PRIVATIZATION AND MANAGEMENT OFFICE, PETITIONER, VS. LEGASPI TOWERS 300, INC., RESPONDENT.

G.R. No. 147957. July 22, 2009

Ponente: PERALTA, J.

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PERALTA, J.:

This is a petition for review on certiorari seeking to annul and set aside the Decision[1] dated February 16, 2001, of the Court of Appeals (CA) in CA-G.R. CV No. 48984, affirming the Decision of the Regional Trial Court (RTC).

The factual and procedural antecedents are as follows:

Caruff Development Corporation owned several parcels of land along the stretch of Roxas Boulevard, Manila. Among them were contiguous lots covered by Transfer Certificate of Title (TCT) Nos. 120311, 120312, 120313, and 127649 (now TCT No. 200760).

Sometime in December 1975, Caruff obtained a loan from the Philippine National Bank (PNB) to finance the construction of a 21-storey condominium along Roxas Boulevard.[2] The loan accommodation was secured by a real estate mortgage over three (3) parcels of land covered by TCT Nos. 120311, 120312, and 120313,[3] where Caruff planned to erect the condominium.

In 1979, Caruff started constructing a multi-storey building on the mortgaged parcels of land. Along with the other appurtenances of the building constructed by Caruff, it built a powerhouse (generating set) and two sump pumps in the adjacent lot covered by TCT No. 127649 (now TCT No. 200760).

After the completion of the condominium project, it was constituted pursuant to the Condominium Act (Republic Act No. 4726), as the Legaspi Towers 300, Inc.

However, for Caruff's failure to pay its loan with PNB, the latter foreclosed the mortgage and acquired some of the properties of Caruff at the sheriff's auction sale held on January 30, 1985.[4]

Thereafter, Proclamation No. 50[5] was issued. It was aimed to promote privatization "for the prompt disposition of the large number of non-performing assets of the government financial institutions, and certain government-owned and controlled corporations, which have been found unnecessary or inappropriate for the government sector to maintain." It also provided for the creation of the Asset Privatization Trust (APT).

By virtue of Administrative Order No. 14 and the Deed of Transfer executed by PNB, the National Government, thru the APT, became the assignee and transferee of all its rights and titles to and interests in its receivables with Caruff, including the properties it acquired from the foreclosure of Caruff's mortgage.

Meanwhile, Caruff filed a case against PNB before the RTC of Manila, Branch 2, whereby Caruff sought the nullification of PNB's foreclosure of its properties.[6] The case was docketed as Civil Case No. 85-29512.

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A Compromise Agreement[7] dated August 31, 1988 was later entered into by Caruff, PNB, and the National Government thru APT. The parties agreed, among other things, that Caruff would transfer and convey in favor of the National Government, thru the APT, the lot covered by TCT No. 127649 (now TCT No. 200760), where it built the generating set and sump pumps.

On September 9, 1988, the RTC rendered a Decision approving the Compromise Agreement executed and submitted by the parties. The dispositive portion of said Decision reads:

> x x x and finding the foregoing compromise agreement to be well-taken, the Court hereby approves the same and renders judgment in accordance with the terms and conditions set forth [sic] therein and enjoins the parties to comply strictly therewith.
>
> SO ORDERED.[8]

Thus, by virtue of the Decision, the subject property was among those properties that were conveyed by Caruff to PNB and the National Government thru APT.

On July 5, 1989, respondent filed a case for Declaration of the existence of an easement before the RTC of Manila, docketed as Spec. Proc. No. 89-49563. Respondent alleged that the act of Caruff of constructing the powerhouse and sump pumps on its property constituted a voluntary easement in favor of the respondent. It prayed, among other things, that judgment be rendered declaring the existence of an easement over the portion of the property covered by TCT No. 127649 (now TCT No. 200760) that was being occupied by the powerhouse and the sump pumps in its favor, and that the Register of Deeds of Manila annotate the easement at the back of said certificate of title.[9]

In its Answer with Counterclaim and Cross-claim,[10] APT alleged that respondent had no cause of action against it, because it was but a mere transferee of the land. It acquired absolute ownership thereof by virtue of the Compromise Agreement in Civil Case No. 85-2952, free from any liens and/or encumbrances. It was not a privy to any transaction or agreement entered into by and between Caruff, respondent, and the bank. It further alleged that the continued use of the subject property by respondent and the condominium owners without its consent was an encroachment upon its rights as absolute owner and for which it should be properly compensated.

