

MARGUERITE J. LHUILLIER, PETITIONER, VS. THE HON. COURT OF APPEALS, HON. MEINRADO P. PAREDES, HON. MARIO V. MANAYON, SHERIFF EDILBERTO R. SUARIN AND CEBU MARIJOY REALTY CORP., R...

G.R. No. 128058. December 19, 2000

Ponente: QUISUMBING, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-128058/>

QUISUMBING, J.:

This petition[1] seeks to annul and set aside the decision dated October 4, 1996, of the Court of Appeals in CA-G.R. SP No. 39807, dismissing petitioner's petition for review. It likewise seeks to annul the resolution dated January 17, 1997, denying petitioner's motion for reconsideration.

On August 1, 1980, petitioner Marguerite J. Lhuillier entered into a two-year lease contract with private respondent Cebu Marijoy Realty Corporation, covering units 101 and 102 of Marijoy Building. The contract provided that the lessee shall not make any alterations on the leased premises nor make any improvements without a written consent from the owner, and that the lessor shall own the permanent fixtures introduced upon the contract's termination, without reimbursement.[2]

Starting 1982, petitioner and private respondent verbally renewed the contract everytime it expired, stipulating new lease rates and periods. The parties last renewed it in 1993, for the period March 1, 1993 until February 28, 1994, with a monthly rent of P10,000.00.

On April 29, 1993 within the last contract period, petitioner, through a letter to private respondent, requested permission to introduce improvements and proposed a three-year extension of the lease, with option for renewal.

Private respondent replied in writing on May 4, 1993, that the introduction of improvements in the leased premises would be approved subject to the following terms and conditions:

- (1) two-year contract period starting June, 1993 with a new fixed monthly rental and an option for subsequent yearly renewals under new terms;
- (2) payment of rental to be made within the first five (5) days of the current rental month, with late payments subject to a 2% monthly surcharge;
- (3) payment of security deposit equivalent to one (1) month rental; and
- (4) all improvements must be in accordance with existing government codes and must have standard permits or licenses.[3]

Negotiations between petitioner and private respondent ensued, but no final agreement was reached. Petitioner proceeded, however, to introduce improvements.

When the expiration date of the contract neared, private respondent offered petitioner a new contract for one (1)

year, beginning March 1, 1994 until February 28, 1995, with a monthly rent of P35,000.00. Petitioner objected and insisted on the old rate which respondent refused to accept. Consequently, petitioner consigned the rentals in court as they fell due.

On June 2, 1994, private respondent instituted against petitioner an action for collection of rentals, unlawful detainer and ejectment, docketed as Civil Case No. R-33061 in the municipal trial court.

On June 3, 1994, petitioner in turn filed with the regional trial court, a complaint docketed as Civil Case No. CEB 16119, to fix the period of lease and amount of rent.

On March 1, 1995, the municipal trial court rendered its decision, the dispositive portion of which reads:

WHEREFORE, judgment is rendered in favor of plaintiff [Marijoy Realty] as against defendant [Marguerite Lhuillier], ordering the latter:

- To vacate the premises and to surrender to plaintiff the possession thereof;
- To pay unto plaintiff rentals in arrears starting from the month of March, 1994 and succeeding months thereafter until the premises is fully vacated at the rate of Php 10,000.00 per month;
- To pay unto plaintiff the sum of Php 10,000.00 as attorney's fees;
- Plaintiff at her option shall pay defendant the sum of Php 300,000.00 representing one-half (1/2) the value of improvements introduced by defendant. Should plaintiff refuse to reimburse said amount, defendant shall remove the improvements, even though the principal thing may suffer damage thereby. Defendant shall not, however, cause any more impairment upon the property leased than is necessary.
- Defendant to pay the costs of suit.[4]

Both petitioner and respondent appealed to the Regional Trial Court of Cebu, Branch 13, which on September 14, 1995 disposed of the case, thus:

WHEREFORE, judgment is hereby rendered AFFIRMING the Decision of the lower court ordering the defendant to vacate the premises and to surrender to plaintiff the possession thereof with the following modifications:

- (1) Defendant is directed to pay plaintiff rentals in arrears starting March 1994 and succeeding months thereafter until the premises is fully vacated at the rate of Php 28,000.00 per month;
- (2) Elimination of Php 10,000.00 attorney's fees to the plaintiff;
- (3) Elimination of the order giving plaintiff option to pay Php 300,000.00 or for the defendant to remove the improvements.

Without special pronouncement as to costs.[5]

On February 14, 1996, petitioner filed a petition for review with the Court of Appeals. On March 6, 1996, the parties submitted for approval a partial compromise agreement, which provided, among others, that petitioner would surrender possession of the property on March 31, 1996 and pay private respondent her unpaid balance of P50,260.00. Parties agreed that the only unresolved issues were the monthly rentals and whether petitioner was entitled to 1/2 of the value of the improvements introduced on the leased premises. At the July 8, 1996 hearing, the parties agreed on the monthly rent of P28,000.00.

