

TECNOGAS PHILIPPINES MANUFACTURING CORPORATION, PETITIONER, VS. COURT OF APPEALS (FORMER SPECIAL SEVENTEENTH DIVISION) AND EDUARDO UY, RESPONDENTS.

G.R. No. 108894. February 10, 1997

Ponente: PANGANIBAN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-108894/>

PANGANIBAN, J.:

The parties in this case are owners of adjoining lots in Parañaque, Metro Manila. It was discovered in a survey that a portion of a building of petitioner, which was presumably constructed by its predecessor-in-interest, encroached on a portion of the lot owned by private respondent. What are the rights and obligations of the parties? Is petitioner considered a builder in bad faith because, as held by respondent Court, he is “presumed to know the metes and bounds of his property as described in his certificate of title”? Does petitioner succeed into the good faith or bad faith of his predecessor-in-interest which presumably constructed the building?

These are the questions raised in the petition for review of the Decision[1] dated August 28, 1992, in CA-G.R. CV No. 28293 of respondent Court[2] where the disposition reads:[3]

“WHEREFORE, premises considered, the Decision of the Regional Trial Court is hereby reversed and set aside and another one entered -

1. Dismissing the complaint for lack of cause of action;
2. Ordering Tecnogas to pay the sum of P2,000.00 per month as reasonable rental from October 4, 1979 until appellee vacates the land;
3. To remove the structures and surrounding walls on the encroached area;
4. Ordering appellee to pay the value of the land occupied by the two-storey building;
5. Ordering appellee to pay the sum of P20,000.00 for and as attorney’s fees;
6. Costs against appellee.”

Acting on the motions for reconsideration of both petitioner and private respondent, respondent Court ordered the deletion of paragraph 4 of the dispositive portion in an Amended Decision dated February 9, 1993, as follows:[4]

“WHEREFORE, premises considered, our decision of August 28, 1992 is hereby modified deleting paragraph 4 of the dispositive portion of our decision which reads:

‘4. Ordering appellee to pay the value of the land occupied by the two-storey building.’

The motion for reconsideration of appellee is hereby DENIED for lack of merit.”

The foregoing Amended Decision is also challenged in the instant petition.

The Facts

The facts are not disputed. Respondent Court merely reproduced the factual findings of the trial court, as follows:[5]

“That plaintiff (herein petitioner) which is a corporation duly organized and existing under and by virtue of Philippine laws is the registered owner of a parcel of land situated in Barrio San Dionisio, Parañaque, Metro Manila known as Lot 4331-A (should be 4531-A) of Lot 4531 of the Cadastral Survey of Parañaque, Metro Manila, covered by Transfer Certificate of Title No. 409316 of the Registry of Deeds of the Province of Rizal; that said land was purchased by plaintiff from Pariz Industries, Inc. in 1970, together with all the buildings and improvements including the wall existing thereon; that the defendant (herein private respondent) is the registered owner of a parcel of land known as Lot No. 4531-B of Lot 4531 of the Cadastral Survey of Parañaque, LRC (GLRO) Rec. No. 19645 covered by Transfer Certificate of Title No. 279838, of the Registry of Deeds for the Province of Rizal; that said land which adjoins plaintiff’s land was purchased by defendant from a certain Enrile Antonio also in 1970; that in 1971, defendant purchased another lot also adjoining plaintiff’s land from a certain Miguel Rodriguez and the same was registered in defendant’s name under Transfer Certificate of Title No. 31390, of the Registry of Deeds for the Province of Rizal; that portions of the buildings and wall bought by plaintiff together with the land from Pariz Industries are occupying a portion of defendant’s adjoining land; that upon learning of the encroachment or occupation by its buildings and wall of a portion of defendant’s land, plaintiff offered to buy from defendant that particular portion of defendant’s land occupied by portions of its buildings and wall with an area of 770 square meters, more or less, but defendant, however, refused the offer. In 1973, the parties entered into a private agreement before a certain Col. Rosales in Malacañang, wherein plaintiff agreed to demolish the wall at the back portion of its land thus giving to defendant possession of a portion of his land previously enclosed by plaintiff’s wall; that defendant later filed a complaint before the office of Municipal Engineer of Parañaque, Metro Manila as well as before the Office of the Provincial Fiscal of Rizal against plaintiff in connection with the encroachment or occupation by plaintiff’s buildings and walls of a portion of its land but said complaint did not prosper; that defendant dug or caused to be dug a canal along plaintiff’s wall, a portion of which collapsed in June, 1980, and led to the filing by plaintiff of the supplemental complaint in the above-entitled case and a separate criminal complaint for malicious mischief against defendant and his wife which ultimately resulted into the conviction in court of defendant’s wife for the crime of malicious mischief; that while trial of the case was in progress, plaintiff filed in Court a formal proposal for settlement of the case but said proposal, however, was ignored by defendant.”

