

### Title:

Rosendo Balucanag v. Hon. Judge Alberto J. Francisco & Richard Stohner

### Facts:

Cecilia dela Cruz Charvet, owning a lot in Zamora Street, Pandacan, Manila, leased it to Richard Stohner on August 31, 1952, for five years at a monthly rental of P40.00. The lease permitted Stohner to erect buildings and make improvements, which would remain his property and could be removed by him at any time. If not removed within two months post lease expiration, Charvet could remove them at Stohner's expense.

Stohner constructed a house, claiming improvements valued at P35,000. In 1966, Charvet sold the lot to Rosendo Balucanag, who, due to Stohner's unpaid rents, demanded Stohner vacate the premises. Stohner responded claiming to be a builder in good faith and proposed purchasing the lot or being reimbursed for the improvements.

Balucanag filed an ejectment suit in the City Court of Manila, which initially ruled in his favor. However, upon appeal, the Court of First Instance of Manila, presided over by Judge Alberto J. Francisco, reversed the decision, stating Stohner was a builder in good faith deserving reimbursement for the improvements, hence could not be ejected.

Dissatisfied, Balucanag petitioned the Supreme Court for review.

### Issues:

1. Whether Stohner, as the lessee, can be considered a builder in good faith entitled to protections under Articles 448 and 546 of the Civil Code.
2. Whether Article 1678 of the Civil Code or the lease agreement's stipulations govern the reimbursement for improvements on the leased land.
3. The application of the implied new lease or tacita reconduccion after the original lease contract expired.

### Court's Decision:

The Supreme Court ruled in favor of Balucanag, overturning the lower court's decision. It clarified that Stohner, as a lessee, cannot be regarded as a builder in good faith under Article 448, since this provision applies only when there is a belief of ownership, which does not align with the reality of a lessee's situation.

The lease agreement specifically detailing that improvements remain the lessee's property and his responsibility to remove them post-lease overrides Article 1678 of the Civil Code,

which only applies in the absence of such arrangements.

It was also stated that upon the expiration of the original lease, the continuation of Stohner's possession of the premises with Charvet and then with Balucanag's acquiescence constituted an implied new lease or tacita reconduccion, subject to termination by the lessor after each month with due notice.

### ### Doctrine:

- A lessee cannot be considered a builder in good faith under Article 448 of the Civil Code since the lease does not equate to a belief of ownership.
- When a lease agreement specifically provides for the treatment of improvements on the leased land, such provisions take precedence over Article 1678 of the Civil Code, which applies only in the absence of such stipulations.
- An implied new lease or tacita reconduccion can arise upon the continuation of possession of the leased premises post expiration of the original lease, governed by the terms set out in Article 1687 of the Civil Code.

### ### Class Notes:

- Being a lessee does not equate to being a possessor in good faith with respect to improvements made on leased property.
- Specific lease provisions regarding improvements override general Civil Code provisions (Art. 1678) unless otherwise stipulated.
- Implied new lease (tacita reconduccion) is established by continued possession post-lease expiration, governed by Article 1687, allowing for termination with due notice based on the rent payment frequency.
- Legal provisions mentioned:
  - Article 448 of the Civil Code: Rights of a landowner regarding works, sowing, or planting done in good faith.
  - Article 546 of the Civil Code: Right to reimbursement for necessary expenses by a possessor in good faith.
  - Article 1678 of the Civil Code: Lessee's right to be reimbursed for useful improvements if the lessor opts not to reimburse, the lessee may remove the improvements.
  - Article 1687 of the Civil Code: Governs implied new lease or tacita reconduccion terms, based on the rent payment frequency when lease period is not fixed.

### ### Historical Background:

This case illustrates the legal complexities surrounding lease agreements, improvements

made by lessees, and the distinction between good faith possession under Philippine Civil Code. Its resolution emphasizes the importance of clear stipulations in lease contracts and clarifies the applicability of specific Civil Code provisions to leasehold improvements and the concept of tacita reconduccion in Philippine property law.