

**JESUS AGUIRRE, PETITIONER, VS. VICTOR S. PHENG, IN HIS
CAPACITY AS GENERAL MANAGER OF THE LEONORA &
COMPANY, AND NATIONAL SHIPYARDS AND STEEL CORPORATION,
RESPONDENTS.**

G.R. No. L-20851. September 03, 1966

Ponente: BARRERA, J.

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BARRERA, J.:

Antecedents.- On June 28, 1954, Vicente Aldaba and Teresa V. Aldaba sold to Jesus Aguirre a circular bolted steel tank with a capacity of 5,000 gallons, for the sum of P900.00, for which the latter delivered to the sellers, duly endorsed, Security Bank & Trust Company check No. 281912, in the amount of P900.00. Aguirre, however, failed to take physical possession of the tank, having been prevented from doing so by the municipal authorities of Los Baños, Laguna (where the tank was located), in view of the claim of ownership being made by the Bureau of Public Highways. It appears, however, that Vicente and Teresa Aldaba again sold the same tank on December 2, 1954 to Zosimo Gabriel, for P900.00. Gabriel, in turn, sold it to the Leonora & Company on December 5, 1954, for P2,500.00. After some alterations and improvements made on the tank, Leonora & Company was able to sell the tank to National Shipyards & Steel Corporation (Nassco), for P14,500.00. [1]

Aguirre immediately filed with Nassco a formal notice of his claim of ownership of the tank, as a consequence of which, payment of the purchase price to Leonora & Company was suspended. Then, Aguirre instituted Civil Case No. 24914 in the Court of First Instance of Manila, against Leonora & Company and the Aldabas, for delivery to him of the tank, with damages. On the other hand, because of the suspension of payment of the purchase price, Leonora & Company filed Civil Case No. 27988, against the Nassco, praying for the delivery of the purchase price of P14,500.00, or the reimbursement of the sum of P12,299.00 allegedly representing the actual investment and expenses made and incurred to put the tank in usable condition. Jesus Aguirre intervened in this proceeding. These two cases were jointly heard by the trial court.

Thereafter, decision was rendered in Civil Case No. 24914, the dispositive portion of which reads as follows:

"IN VIEW OF THE FOREGOING, the Court hereby declares Jesus Aguirre the absolute owner of the property described in his complaint. The subsequent sale made by defendants Aldaba to Zosimo Gabriel, the sale made by Zosimo Gabriel to defendant Leonora and Co.; and the sale made by defendant Leonora and Co. to the National Shipyards and Steel Corporation, are hereby declared null and void and of no effect. Defendants Aldaba and Leonora and Co. and the National Shipyards and Steel Corporation, are hereby ordered to deliver to plaintiff Jesus Aguirre the tank in question. Failure to make such delivery, defendant National Shipyards and Steel Corporation, in whose possession the tank is at present, shall pay to the said Jesus Aguirre the original purchase price of the tank in the amount of P900.00."

No appeal having been perfected on time, this decision became final.

In Civil Case No. 27988, the court rendered decision based on a stipulation of facts by the parties, wherein the

existence of Civil Case No. 24914 was admitted, the dispositive portion of which provides:

"IN VIEW OF THE FOREGOING AGREEMENT, judgment is hereby rendered as follows:

"Intervenor Jesus Aguirre, as we have already, declared in Civil Case No. 24914, is hereby adjudged owner of the oil tank in question. Defendant National Shipyards and Steel Corporation is hereby ordered to deliver to the said Jesus Aguirre such tank, but in the event that delivery is not possible, to pay to Aguirre the purchase price of P900.00, and to Leonora and Co. the amount of P11,299.00 which represents the costs of the improvements made by the said Leonora & Co.

"In the event that the National Shipyards and Steel Corporation shall deliver the oil tank to Jesus Aguirre as it is, the latter shall pay to Leonora and Co. the amount of P11,299.00 which, as already stated, was spent by Leonora and Co. for the improvement of the tank."

From this decision, Aguirre perfected an appeal to the Court of Appeals.

The present case.- On January 9, 1963, the Court of Appeals rendered decision affirming the judgment of the lower court in Civil Case No. 27988, to return to intervenor Aguirre the sum of P900.00 in case delivery of the tank to him will not be possible --

"because this was all the amount that Aguirre had parted with when he purchased said tank. It was Leonora & Co. who had spent the sum of P11,299.00 for the rehabilitation of said tank and against this amount Aguirre has no rightful claim whatsoever. Of course, in the event of delivery of the tank to Aguirre as improved, it would be just for him to reimburse Leonora & Co. the sum of P11,299.00. The trial court, therefore, acted properly in denying Aguirre's claim to be paid the fair and reasonable value of the tank as improved in case the same could no longer be delivered to him."

Aguirre filed the present petition for review, alleging that the judgment of the Court of Appeals, ordering the return to him of the sum of P900.00 (when the value of the property is at least P14,500.00), nullifies the declaration of his ownership of the tank. He contends that under Article 440 of the Civil Code, his ownership of the property entitles him to everything that is produced thereby, or is incorporated or attached thereto, either naturally or artificially. Thus, he reiterates the claim to the fair and reasonable value of the tank at the time of its delivery to Nassco, which is P14,500.00.

It is clear that we have here a case of accession by specification: Leonora and Company, as purchaser acting in good faith, spending P11,299.00 for the reconditioning of the tank which is later adjudged to belong to petitioner Aguirre. There is no showing that without the works made by Leonora & Company, the tank in its original condition when Aguirre paid P900.00 therefor, would command the price of P14,500 which Nassco was willing to pay. Although ordinarily, therefore, Aguirre, as owner of the tank, would be entitled to any accession thereto, the rule is different where the works or improvements or the accession was made on the property by one who acted in good faith. [2] And it is not contended that the making of the improvements and incurring of expenses amounting to P11,299.00 by Leonora & Company was done in bad faith. Furthermore, to uphold petitioner's contention that he is entitled to the sum of P14,500.00, the price of the tank in its present condition, would be to allow him to enrich himself at the expense of another. The lower courts, therefore, acted correctly in ordering the reimbursement to Leonora & Company of the expenses it made on the tank.

It must also be remembered that the judgment in Civil Case No. 24914 of the Court of First Instance of Manila, wherein Nassco was directed to pay to Aguirre the sum of P900.00, in case delivery of the same tank is no longer possible, has already become final. This ruling cannot be disregarded in the present proceeding which involves the same parties and practically the same issue, arising from the same set of facts.

Nassco cannot also be compelled to pay more than P14,500.00 for the tank, the bid offered by Leonora &

Company and accepted by this buyer, and which must be the actual market value of the property at the time of its delivery to the latter. It has nothing to do at all with the various transactions or sales and the deprivation of Aguirre's right to possession of the tank, which culminated in this legal suit.

WHEREFORE, finding no error in the decision of the Court of Appeals under review, the present petition is hereby dismissed, with costs against the petitioner.

SO ORDERED.

Concepcion, C.J., Reyes, Dizon, Makalintal, Bengzon, Zaldivar, Sanchez, and Castro, JJ., concur.
Regala, J., on leave, no part.³

[1] The sale made to Nassco was the result of a public bidding won by Leonora & Company.

[2] "ART. 466. Whenever two movable things belonging to different owners are, without bad faith, united in such a way that they form a single object, the owner of the principal thing acquires the accessory, indemnifying the former owner thereof for its value." (new Civil Code), which provision is applicable to all modes of accession.

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