

****Title:**** Lacap vs. Lee: A Case of Unlawful Detainer and Question of Good Faith Improvement

****Facts:****

The origins of this case trace back to 1981 when Victor Facundo mortgaged two parcels of land and improvements to Monte de Piedad Savings Bank. Subsequently, the spouses Dario and Matilde Lacap assumed Facundo's mortgage obligations, but later defaulted, leading to a foreclosure by the bank, which then became the highest bidder during the auction sale. The Lacaps were permitted to stay on the property as lessees, paying a monthly rental and investing P500,000 in improvements, based on assurances that they could repurchase the property. However, in 1996, the bank sold the property to Jovet Ong Lee and refused further rental payments from the Lacap spouses, who, upon learning of the sale, attempted but failed to make a counteroffer for the property.

Despite initiating a civil case against Lee for the cancellation of sale and damages, the Lacaps faced an unlawful detainer complaint from Lee. The Municipal Trial Court of Davao City ruled in Lee's favor, a decision affirmed by the Regional Trial Court (RTC) with a modification for reimbursement for improvements. This decision, however, was later amended, removing the reimbursement requirement, leading the Lacaps to appeal to the Court of Appeals (CA). The CA dismissed their petition, affirming the lower courts' rulings.

****Issues:****

1. Whether the Municipal Trial Court of Davao City had jurisdiction over the unlawful detainer case filed by Lee.
2. Whether the Courts applied the correct provision of the Civil Code (Article 1678 instead of Article 448) regarding the indemnity for improvements made by the Lacaps.

****Court's Decision:****

The Supreme Court denied the Lacaps' petition for review, upholding the CA's decision.

1. On jurisdiction, the Court held that the Municipal Trial Court correctly exercised jurisdiction over Lee's complaint for unlawful detainer. The Lacaps' challenge to Lee's ownership did not constitute a defense of ownership that would warrant a different jurisdiction since they did not claim title but disputed the validity of Lee's acquisition.
2. Regarding the indemnity for improvements, the Supreme Court affirmed the application of Article 1678 over Article 448 of the Civil Code. Since the Lacaps had acknowledged their lessee status by paying rentals post-foreclosure, they could not be considered builders in

good faith needing the protections of Article 448 for reimbursement of improvements.

****Doctrine:****

The Supreme Court clarified the scope of defenses of ownership in unlawful detainer cases under Section 16 of the 1997 Rules of Civil Procedure. It determined that questioning the validity of the plaintiff's title does not qualify as a defense of ownership capable of altering jurisdiction. Moreover, it reiterated that lessees who acknowledge their rental status, even after making improvements, are governed by Article 1678 of the Civil Code regarding the reimbursement for improvements.

****Class Notes:****

- Unlawful Detainer Jurisdiction: The Municipal Trial Courts have jurisdiction over unlawful detainer cases, even when the issue of possession involves questions relating to ownership, provided the defendant does not claim a superior title.
- Defense of Ownership in Unlawful Detainer: Merely disputing the plaintiff's title or the manner of its acquisition does not constitute a defense of ownership that alters jurisdiction or the case's nature.
- Article 1678 vs. Article 448 of the Civil Code: Lessees who make improvements on leased property, acknowledging their rental status, are not builders in good faith and are thus subject to Article 1678 regarding indemnity for improvements, not Article 448.
- Litis Pendencia: Parties cannot split a cause of action to create multiple suits on the same issue in hopes of a favorable judgment, which constitutes an abuse of the legal system.

****Historical Background:****

This case highlights how legal disputes over property often involve complex interactions between contractual agreements, property law, and procedural rules. It also underscores the Philippine legal system's procedural safeguards against litis pendencia and clarifies the rights of lessees versus builders in good faith concerning improvements made on leased property.