After trial on the merits, the Regional Trial Court[6] of Pasay City, Branch 117, in Civil Case No. PQ-7631-P, rendered a decision dated December 4, 1989 in favor of petitioner who was the plaintiff therein. The dispositive portion reads:[7]

”WHEREFORE, judgment is hereby rendered in favor of plaintiff and against defendant and ordering the latter to sell to plaintiff that portion of land owned by him and occupied by portions of plaintiff’s buildings and wall at the price of P2,000.00 per square meter and to pay the former:

1. The sum of P44,000.00 to compensate for the losses in materials and properties incurred by plaintiff through thievery as a result of the destruction of its wall;
2. The sum of P7,500.00 as and by way of attorney’s fees; and
3. The costs of this suit.”

Appeal was duly interposed with respondent Court, which as previously stated, reversed and set aside the decision of the Regional Trial Court and rendered the assailed Decision and Amended Decision. Hence, this recourse under Rule 45 of the Rules of Court.

The Issues

The petition raises the following issues:[8]

“(A)”

Whether or not the respondent Court of Appeals erred in holding the petitioner a builder in bad faith because it is ‘presumed to know the metes and bounds of his property.’

(B)

Whether or not the respondent Court of Appeals erred when it used the amicable settlement between the petitioner and the private respondent, where both parties agreed to the demolition of the rear portion of the fence, as estoppel amounting to recognition by petitioner of respondent’s right over his property including the portions of the land where the other structures and the building stand, which were not included in the settlement.

(C)

Whether or not the respondent Court of Appeals erred in ordering the removal of the ‘structures and surrounding walls on the encroached area’ and in withdrawing its earlier ruling in its August 28, 1992 decision for the petitioner ‘to pay for the value of the land occupied’ by the building, only because the private respondent has ‘manifested its choice to demolish’ it despite the absence of compulsory sale where the builder fails to pay for the land, and which ‘choice’ private respondent deliberately deleted from its September 1, 1980 answer to the supple-mental complaint in the Regional Trial Court.”

In its Memorandum, petitioner poses the following issues:

“A

The time when to determine the good faith of the builder under Article 448 of the New Civil Code, is reckoned during the period when it was actually being built; and in a case where no evidence was presented nor introduced as to the good faith or bad faith of the builder at that time, as in this case, he must be presumed to be a ‘builder in good faith,’ since ‘bad faith cannot be presumed.’[9]

B.

In a specific ‘boundary overlap situation’ which involves a builder in good faith, as in this case, it is now well settled that the lot owner, who builds on the adjacent lot is not charged with ‘constructive notice’ of the technical metes and bounds contained in their torrens titles to determine the exact and precise extent of his boundary perimeter.[10]

C.

The respondent court’s citation of the twin cases of Tuason & Co. v. Lumanlan and Tuason & Co. v. Macalindong is not the ‘judicial authority’ for a boundary dispute situation between adjacent torrens titled lot owners, as the facts of the present case do not fall within nor square with the involved principle of a dissimilar case.[11]

D.