On October 4, 1996, the Court of Appeals rendered the challenged decision that reads:

WHEREFORE, the petition is DISMISSED. The improvements introduced by petitioner Marguerite Lhuillier

in the leased premises are hereby declared to be the exclusive property of respondent Cebu Marijoy Realty Corporation. No costs.[6]

On November 24, 1992, petitioner filed a motion for reconsideration, which was denied in a resolution dated January 17, 1997.[7] Hence this petition for review, wherein petitioner avers that the Court of Appeals has:

I.... DECIDED THE CASE BELOW NOT IN ACCORDANCE WITH LAW WHEN IT UPHELD THE PREVIOUS LEASE CONTRACT WHICH PROVIDES THAT IMPROVEMENTS SHALL BELONG TO THE LESSOR AS BASIS IN HOLDING THAT ARTICLE 1678 OF THE CIVIL CODE DOES NOT APPLY IN THE PRESENT CASE;

II....GONE BEYOND THE ISSUE SUBMITTED BY THE PARTIES WHEN IT DECLARED THAT ARTICLE 1678 OF THE CIVIL CODE DOES NOT APPLY IN THE PRESENT CASE;

III....DECIDED THE CASE BELOW NOT IN ACCORDANCE WITH LAW WHEN IT HELD THAT ARTICLE 1678 OF THE CIVIL CODE DOES NOT APPLY BECAUSE PETITIONER CAN NOT COMPEL THE RESPONDENT TO REIMBURSE HER OF THE COST OF THE IMPROVEMENTS; and that

IV. THE DECISION OF THE HONORABLE COURT OF APPEALS THAT THE INTRODUCTION OF THE QUESTIONED IMPROVEMENTS CAN NOT BE CONSIDERED TO HAVE BEEN DONE IN GOOD FAITH IS NOT IN ACCORD WITH LAW AND THE APPLICABLE DECISION OF THE SUPREME COURT INVOLVING ARTICLE 1678 OF THE CIVIL CODE AND THE ATTENDANT CIRCUMSTANCE AND EQUITABLE CONSIDERATIONS UPHELD IN THE CASE OF SYQUIA VS. HON. COURT OF APPEALS, GR NO. L-61932 JUNE 30, 1987.[8]

In sum, the issues for resolution are:

- Did the original contract, except for the lease rate and period, govern the subsequent lease contracts?
- Is Article 1678 of the Civil Code applicable? Did the Court of Appeals go beyond the issues when it ruled that Art. 1678 of the Civil Code did not apply in the instant case?
- Did the appellate court err in ruling that there was bad faith when petitioner made the improvements?

On the first issue, petitioner argues that the subsequent lease contracts, especially that pertaining to year 1993 when she introduced the subject improvements, were no longer subject to the terms and conditions of the original 1980 contract. The 1980 contract ended when both parties did not execute a new contract after the expiration of the 1980 contract in 1982 when they merely agreed verbally to continue the lease.

We ruled in *Ledesma vs. Javellana*, 121 SCRA 794, 798 (1983) that a covenant to renew a lease, which makes no provision on its terms, implies an extension or renewal subject to the same terms in the original lease contract. Since the parties did not make a new one, the terms and conditions of the original except the provision on the rate and period of lease are deemed extended. Corollarily, Art. 1678 of the Civil Code did not apply.[9] The parties agreed that all improvements introduced by the lessee would accrue to the benefit of the owner at the end of the lease, without reimbursement.[10] This stipulation, not being contrary to law, morals, public order or public policy, binds the parties and is the law between them.[11]

On the second issue, petitioner claims that the parties effectively admitted the applicability of Art. 1678 of the Civil Code when they agreed that the only unresolved issue was petitioner's right of reimbursement and the appellate court went beyond the issues when it declared otherwise.

If petitioner's claim were adopted, the respondent court would be prevented from exercising its judgment in deciding the case. It will have nothing else to do but to mechanically apply the law pursuant to the litigants'

wishes. But it is basic that the court has to decide a question according to its own judgment or understanding of the law regarding the law's applicability to the attendant facts and circumstances[12] of the case. Petitioner's stance is obviously without merit.

Lastly, petitioner disputes the appellate court's finding of lack of good faith on her part in introducing the improvements on the premises. She says she had a written consent from the private respondent and that she introduced the improvements with honest intentions conformably with Article 1678 of the Civil Code, in good faith. The issue of good faith under said Article, however, is mooted by our conclusion that the original lease contract of the parties still governed their subsequent lease agreements.

WHEREFORE, the petition is DENIED, and the assailed decision of the Court of Appeals is AFFIRMED. Costs against petitioner.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, Buena, and De Leon, Jr., JJ., concur.

[1]Rollo, pp. 39-70.

[2]CA Records, p. 219.

[3]Id. at 255-256.

[4]Id. at 175.

[5]Id at 185.

[6]Id. at 82.

[7]Id. at 100.

[8]Id at 49-50.

[9]Art. 1678, Civil Code: 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.

[10]The Lessee shall not without consent in writing of the Owner, make any alterations on the leased premises nor make any improvements, and any permanent fixtures introduced shall upon termination of this Contract, become the exclusive property of the Owner, without the necessity of compensating the Lessee for the cost or value thereof.

[11]Odyssey Park, Inc. vs. CA, 280 SCRA 253, 261, (1997); Jovellanos vs. CA, 210 SCRA 126 (1992).

[12]Go vs. CA, 252 SCRA 564, 567 (1996).

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.