

**ADELFO MACEDA, PETITIONER, VS. HON. COURT OF APPEALS &
CEMENT CENTER, INC., RESPONDENTS.***G.R. No. 83545. August 11, 1989*

Ponente: GRIÑO-AQUINO, J.

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The issue raised in this case is the jurisdiction of the metropolitan trial court, in an ejectment case, over the lessee's counterclaim for the value of improvements exceeding the court's jurisdictional limit of P20,000. The Court of Appeals dismissed the counterclaim for lack of jurisdiction, hence, this petition for review by the lessee, Adelfo Maceda.

The leased property originally belonged to the spouses Arturo Victoria and Maxima Monserrat, a maternal aunt of the petitioner. After the spouses emigrated to the U.S. in 1970, they leased their house and lot in San Juan, Metro Manila, to the petitioner for P200 per month in 1970. As the house was old and run down, petitioner proposed to have it repaired and renovated subject to reimbursement of his expenses. The lessors allowed him to do so (Exh. 3) and requested him to send them pictures of the work accomplished (Exh. 3-a). He made extensive repairs, tearing down rotten parts of the house, rebuilding and extending it up to the garage which he converted into a dining room. He also moved the bathrooms around. The remodeling job cost P40,000. His aunt and uncle were pleased with the pictures of the remodelled house and made plans to reimburse him for his expenditures. But Maceda did not stop there. In what appears to be an orgy of building, he introduced more improvements. He constructed a new driveway, a basketball court and raised the ground level near the creek, elevated the fence, remodelled the gate, and landscaped the lawn.

In 1972, Arturo Victoria passed away in the United States. In 1973, his aunt's attorney-in-fact, Atty. Rustico Zapata, Sr., promised to sell the property to him for P125,000 after the title should have been transferred to his widowed aunt. On February 12, 1974, Atty. Zapata and a Mr. Gomez visited the place and informed him that his aunt had sold the property to Mrs. Gomez so he should vacate it. He refused to leave. As a result, Atty. Zapata filed an ejectment case against him on April 4, 1974, in the Municipal Court of San Juan, Rizal (Civil Case No. 3773). It was dismissed on the plaintiff's own motion.

In November 1974, Atty. Zapata informed the petitioner that the property had been sold to Pablo Zubiri for P145,000. He was asked to vacate it. Again, he refused. Zubiri filed an ejectment case against him (Civil Case No. 37781) in the Municipal Court of San Juan, Rizal. Petitioner insisted that he was entitled to retain possession of the premises until his expenses were duly reimbursed to him. The complaint was dismissed for failure to prosecute.

In 1978 Maxima Monserrat died in the United States.

On December 4, 1981, the property was sold by Zubiri to Cement Center, Inc. which obtained TCT Nos. 30844 and 30845 for the property. The president of the company inspected the premises. Maceda was asked to vacate the property because the company would build a housing project on it for its employees. Maceda insisted on being

reimbursed for his improvements as the original owners had promised to do. Formal demands to vacate and for payment of P4,000 monthly rental from April 15, 1982 were sent to him by the company. On January 17, 1984, another ejectment suit was filed against him in the Metropolitan Trial Court of San Juan, Metro Manila.

In his answer to the complaint, Maceda set up a counterclaim for P240,000, the alleged value of his improvements.

In its decision, the Metropolitan Trial Court ordered him to vacate the premises and pay the plaintiff P2,000 per month as reasonable compensation for his use of the premises until he actually vacates, and P5,000 as attorney's fees. It ordered the plaintiff to pay the defendant P158,000 as the value of his improvements and repairs, less his accrued rentals of P64,000 as of December 1985 and the sum of P12,000 which he had earlier received as partial reimbursement.

Both parties appealed to the Regional Trial Court. The Regional Trial Court set aside the inferior court's decision. On May 19, 1987, it dismissed the ejectment complaint, and ordered Cement Center to pay Maceda P182,000 for his necessary and useful improvements (pp. 31-49, Rollo of CA-G.R. No. 12536).

Cement Center filed a petition for review in the Court of Appeals (CA-G.R. SP No. 12536). On February 17, 1988, the Court of Appeals rendered a decision, modifying the appealed decision, the dispositive part of which reads thus:

"PREMISES CONSIDERED, the decision appealed from is hereby AFFIRMED insofar as it dismissed the complaint for ejectment filed by petitioner against private respondent. However, the portions of the decision declaring petitioner (plaintiff) under obligation to pay private respondent the sum of P182,200.00 corresponding to the value of the supposed necessary and useful improvements, as well as the pronouncement therein regarding private respondent's right of retention, are hereby SET ASIDE. With costs against petitioner." (p. 35, Rollo.)

The reason for the Court of Appeals' denial of Maceda's claim for reimbursement of the cost of his improvements was that the MTC lacked jurisdiction over the claim which exceeds P20,000. The Court of Appeals said:

"The Regional Trial Court, however, erred in declaring that petitioner is under obligation to pay private respondents the sum of P182,200.00 supposedly corresponding to the value of the necessary and useful improvements he had introduced on the leased premises, with the right of retention until he shall have been fully reimbursed therefor. The claim for reimbursement in the total amount of P240,000.00 was alleged by private respondent by way of counterclaim in his answer (pp. 40-41, Records). It is clear that the amount of counterclaim, is beyond the jurisdiction of the Metropolitan Trial Court. Under Section 33, B.P. Blg. 129, the Metropolitan Trial Court shall have exclusive original jurisdiction over civil actions where the amount of the demand does not exceed P20,000.00 exclusive of interest and costs but inclusive of damages of whatever kind. It goes without saying that the Regional Trial Court has no authority to entertain the counterclaim because it took cognizance of the case by virtue of its appellate jurisdiction.