On January 12, 1995, after trial on the merits, the RTC rendered a Decision[11] declaring the existence of an easement over the portion of the land covered by TCT No. 127649 (TCT No. 200760), the decretal portion of which reads:

> WHEREFORE, judgment is hereby rendered in favor of the petitioner and against the respondents hereby declaring the existence of an easement over the portion of land covered by TCT No. 200760 (previously No. 127649) occupied at present [by the] powerhouse and sump pumps nos. 1 and 2 only, of Legaspi Towers 300, in favor of Legaspi Towers 300, Incorporated. The Register of Deeds of Manila is, likewise, hereby directed to annotate this easement at the back of the said certificate of title. The counterclaim and cross-claim are dismissed accordingly.
>
> SO ORDERED.

Aggrieved, APT sought recourse before the CA in CA-G.R. CV No. 48984.

Subsequently, the term of existence of APT expired and, pursuant to Section 2, Article III of Executive Order No. 323, the powers, functions, duties and responsibilities of APT, as well as all the properties, real or personal assets, equipments and records held by it and its obligations and liabilities that were incurred, was transferred to petitioner Privatization and Management Office (PMO). Thus, the PMO substituted APT in its appeal.

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On February 16, 2001, finding no reversible error on the part of the RTC, the CA rendered a Decision[12] affirming the decision appealed from. PMO filed a Motion for Reconsideration, but it was denied in the Resolution[13] dated May 3, 2001.

Hence, the present petition assigning the following errors:

> I
>
> THE PUBLIC RESPONDENT COURT OF APPEALS ERRED IN AFFIRMING THE DECISION OF THE COURT A QUO IN FINDING THAT [THE] PRESENCE OF THE GENERATOR SET (GENERATING SET) AND SUMP PUMPS CONSTITUES AN EASEMENT.
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> II
>
> THE PUBLIC RESPONDENT COURT OF APPEALS ERRED IN AFFIRMING THE DECISION OF THE COURT A QUO IN DECLARING THE EXISTENCE OF AN EASEMENT OVER THE PORTION OF LAND COVERED BY TCT NO. [200760] OCCUPIED BY THE GENERATOR SET AND SUMP PUMPS NOS. 1 AND 2, PURSUANT TO ARTICLE 688 OF THE CIVIL CODE.
>
> III
>
> THE PUBLIC RESPONDENT COURT OF APPEALS ERRED IN AFFIRMING THE DECISION OF THE COURT A QUO IN NOT REQUIRING THE RESPONDENT-PETITIONER TO PAY ANY COMPENSATION TO PETITIONER, THE OWNER OF THE LAND, FOR THE USE OF ITS PROPERTY.[14]

Petitioner argues that the presence of the generator set and sump pumps does not constitute an easement. They are mere improvements and/or appurtenances complementing the condominium complex, which has not attained the character of immovability. They were placed on the subject property as accessories or improvements for the general use and comfort of the occupants of the condominium complex.

Petitioner maintains that, as the generator set and sump pumps are improvements of the condominium, the same should have been removed after Caruff undertook to deliver the subject property free from any liens and encumbrances by virtue of the Decision of the RTC in Civil Case No. 85-29512 approving the parties' Compromise Agreement. It adds that, in alienating the property in favor of APT/PMO, Caruff could not have intended to include as encumbrance the voluntary easement.

Petitioner posits that respondent failed to present any evidence to prove the existence of the necessary requisites for the establishment of an easement. There is no concrete evidence to show that Caruff had a clear and unequivocal intention to establish the placing of the generator set and sump pumps on the subject property as an easement in favor of respondent.

Lastly, petitioner contends that respondent is a "squatter" for having encroached on the former's property without its consent and without paying any rent or indemnity. Petitioner submits that respondent's presence on the subject property is an encroachment on ownership and, thus, cannot be properly considered an easement. It adds that an easement merely produces a limitation on ownership, but the general right of ownership of the servient tenement must not be impaired so as to amount to a taking of property. When the benefit being imposed is so great as to impair usefulness of the servient estate, it would amount to a cancellation of the rights of the latter.

Petitioner insists that, for having unjustly enriched itself at the expense of the National Government and for encroaching on the latter's rights as the absolute owner, respondent should rightfully compensate the National Government for the use of the subject property which dates back to August 28, 1989 up to the present.

