

## **FIFTH DIVISION**

**[ CA-G.R. CV NO. 59040, August 07, 2006 ]**

**JAIME D. REYES, ET AL., PLAINTIFFS-APPELLEES, VS. SPOUSES  
BONIFACIO AND SABINA DE CASTRO, DEFENDANTS-  
APPELLANTS.**

### **D E C I S I O N**

**ROMILLA-LONTOK, J.:**

Before Us is an appeal from the Decision rendered by the Regional Trial Court, Branch 12, Lipa City, Batangas the dispositive portion of which reads as follows, to wit:

"WHEREFORE, judgement is hereby rendered in favor of the plaintiffs and against the defendants ordering the latter and other persons claiming under them to vacate the land subject hereof and to surrender peaceful possession of the same to the former, to pay the sum of P249.00 monthly as reasonable rentals for the use and occupation of the land, from January 16, 1967 until she vacates the premises, to pay the sum of P10,000.00, as attorneys fees and the costs.

Having been declared as builders in bad faith, the defendants are also ordered to remove and/or demolished or caused to be removed and/or demolished, at their own expense, their house and all structures they have built on the land.

Defendants' counterclaim is dismissed for lack of merit.

Anent the third party complaint, judgment is also rendered in favor of the Spouses Bonifacio de Castro and Sabina Matanguihan and against Antonio Sauz, ordering the latter to reimburse for the sum of P207.88 they have paid to Maria Briones, to pay whatever amount they pay to the plaintiffs as reasonable rentals and/or damages for the use and occupation of the land to pay the sum of P10,000.00 as attorney's fees and the costs.

Third party defendant's counterclaim is dismissed for lack of merit.

IT IS SO ORDERED." <sup>[1]</sup>

On September 19, 1990, Jaime D. Reyes, Isabel R. Lontok, Gloria R. Altamirano, Rolando D. Reyes, Dolores R. Cabal, Shirley R. Garcia, Pablo M. Reyes, Jr., Thomas M. Reyes and Patricia M. Reyes, all of Sabang, Lipa City, as the registered owners of a real property located in Lipa City and covered by TCT No. 75124 filed against spouses Bonifacio de Castro and Sabina Matanguihan, a complaint for Recovery of Possession with Damages over a portion thereof with an area of Two Hundred

Twenty Nine (229) square meters. Said complaint alleges that plaintiffs acquired the entire property with an area of 16, 666 square meters, by inheritance, from the late Ignacia Saludo. Defendants, without the knowledge and consent of plaintiffs, unlawfully occupied aforesaid portion with an area of 229 square meters, constructed and continue to construct thereon structures and other improvements. Since January 16, 1967, plaintiffs formally informed defendants of their ownership coupled with a demand to vacate. Despite repeated demands, the latest being on July 7, 1988 defendants failed and refused to vacate, to the prejudice of plaintiffs. Reasonable compensation for the use of the premises is P229.00 a month. Plaintiffs pray that defendants be ordered to vacate the premises; to pay the sum of P63,204.00 as reasonable compensation for the use of the premises from 1967 up to the filing of the complaint and the further sum of P229.00 monthly until they vacate the premises; to pay P10,000.00 as attorney's fees; P1,000.00 per appearance and the costs of suit; and be declared as builders in bad faith.

Defendants, in their answer, alleged as Special and Affirmative Defenses that plaintiffs have no cause of action against them; the trial court had no jurisdiction over the nature or subject matter of the action; that since 1965, they have been in possession of Lot 4, Block No. 3 of Dolor Subdivision, by virtue of a purchase agreement from Mr. Faustino Dolor, the attorney-in-fact of Mr. Antonio Sauz, its owner; they introduced improvements thereon worth P100,000.00; plaintiff has to establish that the lot is within the property of the plaintiff and that the matter was not brought for conciliation proceedings at the barangay level in violation of PD No. 1508.

Incorporated in said answer, by way of compulsory counterclaim, are claims for moral and exemplary damages of P100,000.00; expenses of P10,000.00 and attorney's fees of P10,000.00.

Defendants also filed a third party complaint against Antonio Sauz, doing business under the name Dolor Subdivision. It alleged that defendants-third party plaintiffs have been in actual possession of subject property for more than 25 years prior to the filing of the complaint pursuant to a purchase agreement with Dolor Subdivision. Said purchase agreement was originally in favor of Florita Manalo who assigned her rights therein to spouses de Castro for valuable consideration and with the approval/conformity of Dolor Subdivision.

The third party complaint prays that the third party defendants be ordered to pay third party plaintiffs moral damages; attorney's fees of P10,000.00; litigation expenses and costs of suit; that third-party plaintiffs be declared to have the right to acquire the property in litigation; and, in the event third party plaintiffs be adjudged to pay plaintiffs any amount, third party defendant be ordered to pay said amount to third party plaintiffs as damages.

Pre-trial was conducted.

The parties, except third-party defendant Antonio Sauz who did not appear, agreed on the following issues:

1. Whether or not this court has jurisdiction over this case;

2. Whether or not the plaintiffs have the right to recover possession of the portion of land occupied and possessed;
3. Whether or not defendant is a possessor in bad faith of the land subject hereof;
4. Whether or not defendant is liable to pay damages and/or reasonable rentals; and
5. Whether or not defendant is liable to pay attorney's fees and other litigation expenses.<sup>[2]</sup>

A decision was rendered by the trial court on June 16, 1997 in favor of the plaintiffs. Defendants filed a motion for reconsideration which was denied.

Defendants appealed on the following assigned errors:

#### I

THE TRIAL COURT ERRED IN NOT DISMISSING THE INSTANT CASE FOR LACK OF CAUSE OF ACTION HAVING BEEN FILED WITHOUT OBSERVING THE PRE-CONDITIONED REQUIREMENT OF PD 1508.

#### II

THE TRIAL COURT ERRED IN FINDING AND CONCLUDING THAT DEFENDANT-APPELLANT WAS A BUILDER IN BAD FAITH THERE BEING NO EVIDENCE IN SUPPORT THEREOF.

#### III

THE TRIAL COURT ERRED IN NOT DECLARING THE DEFENDANT-APPELLANT AS THE TRUE AND LAWFUL OWNER OF THE LOT IN QUESTION UNDER THE PRINCIPLE OF LACHES.

#### IV

THE TRIAL COURT ERRED IN ORDERING THE DEFENDANT-APPELLANT TO VACATE THE LOT IN QUESTION, TO PAY MONTHLY RENTAL FROM JANUARY 1967, TO PAY ATTORNEY'S FEES, COSTS, AND TO DEMOLISH ALL THE STRUCTURES BUILT BY DEFENDANT-APPELLANT ON THE SAID LOT.

PD 1508 declares that generally, disputes involving parties actually residing in the same city or municipality, or in adjoining barangays or different cities or municipalities, should first be brought before the appropriate Barangay Lupon which "shall have the authority to bring together the parties . . . for amicable settlement." The proceedings before the Lupon are a "precondition" to the filing of any action or proceeding in court or other "government office," PD 1508 further declaring that "No complaint, petition, action or proceeding involving any matter within the authority of the Lupon as provided in Section 2 hereof shall be filed or instituted in court or any other government office for adjudication unless there has been a confrontation of