"Considering that the Metropolitan Trial Court did not have jurisdiction to adjudicate the counterclaim, the decision of the Regional Trial Court on appeal giving private respondent the right of retention is without legal basis. Besides, the right of retention applies only to a possessor in good faith under Article 546 of the Civil Code. In lease, the lessee knows that his occupancy of the premises continues only during the lifetime of the lease contract. If he introduces improvements thereon, he does so at his own risk (*Imperial Insurance vs. Simon*, 14 SCRA 855). The rights of a lessee in good faith, which do not include the right of retention, are defined in Article 1678, x x x." (pp. 34-35, Rollo.)

In his petition for review of that decision in this Court, Maceda assails the setting aside of the money judgment or award for his improvements in the sum of P182,200, and the rejection of his claim to a right of retention over the

leased premises.

Maceda's petition for review (G.R. No. 83545) has no merit. The Court of Appeals correctly ruled that the municipal trial court did not have original jurisdiction over his counterclaim as it exceeds P20,000. Correspondingly, the regional trial court did not have appellate jurisdiction over the claim. The decision of the Municipal Trial Court of San Juan awarding him P158,000 on his counterclaim, and that of the Regional Trial Court raising the award to P182,200, were invalid for lack of jurisdiction. The jurisdiction of the Metropolitan Trial Court in a civil action for sum of money (Maceda's counterclaim for the value of his improvements is one such action) is limited to a demand that "does not exceed twenty thousand pesos exclusive of interest and costs but inclusive of damages of whatever kind." (Sec. 33, subpar. 1, B.P. Blg. 129.) A counterclaim in the municipal or city court beyond that jurisdictional limit may be pleaded only by way of defense to weaken the plaintiff's claim, but not to obtain affirmative relief (*Agustin vs. Bacalan*, 135 SCRA 340).

Maceda was not a possessor in good faith, i.e., one who possesses in concept of an owner, hence, he had no right to retain possession of the leased premises pending reimbursement of his improvements thereon. No mere lessee can claim to be a possessor in good faith. (Art. 546, Civil Code; *Eusebio vs. IAC*, 144 SCRA 154; *Laureano vs. Adil*, 72 SCRA 148.)

The promise of the now deceased spouses Arturo Victoria and Maxima Monserrat, to reimburse Maceda for his improvements was limited only to the initial remodelling job which cost P40,000, pictures of which he sent to the Victorias and which they approved and promised to reimburse. No similar promise to pay may be implied with regard to the additional improvements which he made without their approval and which were evidently intended to improve them out of their property.

In any event, since the undertaking of the Victorias to reimburse Maceda for the P40,000 worth of improvements which he introduced on their property was not recorded on their title, that promise did not encumber the property nor bind the purchaser thereof or the successor-in-interest of the Victorias (*Mun. of Victorias vs. CA*, 149 SCRA 32).

While it is true that under B.P. Blg. 877 a lessee may not be ejected on account of the sale or mortgage of the leased premises, the new owner's need of the premises for the construction of dwellings for its employees, coupled with the lessee's failure to pay the rentals since December 1981, are, to our mind, a legitimate ground for the judicial ejectment of the lessee.

Maceda's original rental of P200 per month could not be increased by the new owner, Cement Center, when it acquired the property on December 5, 1981 until B.P. Blg. 25 allowed a cumulative and compounded 10% yearly increase effective April 15, 1982, and a 20% increase effective April 15, 1985, pursuant to B.P. Blg. 867 and 887 and R.A. 6643. Based on those guidelines, the rentals due from Maceda from December 4, 1981 were as follows:

Per Month

Total

December 4, 1981

to

April 14, 1982

P200.00

P 900.00

+ 10% -

April 15, 1982

to

April 14, 1983

220.00

2, 640.00

April 15, 1983

to

April 14, 1984

242.00

2, 904.00

April 15, 1984

to

April 14, 1985

266.20

3, 194.40

+ 20% -

April 15, 1985

to

April 14, 1986

319.44

3, 833.28

April 15, 1986

to

April 14, 1987

383.32

4, 599.84

April 15, 1987

to

April 14, 1988

459.98

5, 519.75

April 15, 1988

to

April 14, 1989

551.97

6, 623.64

April 15, 1989

to

August 14, 1989

662.36

2, 649.44

P32, 864.36

WHEREFORE, the petition for review is granted with respect to the computation of the rentals due from the petitioner. He is ordered to pay the unpaid rentals of P32,864.36 for his occupancy of the private respondent's property from December 1981 to August 14, 1989 plus P662.36 monthly thereafter until he vacates the premises. The dismissal of his counterclaim for the value of his improvements is affirmed. No pronouncement as to costs.

SO ORDERED.

Narvasa, (Chairman), Cruz, Gancayco, and Medialdea, JJ., concur.

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