For its part, respondent argues that it was the intention of Caruff to have a voluntary easement in the subject property and for it to remain as such even after the property was subsequently assigned to APT. It was Caruff who constructed the generating set and sump pumps on its adjacent property for the use and benefit of the condominium adjoining it. Also, the manner in which the sump pumps were installed is permanent in nature, since their removal and transfer to another location would render the same worthless and would cut off the supply of electricity and water to the condominium and its owners.

Respondent maintains that petitioner cannot assume that Caruff intended to renounce the voluntary easement over the subject property by virtue of the Compromise Agreement, since such defense can only be presented by Caruff and not the petitioner. It added that petitioner had actual notice of the presence of the generating set and sump pumps when they were negotiating with Caruff regarding the compromise agreement and at the time the subject property was transferred to petitioner. Also, petitioner cannot claim the payment of rent, considering that there was no written demand for respondent to pay rent or indemnity.

Respondent submits that the mandate of petitioner to privatize or dispose of the non-performing assets transferred to it does not conflict with the issue of the declaration of the easement over the subject property, considering that petitioner is not prevented from privatizing the same despite the presence of the voluntary easement.

The petition is meritorious.

An easement or servitude is "a real right constituted on another's property, corporeal and immovable, by virtue of which the owner of the same has to abstain from doing or to allow somebody else to do something on his property for the benefit of another thing or person."[15] The statutory basis of this right is Article 613 of the Civil Code, which provides:

> Art. 613. An easement or servitude is an encumbrance imposed upon an immovable for the benefit of another immovable belonging to a different owner.
>
> The immovable in favor of which the easement is established is called the dominant estate; that which is subject thereto, the servient estate.

There are two sources of easements: by law or by the will of the owners. Article 619 of the Civil Code states:

> Art. 619. Easements are established either by law or by the will of the owners. The former are called legal and the latter voluntary easements.

In the present case, neither type of easement was constituted over the subject property.

In its allegations, respondent claims that Caruff constituted a voluntary easement when it constructed the generating set and sump pumps over the disputed portion of the subject property for its benefit. However, it should be noted that when the appurtenances were constructed on the subject property, the lands where the condominium was being erected and the subject property where the generating set and sump pumps were constructed belonged to Caruff. Therefore, Article 613 of the Civil Code does not apply, since no true easement was constituted or existed, because both properties were owned by Caruff.

Also, Article 624 of the Civil Code is controlling, as it contemplates a situation where there exists an apparent sign of easement between two estates established or maintained by the owner of both. The law provides:

> Art. 624. The existence of an apparent sign of easement between two estates, established or maintained by the owner of both, shall be considered, should either of them be alienated, as a title in order that the easement may continue actively and passively, unless, at the time the ownership of the two estates is divided, the contrary should be provided in the title of conveyance of either of them, or the sign aforesaid should be removed before

> the execution of the deed. This provision shall also apply in case of the division of a thing owned in common by two or more persons.[16]

From the foregoing, it can be inferred that when the owner of two properties alienates one of them and an apparent sign of easement exists between the two estates, entitlement to it continues, unless there is a contrary agreement, or the indication that the easement exists is removed before the execution of the deed.

In relation thereto, the Compromise Agreement, as approved by the court, clearly states, among other things, that:

> x x x x
>
> 2.0 That in consideration of the covenants hereunder stipulated, plaintiff [Caruff] Development Corporation (CDC), hereby terminates the instant case against defendants Philippine National Bank (PNB) and the National Government/APT, and hereby:
>
> 2.1 Assigns, transfers and conveys in favor of defendant National government thru APT, CDC's rights, title and interest in the Maytubig property, situated at the back of the Legaspi Towers 300 Condominium, consisting of seven (7) contiguous lots with an aggregate area of 1,504.90 square meters, covered by the following Transfer Certificate of Title, viz: TCT No. 23663 - Pasay City Registry; TCT No. 142497 - Metro Manila 1 Registry; TCT No. 142141 - Metro Manila 1 Registry; TCT No. 127649 - Metro Manila 1 Registry; x x x; all titles, free from any and all liens and encumbrances, to be delivered, and the necessary papers and documents to be turned over/executed to effect transfer in favor of the National Government/APT, upon approval of this Compromise Agreement;
>
> x x x x.[17]

Thus, when the subject property was assigned to the National Government thru the APT, no easement arose or was voluntarily created from the transfer of ownership, considering that the parties, more particularly, Caruff, pledged that it was assigning, transferring, and conveying the subject property in favor of the National Government thru the APT "free from any and all liens and encumbrances."

