

FEDERICO GEMINIANO, MARIA GEMINIANO, ERNESTO GEMINIANO, ASUNCION GEMINIANO, LARRY GEMINIANO, AND MARLYN GEMINIANO, PETITIONERS, VS. COURT OF APPEALS, DOMINADOR NICOLAS, AND MARY...

G.R. No. 120303. July 24, 1996

Ponente: DAVIDE, JR., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-120303/>

DAVIDE, JR., J.:

This petition for review on certiorari has its origins in Civil Case No. 9214 of Branch 3 of the Municipal Trial Court in Cities (MTCC) in Dagupan City for unlawful detainer and damages. The petitioners ask the Court to set aside the decision of the Court of Appeals affirming the decision of Branch 40 of the Regional Trial Court (RTC) of Dagupan City, which, in turn, reversed the MTCC; ordered the petitioners to reimburse the private respondents the value of the house in question and other improvements; and allowed the latter to retain the premises until reimbursement was made.

It appears that Lot No. 3765-B-1 containing an area of 314 square meters was originally owned by the petitioners' mother, Paulina Amado vda. de Geminiano. On a 12-square-meter portion of that lot stood the petitioners' unfinished bungalow, which the petitioners sold in November 1978 to the private respondents for the sum of P6,000.00, with an alleged promise to sell to the latter that portion of the lot occupied by the house. Subsequently, the petitioners' mother executed a contract of lease over a 126 square-meter portion of the lot, including that portion on which the house stood, in favor of the private respondents for P40.00 per month for a period of seven years commencing on 15 November 1978.[1] The private respondents then introduced additional improvements and registered the house in their names. After the expiration of the lease contract in November 1985, however, the petitioners' mother refused to accept the monthly rentals.

It turned out that the lot in question was the subject of a suit, which resulted in its acquisition by one Maria Lee in 1972. In 1982, Lee sold the lot to Lily Salcedo, who in turn sold it in 1984 to the spouses Agustin and Ester Dionisio.

On 14 February 1992, the Dionisio spouses executed a Deed of Quitclaim over the said property in favor of the petitioners.[2] As such, the lot was registered in the latter's names.[3]

On 9 February 1993, the petitioners sent, via registered mail, a letter addressed to private respondent Mary Nicolas demanding that she vacate the premises and pay the rentals in arrears within twenty days from notice.[4]

Upon failure of the private respondents to heed the demand, the petitioners filed with the MTCC of Dagupan City a complaint for unlawful detainer and damages.

During the pre-trial conference, the parties agreed to confine the issues to: (1) whether there was an implied renewal of the lease which expired in November 1985; (2) whether the lessees were builders in good faith and entitled to reimbursement of the value of the house and improvements; and (3) the value of the house.

The parties then submitted their respective position papers and the case was heard under the Rule on Summary Procedure.

On the first issue, the court held that since the petitioners' mother was no longer the owner of the lot in question at the time the lease contract was executed in 1978, in view of its acquisition by Maria Lee as early as 1972, there was no lease to speak of, much less, a renewal thereof. And even if the lease legally existed, its implied renewal was not for the period stipulated in the original contract, but only on a month-to-month basis pursuant to Article 1687 of the Civil Code. The refusal of the petitioners' mother to accept the rentals starting January 1986 was then a clear indication of her desire to terminate the monthly lease. As regards the petitioners' alleged failed promise to sell to the private respondents the lot occupied by the house, the court held that such should be litigated in a proper case before the proper forum, not an ejectment case where the only issue was physical possession of the property.

The court resolved the second issue in the negative, holding that Articles 448 and 546 of the Civil Code, which allow possessors in good faith to recover the value of improvements and retain the premises until reimbursed, did not apply to lessees like the private respondents, because the latter knew that their occupation of the premises would continue only during the life of the lease. Besides, the rights of the private respondents were specifically governed by Article 1678, which allows reimbursement of up to one-half of the value of the useful improvements, or removal of the improvements should the lessor refuse to reimburse.

On the third issue, the court deemed as conclusive the private respondents' allegation that the value of the house and improvements was P180,000.00, there being no controverting evidence presented.