Quite contrary to respondent Uy’s reasoning, petitioner Tecnogas continues to be a builder in good faith, even if it subsequently built/repared the walls/other permanent structures thereon while the case a quo was pending and

even while respondent sent the petitioner many letters/filed cases thereon.[12]

D. (E.)

The amicable settlement between the parties should be interpreted as a contract and enforced only in accordance with its explicit terms, and not over and beyond that agreed upon; because the courts do not have the power to create a contract nor expand its scope.[13]

E. (F.)

As a general rule, although the landowner has the option to choose between: (1) ‘buying the building built in good faith’, or (2) ‘selling the portion of his land on which stands the building’ under Article 448 of the Civil Code; the first option is not absolute, because an exception thereto, once it would be impractical for the landowner to choose to exercise the first alternative, i.e. buy that portion of the house standing on his land, for the whole building might be rendered useless. The workable solution is for him to select the second alternative, namely, to sell to the builder that part of his land on which was constructed a portion of the house.”[14]

Private respondent, on the other hand, argues that the petition is “suffering from the following flaws:[15]

1. It did not give the exact citations of cases decided by the Honorable Supreme Court that allegedly contradicts the ruling of the Hon. Court of Appeals based on the doctrine laid down in Tuason vs. Lumanlan case citing also Tuason vs. Macalindong case (Supra).

2. Assuming that the doctrine in the alleged Co Tao vs. Chico case is contradictory to the doctrine in Tuason vs. Lumanlan and Tuason vs. Macalindong, the two cases being more current, the same should prevail.”

Further, private respondent contends that the following “unmistakably” point to the bad faith of petitioner: (1) private respondent’s purchase of the two lots, “was ahead of the purchase by petitioner of the building and lot from Pariz Industries”; (2) the declaration of the General Manager of Tecnogas that the sale between petitioner and Pariz Industries “was not registered” because of some problems with China Banking Corporation; and (3) the Deed of Sale in favor of petitioner was registered in its name only in “the month of May 1973.”[16]

The Court’s Ruling

The petition should be granted.

Good Faith or Bad Faith

Respondent Court, citing the cases of J. M. Tuason & Co., Inc. vs. Vda. de Lumanlan[17] and J. M. Tuason & Co., Inc. vs. Macalindong,[18] ruled that petitioner “cannot be considered in good faith” because as a land owner, it is “presumed to know the metes and bounds of his own property, specially if the same are reflected in a properly issued certificate of title. One who erroneously builds on the adjoining lot should be considered a builder in (b)ad (f)aith, there being presumptive knowledge of the Torrens title, the area, and the extent of the boundaries.”[19]

We disagree with respondent Court. The two cases it relied upon do not support its main pronouncement that a registered owner of land has presumptive knowledge of the metes and bounds of its own land, and is therefore in bad faith if he mistakenly builds on an adjoining land. Aside from the fact that those cases had factual moorings radically different from those obtaining here, there is nothing in those cases which would suggest, however remotely, that bad faith is imputable to a registered owner of land when a part of his building encroaches upon a neighbor’s land, simply because he is supposedly presumed to know the boundaries of his land as described in his

certificate of title. No such doctrinal statement could have been made in those cases because such issue was not before the Supreme Court. Quite the contrary, we have rejected such a theory in *Co Tao vs. Chico*,^[20] where we held that unless one is versed in the science of surveying, “no one can determine the precise extent or location of his property by merely examining his paper title.”

There is no question that when petitioner purchased the land from Pariz Industries, the buildings and other structures were already in existence. The record is not clear as to who actually built those structures, but it may well be assumed that petitioner’s predecessor-in-interest, Pariz Industries, did so. Article 527 of the Civil Code presumes good faith, and since no proof exists to show that the encroachment over a narrow, needle-shaped portion of private respondent’s land was done in bad faith by the builder of the encroaching structures, the latter should be presumed to have built them in good faith.^[21] It is presumed that possession continues to be enjoyed in the same character in which it was acquired, until the contrary is proved.^[22] Good faith consists in the belief of the builder that the land he is building on is his, and his ignorance of any defect or flaw in his title.^[23] Hence, such good faith, by law, passed on to Pariz’s successor, petitioner in this case. Further, “(w)here one derives title to property from another, the act, declaration, or omission of the latter, while holding the title, in relation to the property, is evidence against the former.”^[24] And possession acquired in good faith does not lose this character except in case and from the moment facts exist which show that the possessor is not unaware that he possesses the thing improperly or wrongfully.^[25] The good faith ceases from the moment defects in the title are made known to the possessor, by extraneous evidence or by suit for recovery of the property by the true owner.^[26]