Compromise agreements are contracts, whereby the parties undertake reciprocal obligations to resolve their differences, thus, avoiding litigation, or put an end to one already commenced.[18] As a contract, when the terms of the agreement are clear and explicit that they do not justify an attempt to read into it any alleged intention of the parties; the terms are to be understood literally, just as they appear on the face of the contract.[19] Considering that Caruff never intended to transfer the subject property to PMO, burdened by the generating set and sump pumps, respondent should remove them from the subject property.

As regards PMO's claim for rent, respondent has been enjoying the use of the subject property for free from the time the rights over the property were transferred and conveyed by Caruff to the National Government.

We have held that "[t]here is unjust enrichment when a person unjustly retains a benefit to the loss of another, or when a person retains money or property of another against the fundamental principles of justice, equity and good conscience." Article 22 of the Civil Code provides that "[e]very person who, through an act or performance by another, or any other means, acquires or comes into possession of something at the expense of the latter, without just or legal ground, shall return the same to him." The principle of unjust enrichment under Article 22 of the Civil Code requires two conditions: (1) that a person is benefited without a valid basis or justification, and(2) that such benefit is derived at another's expense or damage.[20]

In the present case, there is no dispute as to who owns the subject property and as to the fact that the National Government has been deprived of the use thereof for almost two decades. Thus, it is but just and proper that respondent should pay reasonable rent for the portion of the subject property occupied by the generating set and

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sump pumps, from the time respondent deprived the lawful owner of the use thereof up to the present. To rule otherwise would be unjust enrichment on the part of respondent at the expense of the Government.

From the records, APT/PMO submitted, as part of its evidence, a letter[21] dated June 18, 1992, wherein it fixed the monthly rental fee per square meter of the entire property at P56.25, or P1.81 per square meter per day. Hence, respondent should pay the National Government reasonable rent in the amount of P56.25 per square meter per month, to be reckoned from August 28, 1989 up to the time when the generating set and sump pumps are completely removed therefrom.

WHEREFORE, premises considered, the Decision of the Regional Trial Court in Spec. Proc. No. 89-49563 dated January 12, 1995, and the Decision and Resolution of the Court of Appeals in CA-G.R. CV No. 48984 dated February 16, 2001 and May 3, 2001, respectively, are REVERSED and SET ASIDE.

Legaspi Towers 300, Inc. is DIRECTED to REMOVE the generating set and sump pumps 1 and 2 from the property covered by TCT No. 200760 and to PAY reasonable rent at the rate of P56.25 per square meter/per month from August 28, 1989 until the same are completely removed.

SO ORDERED.

Ynares-Santiago, (Chairperson), Chico-Nazario, Velasco, Jr., and Nachura, JJ., concur.

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[1] Penned by Associate Justice Oswaldo D. Agcaoili, with Associate Justices Cancio C. Garcia (now a retired member of this Court) and Elvi John S. Asuncion, concurring; rollo, pp. 41-48.

[2] Id. at 18.

[3] Records, pp. 133-134.

[4] Id. at 134.

[5] Proclaiming and Launching a Program for the Expeditious Disposition and Privatization of Certain Government Corporations and/or the Assets Thereof, and Creating the Committee on Privatization and the Asset Privatization Trust; 82 O.G. No. 51, pp. 5954-5966.

[6] Rollo, p. 20.

[7] Records, pp. 46-51.

[8] Id. at 135-136.

[9] Rollo, p. 42.

[10] Records, pp. 155-161.

[11] Id. at 334-336.

[12] Supra note 1.

[13] Rollo, p. 50.

[14] Id. at 22.

[15] Valdez v. Tabisura, G.R. No. 175510, July 28, 2008, 560 SCRA 332, 337-338, citing 3 Sanchez Roman 572.

[16] Emphasis ours.

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[17] Records, p. 133. (Emphasis ours.)

[18] Alonzo v. San Juan, G.R. No. 137549, February 11, 2005, 451 SCRA 45, 58-59.

[19] First Fil-Sin Lending Corporation v. Padillo, G.R. No. 160533, January 12, 2005, 448 SCRA 71, 76.

[20] Car Cool Philippines, Inc. v. Ushio Realty and Development Corporation, G.R. No. 138088, January 23, 2006, 479 SCRA 404, 412-413.

[21] Records, pp. 299-300.

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