

ROSENDO BALUCANAG, PETITIONER, VS. HON. JUDGE ALBERTO J. FRANCISCO AND RICHARD STOHNER, RESPONDENTS.

G.R. No. L-33422. May 30, 1983

Ponente: ESCOLIN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/987950b93113/>

ESCOLIN, J.:

This petition for review of the decision of the Court of First Instance of Manila in Civil Case No. 67503 calls for a determination of the respective rights of the lessor and the lessee over the improvements introduced by the latter in the leased premises.

Cecilia dela Cruz Charvet was the owner of a 177.50 square meter lot located in Zamora Street, Pandacan, Manila, covered by Transfer Certificate of Title No. 25664. On August 31, 1952, Mrs. Charvet leased said lot to respondent Richard Stohner for a period of five [5] years at the monthly rental of P40.00, payable in advance within the first ten [10] days of each month. The lease contract^[1] provided, among others, that:

"IV. The lessee may erect such buildings upon and make such improvements to the leased land as he shall see fit. All such buildings and improvements shall remain the property of the lessee and he may remove them at any time, it being agreed, however, that should he not remove the said buildings and improvements within a period of two months after the expiration of this Agreement, the Lessor may remove the said buildings and improvements or cause them to be removed at the expense of the Lessee."

During the existence of the lease, Stohner made fillings on the land and constructed a house thereon, said improvements being allegedly valued at P35,000.00.

On March 8, 1966, Mrs. Charvet sold the said lot to petitioner Rosendo Balucanag.²

For Stohner's failure to pay the rents, Balucanag, thru counsel, wrote Stohner a letter demanding that he vacate the premises.³ In reply thereto, Stohner, also thru counsel, claimed that he was a builder in good faith of the residential house erected in the land. He offered the following proposals for a possible compromise, to wit:

"[a]

Mr. Stohner will purchase the said lot from your client with the interest of 12% per annum on the value, or

"[b]

Your client Mr. Rosendo Balucanag will reimburse our client in the total amount of P35,000.00 for the improvements and construction he has made on the lot in question."

As no agreement was reached, Balucanag instituted in the City Court of Manila an ejectment suit against Stohner and, after due trial, the court rendered a decision, the decretal portion of which reads as follows:

"IN VIEW OF THE FOREGOING CONSIDERATIONS, judgment is hereby rendered, ordering the defendant to pay the plaintiff the sum of P360.00 as back rentals from December, 1965 to August 1966 at the rate of P40.00 a month and to vacate the premises. The defendant is further ordered to pay the sum of P100.00 as Attorney's fees which is considered reasonable within the premises."

On appeal, the Court of First Instance of Manila, Branch IX, presided by respondent Judge Alberto J. Francisco, after conducting a trial de novo, rendered a decision, setting aside the judgment of the city court and dismissing the petitioner's complaint. Respondent judge held that Stohner was a builder in good faith because he had constructed the residential house with the consent of the original lessor, Mrs. Charvet, and also because the latter, after the expiration of the lease contract on August 31, 1957, had neither sought Stohner's ejectment from the premises, nor the removal of his house therefrom. Invoking Articles 448 and 546 of the Civil Code⁴, respondent judge concluded that Stohner, being a builder in good faith, cannot be ejected until he is reimbursed of the value of the improvements.

Frustrated in his effort to have the decision reconsidered, Balucanag filed the instant petition for review.

We find the petition impressed with merit. Paragraph IV of the lease contract entered into by Stohner with Mrs. Charvet specifically provides that ". . . such buildings and improvements shall remain the property of the lessee and he may remove them at any time, it being agreed, however, that should he not remove the said buildings and improvements within a period of two months after the expiration of this Agreement, the Lessor may remove the said buildings and improvements or cause them to be removed at the expense of the Lessee." Respondent Stohner does not assail the validity of this stipulation. Neither has he advanced any reason why he should not be bound by it.

But even in the absence of said stipulation, respondent Stohner cannot be considered a builder in good faith. Article 448 of the Civil Code, relied upon by respondent judge, applies only to a case where one builds on land in the belief that he is the owner thereof and it does not apply where one's only interest in the land is that of a lessee under a rental contract. In the case at bar, there is no dispute that the relation between Balucanag and Stohner is that of lessor and lessee, the former being the successor in interest of the original owner of the lot. As we ruled in *Lopez, Inc. vs. Phil. and Eastern Trading Co., Inc.*,⁵ ". . . the principle of possessor in good faith refers only to a party who occupies or possesses property in the belief that he is the owner thereof and said good faith ends only when he discovers a flaw in his title so as to reasonably advise or inform him that after all he may not be the legal owner of said property. It cannot apply to a lessee because as such lessee he knows that he is not the owner of the leased premises. Neither can he deny the ownership or title of his lessor. ... A lessee who introduces improvements in the leased premises, does so at his own risk in the sense that he cannot recover their value from the lessor, much less retain the premises until such reimbursement. . . ."