The trial court thus ordered the private respondents to vacate the premises, pay the petitioners P40.00 a month as reasonable compensation for their stay thereon from the filing of the complaint on 14 April 1993 until they vacated, and to pay the sum of P1,000.00 as attorney's fees, plus costs.[5]

On appeal by the private respondents, the RTC of Dagupan City reversed the trial court's decision and rendered a new judgment: (1) ordering the petitioners to reimburse the private respondents for the value of the house and improvements in the amount of P180,000.00 and to pay the latter P10,000.00 as attorney's fees and P2,000.00 as litigation expenses; and (2) allowing the private respondents to remain in possession of the premises until they were fully reimbursed for the value of the house.[6] It ruled that since the private respondents were assured by the petitioners that the lot they leased would eventually be sold to them, they could be considered builders in good faith, and as such, were entitled to reimbursement of the value of the house and improvements with the right of retention until reimbursement had been made.

On appeal, this time by the petitioners, the Court of Appeals affirmed the decision of the RTC[7] and denied[8] the petitioners' motion for reconsideration. Hence, the present petition.

The Court is confronted with the issue of which provision of law governs the case at bench: Article 448 or Article 1678 of the Civil Code? The said articles read as follows:

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

xxx xxx xxx

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.

With regard to ornamental expenses, the lessee shall not be entitled to any reimbursement, but he may remove the ornamental objects, provided no damage is caused to the principal thing, and the lessor does not choose to retain them by paying their value at the time the lease is extinguished.

The crux of the said issue then is whether the private respondents are builders in good faith or mere lessees.

The private respondents claim they are builders in good faith, hence, Article 448 of the Civil Code should apply. They rely on the lack of title of the petitioners' mother at the time of the execution of the contract of lease, as well as the alleged assurance made by the petitioners that the lot on which the house stood would be sold to them.

It has been said that while the right to let property is an incident of title and possession, a person may be a lessor and occupy the position of a landlord to the tenant although he is not the owner of the premises let.[9] After all, ownership of the property is not being transferred,[10] only the temporary use and enjoyment thereof.[11]

In this case, both parties admit that the land in question was originally owned by the petitioners' mother. The land was allegedly acquired later by one Maria Lee by virtue of an extrajudicial foreclosure of mortgage. Lee, however, never sought a writ of possession in order that she gain possession of the property in question.[12] The petitioners' mother therefore remained in possession of the lot.

It is undisputed that the private respondents came into possession of a 126 square-meter portion of the said lot by virtue of a contract of lease executed by the petitioners' mother in their favor. The juridical relation between the petitioners' mother as lessor, and the private respondents as lessees, is therefore well-established, and carries with it a recognition of the lessor's title.[13] The private respondents, as lessees who had undisturbed possession for the entire term under the lease, are then estopped to deny their landlord's title, or to assert a better title not only in themselves, but also in some third person while they remain in possession of the leased premises and until they surrender possession to the landlord.[14] This estoppel applies even though the lessor had no title at the time the relation of lessor and lessee was created,[15] and may be asserted not only by the original lessor, but also by those who succeed to his title.[16]

Being mere lessees, the private respondents knew that their occupation of the premises would continue only for the life of the lease. Plainly, they cannot be considered as possessors nor builders in good faith.[17]

In a plethora of cases,[18] this Court has held that Article 448 of the Civil Code, in relation to Article 546 of the same Code, which allows full reimbursement of useful improvements and retention of the premises until reimbursement is made, applies only to a possessor in good faith, i.e., one who builds on land with the belief that he is the owner thereof. It does not apply where one's only interest is that of a lessee under a rental contract; otherwise, it would always be in the power of the tenant to "improve" his landlord out of his property.

Anent the alleged promise of the petitioners to sell the lot occupied by the private respondents' house, the same was not substantiated by convincing evidence. Neither the deed of sale over the house nor the contract of lease contained an option in favor of the respondent spouses to purchase the said lot. And even if the petitioners indeed promised to sell, it would not make the private respondents possessors or builders in good faith so as to be covered by the provisions of Article 448 of the Civil Code. The latter cannot raise the mere expectancy of ownership of the aforementioned lot because the alleged promise to sell was not fulfilled nor its existence even

proven. The first thing that the private respondents should have done was to reduce the alleged promise into writing, because under Article 1403 of the Civil Code, an agreement for the sale of real property or an interest therein is unenforceable, unless some note or memorandum thereof be produced. Not having taken any steps in order that the alleged promise to sell may be enforced, the private respondents cannot bank on that promise and profess any claim nor color of title over the lot in question.