Recall that the encroachment in the present case was caused by a very slight deviation of the erected wall (as fence) which was supposed to run in a straight line from point 9 to point 1 of petitioner’s lot. It was an error which, in the context of the attendant facts, was consistent with good faith. Consequently, the builder, if sued by the aggrieved landowner for recovery of possession, could have invoked the provisions of Art. 448 of the Civil Code, which reads:

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

The obvious benefit to the builder under this article is that, instead of being outrightly ejected from the land, he can compel the landowner to make a choice between the two options: (1) to appropriate the building by paying the indemnity required by law, or (2) sell the land to the builder. The landowner cannot refuse to exercise either option and compel instead the owner of the building to remove it from the land.^[27]

The question, however, is whether the same benefit can be invoked by petitioner who, as earlier stated, is not the builder of the offending structures but possesses them as buyer.

We answer such question in the affirmative.

In the first place, there is no sufficient showing that petitioner was aware of the encroachment at the time it acquired the property from Pariz Industries. We agree with the trial court that various factors in evidence adequately show petitioner’s lack of awareness thereof. In any case, contrary proof has not overthrown the presumption of good faith under Article 527 of the Civil Code, as already stated, taken together with the disputable presumptions of the law on evidence. These presumptions state, under Section 3 (a) of Rule 131 of the

Rules of Court, that the person is innocent of a crime or wrong; and under Section 3 (ff) of Rule 131, that the law has been obeyed. In fact, private respondent Eduardo Uy himself was unaware of such intrusion into his property until after 1971 when he hired a surveyor, following his purchase of another adjoining lot, to survey all his newly acquired lots. Upon being apprised of the encroachment, petitioner immediately offered to buy the area occupied by its building -- a species of conduct consistent with good faith.

In the second place, upon delivery of the property by Pariz Industries, as seller, to the petitioner, as buyer, the latter acquired ownership of the property. Consequently and as earlier discussed, petitioner is deemed to have stepped into the shoes of the seller in regard to all rights of ownership over the immovable sold, including the right to compel the private respondent to exercise either of the two options provided under Article 448 of the Civil Code.

Estoppel

Respondent Court ruled that the amicable settlement entered into between petitioner and private respondent estops the former from questioning the private respondent's "right" over the disputed property. It held that by undertaking to demolish the fence under said settlement, petitioner recognized private respondent's right over the property, and "cannot later on compel" private respondent "to sell to it the land since" private respondent "is under no obligation to sell." [28]

We do not agree. Petitioner cannot be held in estoppel for entering into the amicable settlement, the pertinent portions of which read: [29]

"That the parties hereto have agreed that the rear portion of the fence that separates the property of the complainant and respondent shall be demolished up to the back of the building housing the machineries which demolition (sic) shall be undertaken by the complainant at anytime.

That the fence which serve(s) as a wall housing the electroplating machineries shall not be demolished in the mean time which portion shall be subject to negotiation by herein parties."

From the foregoing, it is clear that petitioner agreed only to the demolition of a portion of the wall separating the adjoining properties of the parties -- i.e. "up to the back of the building housing the machineries." But that portion of the fence which served as the wall housing the electroplating machineries was not to be demolished. Rather, it was to "be subject to negotiation by herein parties." The settlement may have recognized the ownership of private respondent but such admission cannot be equated with bad faith. Petitioner was only trying to avoid a litigation, one reason for entering into an amicable settlement.

As was ruled in *Osmeña vs. Commission on Audit*, [30]

"A compromise is a bilateral act or transaction that is expressly acknowledged as a juridical agreement by the Civil Code and is therein dealt with in some detail. 'A compromise,' declares Article 2208 of said Code, 'is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.'

xxx xxx xxx

The Civil Code not only defines and authorizes compromises, it in fact encourages them in civil actions. Art. 2029 states that 'The Court shall endeavor to persuade the litigants in a civil case to agree upon some fair compromise.' x x x."

