

**\*\*Title:\*\***

Briones vs. Macabagdal, G.R. No. 140796 (2003)

**\*\*Facts:\*\***

Respondent spouses Jose and Fe Macabagdal purchased Lot No. 2-R from Vergon Realty Investments Corporation (Vergon) located in Vergonville Subdivision No. 10, Las Piñas City. Petitioners Luciano and Nelly Briones owned the adjacent Lot No. 2-S. In 1984, after obtaining the necessary building permit and approval from Vergon, the Brioneses mistakenly built their house on Lot No. 2-R, believing it to be their lot (Lot No. 2-S).

Upon discovering the mistake, Vergon's manager informed the Macabagdals, who immediately demanded that the Brioneses demolish the house and vacate Lot No. 2-R. The Brioneses refused, leading the Macabagdals to file an action for recovery of ownership and possession before the Regional Trial Court (RTC) of Makati City. The Brioneses argued that they were buyers in good faith, having been misled by Vergon's agents. They also filed a third-party complaint against Vergon, alleging entitlement to indemnity due to warranty against eviction.

The RTC ruled in favor of the Macabagdals, ordering the Brioneses to demolish the house or pay the prevailing price of the land. The Court of Appeals (CA) affirmed this decision, leading to the Brioneses filing a petition for review on certiorari with the Supreme Court.

**\*\*Issues:\*\***

1. Whether the Brioneses could be compelled to demolish their house or pay the prevailing price of the land.
2. Whether the Brioneses were builders in good faith.
3. Whether the respondents were entitled to moral and compensatory damages and attorney's fees.
4. Whether Vergon Realty Investment Corporation was liable to the Brioneses.

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

1. **\*\*Demolition or Compensation (Article 448 in relation to Articles 546 and 548 of Civil Code):\*\*** The Supreme Court ruled that the RTC and CA incorrectly ordered the Brioneses to vacate the property or pay its prevailing price outright. According to Article 448, the landowner (Macabagdals) has the option to either appropriate the improvements by paying indemnity or to oblige the builders to pay for the land unless its value is significantly higher than the improvements' value. The Supreme Court remanded the case to RTC to determine

appropriate indemnity or price of the land.

2. **Good Faith:** The Court recognized that the Brioneses acted in good faith as there was no evidence proving bad faith; thus, they are presumed to have built the house believing it was on their property (Article 527). As builders in good faith, the provisions of Article 448 apply.

3. **Damages and Attorney's Fees:** The Supreme Court found no basis for awarding moral damages to the Macabagdals since the Brioneses acted in good faith. Similarly, compensatory damages and attorney's fees awarded to Vergon were deleted as they were not specifically prayed for and lacked justification.

4. **Liability of Vergon Realty:** The Court held that the Brioneses failed to present sufficient evidence proving Vergon's negligence. There was no preponderance of evidence showing Vergon's employees' fault or negligence, so Vergon was not liable under Article 2176 (quasi-delict).

**Doctrine:**

- **Article 448 of the Civil Code:** The builder in good faith has the right to compel the landowner to either appropriate the building by paying indemnity or to oblige the builder to pay for the land.

- **Presumption of Good Faith (Article 527):** Good faith is always presumed unless proven otherwise.

- **Right to Compensation (Articles 546 and 548):** Necessary and useful expenses made by a good faith possessor should be refunded, with a right of retention until reimbursed.

**Class Notes:**

- **Good Faith Presumption** (Article 527): A person in possession is presumed in good faith unless proven otherwise.

- **Builder in Good Faith** (Article 448): When a builder constructs on another's land in good faith, the landowner has two options: appropriate the building and pay indemnity or sell the land unless its value significantly exceeds the building's value.

- **Indemnity for Improvements** (Articles 546 and 548): Possessors in good faith are entitled to compensation for necessary and useful expenses with a right to retention until reimbursed.

**Historical Background:**

The case represents typical disputes arising from property misidentification and boundary

errors in the Philippines, reflecting issues of good faith possession and the intricacies of property and civil law under the Philippine legal system. It emphasizes balancing equitable remedies for landowners and possessors, showcasing the Civil Code's provisions designed to handle property disputes humanely and justly.