity to sue, and has since become final and executory on July 16, 1990, and has been remanded to the court *a quo* for execution. It is readily apparent that the same can no longer be made the basis for this appeal regarding the denial of the motion to quash writ of execution. It should have been made in the earlier appeal as the same was already obtaining at that time.[12]

We agree with this ruling. Rules of fair play, justice, and due process dictate that parties cannot raise for the first time on appeal from a denial of a Motion to Quash a Writ of Execution issues which they could have raised but never did during the trial and even on appeal from the decision of the trial court.[13]

Third. In any event, if the question of private respondent's capacity to sue can be raised for the first time in this case, we think petitioners are in error in contending that "a dissolved and non-existing corporation could no longer be represented by a lawyer and concomitantly a lawyer could not appear as counsel for a non-existing judicial person."[14]

Section 122 of the Corporation Code provides in part:

§122. Corporate Liquidation. — Every Corporation whose charter expires by its own limitation or is annulled by forfeiture or otherwise, or whose corporate existence for other purposes is terminated in any other manner, shall nevertheless be continued as a body corporate for three (3) years after the time when it would have been so dissolved,

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[12] Petition, Annex A; *Rollo*, pp. 8-9.

[13] See *De la Santa v. Court of Appeals*, 140 SCRA 44, 51 (1985); *Dosch v. National Labor Relations Commission*, 123 SCRA 296, 311 (1983).

[14] Petition, pp. 4-5; *Rollo*, pp. 5-6.

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for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, to dispose of and convey its property and to distribute its assets, but not for the purpose of continuing the business for which it was established.

At any time during said three (3) years, said corporation is authorized and empowered to convey all of its property to trustees for the benefit of stockholders, members, creditors, and other persons in interest. From and after any such conveyance by the corporation of its property in trust for the benefit of its stockholders, members, creditors and others in interests, all interests which the corporation had in the property terminates, the legal interest vests in the trustees, and the beneficial interest in the stockholders, members, creditors or other persons in interest.

Petitioners argue that while private respondent Pepsi-Cola Bottling Company of the Philippines, Inc. undertook a voluntary dissolution on July 3, 1983 and the process of liquidation for three (3) years thereafter, there is no showing that a trustee or receiver was ever appointed. They contend that §122 of the Corporation Code does not authorize a corporation, after the three-year liquidation period, to continue actions instituted by it within said period of three years. Petitioners cite the case of *National Abaca and Other Fibers Corporation v. Pore*[15] wherein this Court stated:

It is generally held, that where a statute continues the existence of a corporation for a certain period after its dissolution for the purpose of prosecuting and defending suits, etc., the corporation becomes defunct upon the expiration of such period, at least in the absence of a provision to the contrary, so that no action can afterwards be brought by or against it, and must be dismissed. Actions pending by or against the corporation when the period allowed by the statute expires, ordinarily abate.[16]

This ruling, however, has been modified by subsequent cases. In *Board of Liquidators v. Kalaw*,[17] this Court stated:

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[15] 2 SCRA 989 (1961).

[16] *Id.*, at 992.

[17] 20 SCRA 987 (1967).

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. . .The legal interest became vested in the trustee —the Board of Liquidators. The beneficial interest remained with the sole stockholder — the government. At no time had the government withdrawn the property, or the authority to continue the present suit, from the Board of Liquidators. If for this reason alone, we cannot stay the hand of the Board of Liquidators from prosecuting this case to its final conclusion. The provision of Section 78 (now Section 122) of the Corporation Law — the third method of winding up corporate affairs — finds application.[18]

Indeed, in *Gelano vs. Court of Appeals*,[19] a case having substantially similar facts as the instant case, this Court held:

However, a corporation that has a pending action and which cannot be terminated within the three-year period after its dissolution is authorized under Sec. 78 [now §122] of the Corporation Law to convey all its property to trustees to enable it to prosecute and defend suits by or against the corporation beyond the three-year period. Although private respondent did not appoint any trustee, yet the counsel who prosecuted and defended the interest of the corporation in the instant case and who in fact appeared in behalf of the corporation may be considered a trustee of the corporation at least with respect to the matter in litigation only. Said counsel had been handling the case when the same was pending before the trial court until it was appealed before the Court of Appeals and finally to this Court. We therefore hold that there was substantial compliance with Sec. 78 [now §122] of the Corporation Law and such private respondent Insular Sawmill, Inc. could still continue prosecuting the present case even beyond the period of three (3) years from the time of dissolution.