In the context of the established facts, we hold that petitioner did not lose its rights under Article 448 of the Civil Code on the basis merely of the fact that some years after acquiring the property in good faith, it learned about --

and aptly recognized -- the right of private respondent to a portion of the land occupied by its building. The supervening awareness of the encroachment by petitioner does not militate against its right to claim the status of a builder in good faith. In fact, a judicious reading of said Article 448 will readily show that the landowner's exercise of his option can only take place after the builder shall have come to know of the intrusion -- in short, when both parties shall have become aware of it. Only then will the occasion for exercising the option arise, for it is only then that both parties will have been aware that a problem exists in regard to their property rights.

Options of Private Respondent

What then is the applicable provision in this case which private respondent may invoke as his remedy: Article 448 or Article 450[31] of the Civil Code?

In view of the good faith of both petitioner and private respondent, their rights and obligations are to be governed by Art. 448. The essential fairness of this codal provision has been pointed out by Mme. Justice Ameurfina Melencio-Herrera, citing Manresa and applicable precedents, in the case of *Depra vs. Dumlao*,[32] to wit:

“Where the builder, planter or sower has acted in good faith, a conflict of rights arises between the owners, and it becomes necessary to protect the owner of the improvements without causing injustice to the owner of the land. In view of the impracticality of creating a state of forced co-ownership, the law has provided a just solution by giving the owner of the land the option to acquire the improvements after payment of the proper indemnity, or to oblige the builder or planter to pay for the land and the sower to pay the proper rent. It is the owner of the land who is authorized to exercise the option, because his right is older, and because, by the principle of accession, he is entitled to the ownership of the accessory thing. (3 Manresa 213; *Bernardo vs. Bataclan*, 37 Off. Gaz. 1382; *Co Tao vs. Chan Chico*, G. R. No. 49167, April 30, 1949; Article applied; see *Cabral, et al. vs. Ibanez* [S.C.] 52 Off. Gaz. 217; *Marfori vs. Velasco*, [C.A.] 52 Off. Gaz. 2050).”

The private respondent's insistence on the removal of the encroaching structures as the proper remedy, which respondent Court sustained in its assailed Decisions, is thus legally flawed. This is not one of the remedies bestowed upon him by law. It would be available only if and when he chooses to compel the petitioner to buy the land at a reasonable price but the latter fails to pay such price.[33] This has not taken place. Hence, his options are limited to: (1) appropriating the encroaching portion of petitioner's building after payment of proper indemnity, or (2) obliging the latter to buy the lot occupied by the structure. He cannot exercise a remedy of his own liking.

Neither is petitioner's prayer that private respondent be ordered to sell the land[34] the proper remedy. While that was dubbed as the “more workable solution” in *Grana and Torralba vs. The Court of Appeals, et al.*,[35] it was not the relief granted in that case as the landowners were directed to exercise “within 30 days from this decision their option to either buy the portion of the petitioners' house on their land or sell to said petitioners the portion of their land on which it stands.”[36] Moreover, in *Grana and Torralba*, the area involved was only 87 square meters while this case involves 520 square meters[37]. In line with the case of *Depra vs. Dumlao*,[38] this case will have to be remanded to the trial court for further proceedings to fully implement the mandate of Art. 448. It is a rule of procedure for the Supreme Court to strive to settle the entire controversy in a single proceeding leaving no root or branch to bear the seeds of future litigation.[39]

Petitioner, however, must also pay the rent for the property occupied by its building as prescribed by respondent Court from October 4, 1979, but only up to the date private respondent serves notice of its option upon petitioner and the trial court; that is, if such option is for private respondent to appropriate the encroaching structure. In such event, petitioner would have a right of retention which negates the obligation to pay rent.[40] The rent should however continue if the option chosen is compulsory sale, but only up to the actual transfer of ownership.

