

**\*\*Title:\*\*** Heirs of the Late Jaime Binuya vs. Court of Appeals, Bernardo Carpio, and Rustico Dungao

**\*\*Facts:\*\*** Jaime Binuya, registered owner of a parcel of land in Kalookan City, leased portions of his property to respondents Bernardo Carpio and Rustico Dungao, who respectively built and bought houses on these leased portions. Following the expiration of the lease agreements and the failure of Carpio and Dungao to pay increased rental fees, Jaime Binuya initiated ejectment cases against them at the Metropolitan Trial Court (MTC) of Kalookan City. The MTC ruled in favor of Binuya, ordering Carpio and Dungao to vacate the premises and dismissing their counterclaims for reimbursement for improvements made. Carpio and Dungao appealed to the Regional Trial Court (RTC), which modified the MTC's decision to require reimbursement to Carpio and Dungao for the value of their houses before eviction. This RTC decision was upheld by the Court of Appeals, prompting the heirs of Jaime Binuya to file a petition with the Supreme Court challenging the rulings below.

**\*\*Issues:\*\*** The central legal issue revolves around whether lessees who have introduced improvements on leased land are considered builders in good faith entitled to reimbursement for the value of their improvements upon eviction, notwithstanding the explicit terms of their lease agreements.

**\*\*Court's Decision:\*\*** The Supreme Court ruled in favor of the petitioners, the heirs of Jaime Binuya. It found that the RTC and Court of Appeals erroneously classified the respondents as builders in good faith who are entitled to reimbursement for their improvements. According to Supreme Court precedents and provisions of the Civil Code regulating lease contracts and improvements made by lessees, lessees cannot be considered builders in good faith entitled to such reimbursements without specific contractual provisions. Thus, the Supreme Court ordered the reinstatement of the MTC's original decision which mandates the eviction of Carpio and Dungao without requiring reimbursement for the improvements.

**\*\*Doctrine:\*\*** The Supreme Court clarified that lessees are not considered builders in good faith with respect to improvements made on leased property and are not entitled to reimbursement for such improvements unless such an arrangement is explicitly agreed upon in the lease contract. This stands as a reiteration of existing jurisprudence distinguishing the rights of lessees from those of possessors in good faith.

**\*\*Class Notes:\*\***

- **Lessee vs. Possessor in Good Faith:** A lessee, aware of their temporary claim to the land under a lease agreement, cannot claim the rights of a possessor in good faith regarding improvements made on the leased property.
- **Critical Provisions:** Article 448 on builders in good faith does not apply to lessees without specific contractual provisions; Article 1678 addresses improvements by lessees, granting the lessor the option to compensate for half the value of useful improvements at lease termination or allowing the lessee to remove the improvements.
- **Right of Retention:** Lessees do not have the right of retention over their improvements to demand reimbursement.
- **Legal Precedent:** The Supreme Court decision emphasizes longstanding jurisprudence (e.g., *Alburo vs. Villanueva*) that lessees are not entitled to indemnity for improvements as builders in good faith.

**Historical Background:** This case highlights the longstanding legal principles surrounding property rights, lease agreements, and the distinction between lessees and possessors in good faith within the Philippine legal system. It reflects the tensions between land ownership rights and the rights of those who occupy and improve leased property, underscoring the importance of explicit contractual agreements in determining the parties' obligations upon the termination of a lease.