

**\*\*Title: Johnny Josefa vs. Lourdes San Buenaventura\*\***

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

1. Lourdes San Buenaventura (San Buenaventura) owned a 364-square meter plot of land in Pasig City, covered by Transfer Certificate of Title No. PT-76848.
2. On July 15, 1990, Johnny Josefa (Josefa) entered into a lease agreement for the property with San Buenaventura, set for a term from August 1, 1990, to July 31, 1995, "renewable upon agreement of the parties."
3. Upon expiry of the lease term, San Buenaventura informed Josefa that the lease would not be renewed but offered a continued lease at an increased rental rate of Php 30,000/month.
4. Josefa refused to vacate and continued to pay Php 15,400/month, which San Buenaventura initially accepted.
5. San Buenaventura later demanded Josefa to vacate via a letter dated June 3, 1998. Josefa still refused to vacate.
6. San Buenaventura filed an unlawful detainer case against Josefa, dismissed first for failing to secure a lupon ng barangay certification. A second complaint was filed on July 9, 1998, docketed as Civil Case No. 6798.
7. The MeTC of Pasig City (Branch 69) ruled on July 15, 1999:
  - Ordering Josefa to vacate;
  - Denying the claim for arrears and damages;
  - Ordering Josefa to pay for the continued occupancy at Php 15,000/month.
8. Josefa appealed to the RTC of Pasig City, which reversed the MeTC decision and dismissed San Buenaventura's complaint on June 27, 2001.
9. San Buenaventura then appealed to the CA which, on November 22, 2002, reversed the RTC's decision and reinstated the MeTC's decision with a modification requiring Josefa to pay Php 30,000/month.
10. Dissatisfied, Josefa elevated the case to the Supreme Court.

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

1. Whether the lease agreement contained a renewal clause obligating both parties to extend the lease beyond July 31, 1995.
2. Whether Josefa was entitled to compensation for improvements made on the leased property.
3. Whether Josefa had to pay Php 30,000/month for continued use of the property beyond the lease term.

**Court's Decision:**

1. **Renewal Clause:**

- The Supreme Court held that the clause “renewable upon agreement of the parties” necessitated mutual consent. There was no obligation for San Buenaventura to renew the lease without an agreement. Merely continuing to pay the old rate was not enough to sustain Josefa’s claim for automatic renewal.

2. **Entitlement to Reimbursement for Improvements:**

- Josefa was not considered a “builder in good faith” under Article 1678 of the Civil Code since he was aware that his tenure was only as long as his lease. Therefore, his right was limited to removing the improvements without significantly damaging the property since San Buenaventura opted not to compensate for the improvements.

3. **Rental Rate for Continued Use:**

- The Court found that the CA’s increase to Php 30,000/month lacked a factual basis. The Supreme Court reinstated the MeTC’s ruling of Php 15,000/month as sufficient compensation for the continued occupancy after the lease expired.

**Doctrine:**

1. A contract stipulating “renewable upon agreement of the parties” requires mutual consent from both parties for renewal—the absence of which terminates the lease.
2. Lessees who make improvements on leased property do not qualify as builders in good faith and can’t demand full reimbursement unless the lessor appropriates the improvements.
3. Fair rental value must have a factual basis supported by evidence; courts cannot unilaterally increase rental amounts without proper justification.

**Class Notes:**

- **Article 1678, Civil Code:** Lessee’s right to reimbursements for improvements depends on the lessor’s decision to appropriate those improvements.
- **Article 448, Civil Code:** Applicable to possessors in good faith; relates to reimbursement for improvements.
- **Renewal Clauses:**
  - Require mutual consent (precisely defined as “renewable upon agreement of the parties”).
- **Burden of Proof:** In ejectment cases, the plaintiff must prove the fair rental value if increased compensation is demanded.

**\*\*Historical Background:\*\***

This case illustrates the post-war evolution in property and contract law within the Philippines, emphasizing the mutual obligations that must be negotiated within lease agreements. It reflects judicial interpretations of lease renewals and the balancing of rights between property owners and tenants in evolving jurisprudence. This judicial approach aims to provide both parties with fair grounds and clear stipulations to avoid protracted legal strife.