The award of attorney's fees by respondent Court against petitioner is unwarranted since the action appears to

have been filed in good faith. Besides, there should be no penalty on the right to litigate.[41]

WHEREFORE, premises considered, the petition is hereby GRANTED and the assailed Decision and the Amended Decision are REVERSED and SET ASIDE. In accordance with the case of *Depra vs. Dumlao*,[42] this case is REMANDED to the Regional Trial Court of Pasay City, Branch 117, for further proceedings consistent with Articles 448 and 546 [43] of the Civil Code, as follows:

The trial court shall determine:

- a) the present fair price of private respondent's 520 square-meter area of land;
- b) the increase in value ("plus value") which the said area of 520 square meters may have acquired by reason of the existence of the portion of the building on the area;
- c) the fair market value of the encroaching portion of the building; and
- d) whether the value of said area of land is considerably more than the fair market value of the portion of the building thereon.

2. After said amounts shall have been determined by competent evidence, the regional trial court shall render judgment as follows:

- a) The private respondent shall be granted a period of fifteen (15) days within which to exercise his option under the law (Article 448, Civil Code), whether to appropriate the portion of the building as his own by paying to petitioner its fair market value, or to oblige petitioner to pay the price of said area. The amounts to be respectively paid by petitioner and private respondent, in accordance with the option thus exercised by written notice of the other party and to the court, shall be paid by the obligor within fifteen (15) days from such notice of the option by tendering the amount to the trial court in favor of the party entitled to receive it;
- b) If private respondent exercises the option to oblige petitioner to pay the price of the land but the latter rejects such purchase because, as found by the trial court, the value of the land is considerably more than that of the portion of the building, petitioner shall give written notice of such rejection to private respondent and to the trial court within fifteen (15) days from notice of private respondent's option to sell the land. In that event, the parties shall be given a period of fifteen (15) days from such notice of rejection within which to agree upon the terms of the lease, and give the trial court formal written notice of the agreement and its provisos. If no agreement is reached by the parties, the trial court, within fifteen (15) days from and after the termination of the said period fixed for negotiation, shall then fix the terms of the lease provided that the monthly rental to be fixed by the Court shall not be less than two thousand pesos (P2,000.00) per month, payable within the first five (5) days of each calendar month. The period for the forced lease shall not be more than two (2) years, counted from the finality of the judgment, considering the long period of time since 1970 that petitioner has occupied the subject area. The rental thus fixed shall be increased by ten percent (10%) for the second year of the forced lease. Petitioner shall not make any further constructions or improvements on the building. Upon expiration of the two-year period, or upon default by petitioner in the payment of rentals for two (2) consecutive months, private respondent shall be entitled to terminate the forced lease, to recover his land, and to have the portion of the building removed by petitioner or at latter's expense. The rentals herein provided shall be tendered by petitioner to the trial court for payment to private respondent, and such tender shall constitute evidence of whether or not compliance was made within the period fixed by the said court.
- c) In any event, petitioner shall pay private respondent an amount computed at two thousand pesos (P2,000.00) per month as reasonable compensation for the occupancy of private respondent's land for the period counted from

October 4, 1979, up to the date private respondent serves notice of its option to appropriate the encroaching structures, otherwise up to the actual transfer of ownership to petitioner or, in case a forced lease has to be imposed, up to the commencement date of the forced lease referred to in the preceding paragraph;

d) The periods to be fixed by the trial court in its decision shall be non-extendible, and upon failure of the party obliged to tender to the trial court the amount due to the obligee, the party entitled to such payment shall be entitled to an order of execution for the enforcement of payment of the amount due and for compliance with such other acts as may be required by the prestation due the obligee.

No costs.

SO ORDERED.

Narvasa, C.J., (Chairman), Davide, Jr., Melo, and Francisco, JJ., concur.

[1] Rollo, pp. 10-17.

[2] Special Seventeenth Division composed of J. Antonio M. Martinez, ponente, and JJ. Serafin V.C. Guingona and Salome A. Montoya, concurring.

[3] Rollo, pp. 16-17.

[4] Ibid., pp. 20-21.

[5] Ibid., pp. 11-12.

[6] Presided by Judge Leonardo M. Rivera.

[7] Rollo, p. 10.

[8] Ibid., pp. 106-107.

[9] Ibid., p. 392.

[10] Ibid., p. 399.

[11] Ibid., p. 402.