...[T]he trustee may commence a suit which can proceed to final judgment even beyond the three-year period. *No reason can be conceived why a suit already commenced by the corporation itself during its existence, not by a mere trustee who, by fiction, merely continues the legal personality of the dissolved corporation should not be accorded similar treatment allowed — to proceed to final judgment and execution thereof.*"[20]

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[18] *Id.*, at 998.

[19] 103 SCRA 90 (1981).

[20] *Id.*, at 98-99 (emphasis added).

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In the *Gelano* case, the counsel of the dissolved corporation was considered a trustee. In the later case of *Clemente v. Court of Appeals*,[21] we held that the board of directors may be permitted to complete the corporate liquidation by continuing as "trustees" by legal implication. For, indeed, as early as 1939, in the case of *Sumera v. Valencia*,[22] this Court held:

> It is to be noted that the time during which the corporation, through its own officers, may conduct the liquidation of its assets and sue and be sued as a corporation is limited to three years from the time the period of dissolution commences; but there is no time limit within which the trustees must complete a liquidation placed in their hands. It is provided only (Corp. Law, Sec. 78 [now Sec. 122]) that the conveyance to the trustees must be made within the three-year period. It may be found impossible to complete the work of liquidation within the three-year period or to reduce disputed claims to judgment. The authorities are to the effect that suits by or against a corporation abate when it ceased to be an entity capable of suing or being sued (7 R.C.L., Corps., par. 750); but trustees to whom the corporate assets have been conveyed pursuant to the authority of Sec. 78 [now Sec. 122] may sue and be sued as such in all matters connected with the liquidation. . . .[23]

Furthermore, the Corporation Law provides:

> §145. Amendment or repeal. — No right or remedy in favor of or against any corporation, its stockholders, members, directors, trustees, or officers, nor any liability incurred by any such corporation, stockholders, members, directors, trustees, or officers, shall be removed or impaired either by the subsequent dissolution of said corporation or by any subsequent amendment or repeal of this Code or of any part thereof.

This provision safeguards the rights of a corporation which is dissolved pending litigation.

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[21] 242 SCRA 717 (1995).

[22] 67 Phil. 721, 726 (1939).

[23] *Id.*, at 726.

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There is, therefore, no reason why the suit filed by private respondent should not be allowed to proceed to execution. It is conceded by petitioners that the judgment against them and in favor of private respondent in C.A. G.R. No. 16070 had become final and executory. The only reason for their refusal to execute the same is that there is no existing corporation to which they are indebted. Such argument is fallacious. As previously mentioned, the law specifically allows a trustee to manage the affairs of the corporation in liquidation. Consequently, any supervening fact, such as the dissolution of the corporation, repeal of a law, or any other fact of similar nature would not serve as an effective bar to the enforcement of such right.

WHEREFORE, the resolutions, dated September 3, 1991 and November 26, 1991, of the Court of Appeals are AFFIRMED.

SO ORDERED.

Bellosillo (Chairman), Puno, Quisumbing, and *Buena, JJ.*, concur.

SECOND DIVISION

[G.R. No. 109840. January 21, 1999]

JOSE L. CHUA and CO SIO ENG, *petitioners, vs.* **THE HONORABLE COURT OF APPEALS and RAMON IBARRA,** *respondents.*

SYNOPSIS

Petitioners were lessees of a commercial unit at Redemptorist Street in Baclaran, Parañaque. The lease was for a period of five years, from January 1, 1985 to December 31, 1989. The contract expressly provided for the renewal of the lease at the option of the lessees "in accordance with the terms of agreement