The law applicable to the case at bar is Article 1678 of the Civil Code, which We quote:

"Art. 1678. If the lessee makes, in good faith, useful improvements which are suitable to the use for which the

lease is intended, without altering the form or substance of the property leased, the lessor upon the termination of the lease shall pay the lessee one-half of the value of the improvements at that time. Should the lessor refuse to reimburse said amount, the lessee may remove the improvements, even though the principal thing may suffer damage thereby. He shall not, however, cause any more impairment upon the property leased than is necessary. . . ."

This article gives the lessor the option to appropriate the useful improvements by paying one-half of their value⁶; and the lessee cannot compel the lessor to appropriate the improvements and make reimbursement, for the lessee's right under the law is to remove the improvements even if the leased premises may suffer damage thereby. But he shall not cause any more damage upon the property than is necessary.

One last point. It appears that while the lease contract entered into by Stohner and Mrs. Charvet had expired on August 31, 1957, he nevertheless continued in possession of the premises with the acquiescence of Mrs. Charvet and later, of Balucanag. An implied new lease or tacita reconduccion was thus created between the parties, the period of which is established by Article 1687 of the Civil Code thus:

"An. 1687. If the period for the lease has not been fixed, it is understood to be from year to year, if the rent agreed upon is annual; from month to month, if it is monthly from week to week, if the rent is weekly; and from day to day, if the rent is to be paid daily "

Under the above article, the duration of the new lease must be deemed from month to month, the agreed rental in the instant case being payable on a monthly basis. The lessor may thus terminate the lease after each month with due notice upon the lessee. After such notice, the lessee's right to continue in possession ceases and his possession becomes one of detainer. Furthermore, Stohner's failure to pay the stipulated rentals entitles petitioner to recover possession of the premises.

WHEREFORE, the decision in Civil Case No. 67503 is hereby set aside, with costs against respondent Stohner. The latter is ordered to vacate the premises in question and to pay Rosendo

Balucanag the rentals due from March 1969 up to the time he surrenders the premises, at the rate of P40.00 a month.

SO ORDERED.

Makasiar (Chairman), Aquino, Concepcion Jr. and Guerrero, JJ., concur.

Abad Santos, J., see separate opinion.

De Castro, J., no part.

[1] Annex B, p. 13, Rollo.

[2] p. 68, Rollo.

[3] p. 72, Rollo.

[4] "Art. 448. The owner of the land on which anything has been built, sown or planted in good faith, shall have the right to appropriate as his own the works, sowing or planting, after payment of the indemnity provided for in articles 546 and 548, or to oblige the one who built or planted to pay the price of the land, and the one who sowed, the proper rent. However, the builder or planter cannot be obliged to buy the land if its value is considerably more than that of the building or trees. In such case, he shall pay reasonable rent, if the owner of the land does not choose to appropriate the building or trees after proper indemnity. The parties shall agree upon the term:) of the

lease and in case of disagreement, the court shall fix the terms thereof."

"Art. 546. Necessary expenses shall be refunded to every possessor; but only the possessor in good faith may retain the thing until he has been reimbursed thereof. ..."

[5] 98 Phil. 348.

[6] Lapeña vs. Judge Morfe, et al., 101 Phil. 997.

ABAD SANTOS, J., concurring and dissenting:

I concur in setting aside the decision in Civil Case No. 67503 of the defunct Court of First Instance of Manila; and in ordering the respondent Stohner to pay the costs, to vacate the premises in question, and to pay the petitioner the rentals due from March 1969 to the time he surrenders the premises at the rate of P40.00 monthly. However, I cannot give my assent to that portion of the judgment with respect to the house constructed by Stohner.

Stohner as a lessee is not a builder in good faith. This is elementary in property law.

Article 1678 of the Civil Code concerning improvements made by the lessee on the leased premises applies only in the absence of stipulation on the matter between the lessor and the lessee. In the instant case there is such a stipulation. A copy of the Lease Agreement which is found on page 13 of the Rollo reads:

"IV. The lessee may erect such buildings upon and make such improvements to the leased land as he shall see fit. All such buildings and improvements shall remain the property of the lessee and he may remove them at any time, it being agreed, however, that should he not remove the said buildings and improvements within a period of two months after the expiration of this Agreement, the Lessor may remove the said buildings and improvements or cause them to be removed at the expense of the Lessee."

The above-quoted stipulation has the force of law between the parties (Art. 1159, Civil Code) and supersedes Art. 1678 of the Civil Code. Accordingly, the judgment with respect to the house which was constructed by Stohner should be in line with the contract of lease.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.