There is no need to apply by analogy the provisions of Article 448 on indemnity as was done in *Pecson vs. Court of Appeals*,^[19] because the situation sought to be avoided and which would justify the application of that provision, is not present in this case. Suffice it to say, "a state of forced co-ownership" would not be created between the petitioners and the private respondents. For, as correctly pointed out by the petitioners, the rights of the private respondents as lessees are governed by Article 1678 of the Civil Code which allows reimbursement to the extent of one-half of the value of the useful improvements.

It must be stressed, however, that the right to indemnity under Article 1678 of the Civil Code arises only if the lessor opts to appropriate the improvements. Since the petitioners refused to exercise that option,^[20] the private respondents cannot compel them to reimburse the one-half value of the house and improvements. Neither can they retain the premises until reimbursement is made. The private respondents' sole right then is to remove the improvements without causing any more impairment upon the property leased than is necessary.^[21]

WHEREFORE, judgment is hereby rendered GRANTING the instant petition; REVERSING and SETTING ASIDE the decision of the Court of Appeals of 27 January 1995 in CA-G.R. SP No. 34337; and REINSTATING the decision of Branch 3 of the Municipal Trial Court in Cities of Dagupan City in Civil Case No. 9214 entitled "*Federico Geminiano, et al. vs. Dominador Nicolas, et al.*"

Costs against the private respondents.

SO ORDERED.

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

[1] Rollo, CA-G.R. SP No. 34337 (CA-Rollo), 26.

[2] *Id.*, 25.

[3] *Id.*, 24.

[4] *Id.*, 28.

[5] CA-Rollo, 37. Per Judge Emilio V. Angeles.

[6] *Id.*, 20. Per Judge Deodoro J. Sison.

[7] Annex "A" of Petition; Rollo, 15. Per Luna, A., J., with Barcelona, R., and Jacinto, G., JJ., concurring.

[8] Annex "B", *Id.*, 28.

[9] 49 Am Jur 2d, Landlord and Tenant, §12, 55.

[10] EDGARDO L. PARAS, Civil Code of the Philippines, vol. V [1986], 258.

[11] *Jovellanos vs. Court of Appeals*, 210 SCRA 126, 132 [1992].

[12] *Joven vs. Court of Appeals*, 212 SCRA 700, 708 [1992].

[13] 49 Am Jur, op. cit., §120, 150.

[14] §2(b), Rule 131, Rules of Court; *Borre vs. Court of Appeals*, 158 SCRA 560, 566 [1988]; *Manuel vs. Court of Appeals*, 199 SCRA 603, 607 [1991]; *Munar vs. Court of Appeals*, 238 SCRA 372, 380 [1994]; 49 Am Jur, op. cit., § 129, 158.

[15] *Manuel vs. Court of Appeals*, supra note 14, at 607-608; 49 Am Jur, op. cit., § 110, 144; § 129, 158.

[16] 49 Am Jur, op. cit., § 122, 152.

[17] *Racaza vs. Susana Realty, Inc.*, 18 SCRA 1172, 1178 [1966]; *Vda. de Bacaling vs. Laguna*, 54 SCRA 243, 250 [1973]; *Santos vs. Court of Appeals*, 221 SCRA 42, 46 [1993].

[18] *Alburo vs. Villanueva*, 7 Phil. 277, 280 [1907] (referring to the provisions of the Old Civil Code); *Racaza vs. Susana Realty, Inc.* supra note 17, at 1177-1178; *Bulacanag vs. Francisco*, 122 SCRA 498, 502 [1983]; *Gabrito vs. Court of Appeals*, 167 SCRA 771, 778-779 [1988]; *Cabangis vs. Court of Appeals*, 200 SCRA 414, 419-421 [1991]; *Heirs of the late Jaime Binuya vs. Court of Appeals*, 211 SCRA 761, 766 [1992].

[19] 244 SCRA 407 [1995].

[20] CA-Rollo, 15.

[21] *Heirs of the late Jaime Binuya vs. Court of Appeals*, supra note 18, at 768.

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.