[12] Ibid., p. 410.

[13] Ibid., p. 416.

[14] Ibid., p. 423.

[15] Ibid., p. 247.

[16] Ibid., pp. 253-255.

[17] 23 SCRA 230, April 26, 1968.

[18] 6 SCRA 938, December 29, 1962.

[19] Rollo, p. 14.

[20] 83 Phil. 543 (1949).

[21] U.S. vs. Rapiñan, 1 Phil. 294, 296 (1902); City of Manila vs. del Rosario, 5 Phil. 227, 231 (1905); Gabriel, et al. vs. Bartolome, et al., 7 Phil. 699, 706 (1907); Sideco vs. Pascua, 13 Phil. 342, 344 (1909); Arriola vs. Gomez

De la Serna, 14 Phil. 627, 629 (1909); Cea vs. Villanueva, 18 Phil. 538, 542 (1911); Bondad vs. Bondad, 34 Phil. 232, 233 (1916); Serra vs. National Bank, 45 Phil. 907 (1924); Escritor vs. Intermediate Appellate Court, 155 SCRA 577, 583, November 12, 1987.

[22] Article 529 of the Civil Code.

[23] Pleasantville Development Corporation vs. Court of Appeals, 253 SCRA 10, 18, February 1, 1996.

[24] Robleza vs. Court of Appeals, 174 SCRA 354, 365, June 28, 1989 citing Section 28, Rule 130, Rules of Court.

[25] Article 528 of the Civil Code.

[26] Ortiz vs. Kayanan, 92 SCRA 146, 159, July 30, 1979 citing Article 528, Civil Code.

[27] Ignacio vs. Hilario, 76 Phil. 605 (1946); Sarmiento vs. Agana, 129 SCRA 122, April 30, 1984.

[28] Rollo, p. 14.

[29] Original Records, p.179.

[30] 238 SCRA 463, 470-471, November 29, 1994.

[31] Article 450. The owner of the land on which anything has been built, planted or sown in bad faith may demand the demolition of the work, or that the planting or sowing be removed, in order to replace things in their former condition at the expense of the person who built, planted or sowed; or he may compel the builder or planter to pay the price of the land, and the sower the proper rent.

[32] 136 SCRA 475, 483, May 16, 1985.

[33] Ignacio vs. Hilario, *supra*. In Sarmiento vs. Agana (129 SCRA 122, 126, April 30, 1984), it was held that:

The owner of the building erected in good faith on a land owned by another, is entitled to retain the possession of the land until he is paid the value of his building, under Article 453 (now Article 546). The owner of the land, upon the other hand, has the option, under Article 361 (now Article 448), either to pay for the building or to sell his land to the owner of the building. But he cannot, as respondents here did, refuse both to pay for the building and to sell the land and compel the owner of the building to remove it from the land where it is erected. He is entitled to such remotion only when, after having chosen to sell his land, the other party fails to pay for the same.”

[34] Rollo, pp. 423-426.

[35] 109 Phil. 260, 264 (1960).

[36] at p. 265.

[37] In view of the compromise agreement, the encroaching wall was torn down. As explained in private respondent’s Memorandum, the area encroached by petitioner’s building is only 520 square meters, no longer the original 770 referred to in the statement of facts narrated by the two lower courts. (Rollo, p. 467).

[38] *Supra*.

[39] Heirs of Crisanta Y. Gabriel-Almoradie vs. Court of Appeals, 229 SCRA 15, 29, January 4, 1994.

[40] Grana vs. Court of Appeals, *supra*.

[41] Castillo vs. Court of Appeals, 205 SCRA 529, 537, January 27, 1992, citing Ilocos Norte Electric Company

vs. Court of Appeals, 179 SCRA 5, November 6, 1989 and Espiritu vs. Court of Appeals, 137 SCRA 50, June 19, 1985.

[42] Supra, at pp. 483-486.

[43] Article 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 therefor.

Useful expenses shall be refunded only to the possessor in good faith with the same right of retention, the person who has defeated him in the possession having the option of refunding the amount of the expenses or of paying the increase in value which the thing may have acquired by reason thereof.

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.