

SECOND DIVISION

[G.R. No. 201354, September 21, 2016]

**PABLO M. PADILLA, JR. AND MARIA LUISA P. PADILLA,
PETITIONERS, VS. LEOPOLDO MALICSI, LITO CASINO, AND
AGRIFINO GUANES, RESPONDENTS.**

DECISION

LEONEN, J.:

This resolves the Petition for Review on *Certiorari*^[1] filed by Spouses Pablo M. Padilla, Jr. and Maria Luisa P. Padilla (Spouses Padilla) assailing the Decision^[2] dated March 19, 2012 of the Court of Appeals, which reversed and set aside the Decision^[3] dated July 15, 2009 of Branch 30 of the Regional Trial Court of Cabanatuan City.

Spouses Padilla bought a parcel of land in Magsaysay Norte, Cabanatuan City in 1984.^[4] The lot was covered by Transfer Certificate Title No. T-45565 and had an area of 150 square meters.^[5] It had an assessed value of more than P20,000.00.^[6]

Sometime in 1998, Spouses Padilla discovered that Leopoldo Malicsi, Lito Casino, and Agrifino Guanes (Malicsi, et al.) constructed houses on their lot.^[7]

Spouses Padilla made repeated verbal and written demands for Malicsi, et al. to vacate the premises and pay a monthly rental of P2,000.00, but Malicsi, et al. refused to heed Spouses Padilla's demands.^[8]

The matter was referred to the Katarungang Pambarangay for conciliation proceedings and amicable settlement, but all efforts at conciliation failed.^[9]

On August 6, 2007, Spouses Padilla filed a complaint for recovery of possession against Malicsi, et al., along with three (3) others: Larry Marcelo, Diosdado dela Cruz, and Rolando Pascua.^[10]

In their Answer with Compulsory Counterclaim, Malicsi, et al. alleged that they believed in all honesty and good faith that the lot belonged to Toribia Vda. De Mossessgeld (De Mossessgeld).^[11] They claimed that they possessed the land and built their houses on the lot only after receiving De Mossessgeld's permission.^[12]

Malicsi, et al. also claimed that they and De Mossessgeld agreed that she would sell them the areas occupied by their houses, provided that pending full payment, they would pay her P40.00 per month as rent.^[13]

Between 1980 and 1983, Malicsi, et al. constructed their respective houses on the

lot in the belief that they would eventually own the areas they were occupying. Malicsi and Casino even introduced improvements to the houses they had built.^[14]

Malicsi, et al. stated that they first found out about Spouses Padilla's claim of ownership sometime in 2002.^[15] They admitted receiving the demand letters to vacate and pay rentals, but they refused to leave the premises.^[16] They denied that conciliation and mediation proceedings for amicable settlement were ever conducted before the Katarungang Pambarangay.^[17]

On September 3, 2008, a commission was created to determine the actual valuation of the lot, including the improvements erected on it.^[18] In its Report, the Commission found that "the prevailing valuation of similar lots in the vicinity ranges from P4,000 to P6,000 per [square] [meter] or an average valuation of P5000.00/[square] [meter] as per information gathered from several bank appraisers in the locality."^[19]

The Commissioner's Report likewise quoted the appraised value of the improvements on the lot, thus:

The Computation of the value of the property.

The appraised value of the property subject of this case were [sic] computed using the straightline method of depreciation with the formula:

Appraised Value = Market value x Remaining Life (building)/Life of the building

- A. The 2-level residential house occupied by Sps. Angelito & Carmelita Casino:

$$\text{Appraised Value} = \text{P}183,040 \times 22/25 = \mathbf{\text{P}161,075.20}$$

- B. The 2-level residential building house occupied by Sps. Larry & Candida Marcelo:

$$\text{Appraised Value} = \text{P}199,280 \times 22/25 = \mathbf{\text{P}175,366.40}$$

- C. The bungalow type residential building occupied by Mr. Diosdado dela Cruz:

$$\text{Appraised Value} = \text{P}68,000 \times 22/25 = \mathbf{\text{P}59,840}$$

- D. The 2-level residential house occupied by Sps. Leopoldo Malicsi

$$\text{Appraised Value} = \text{P}183,040 \times 22/25 = \mathbf{\text{P}161,075.20}$$

- E. [T]he 2-level residential house occupied by Sps. Agri[f]ino & Aida Guane[s]:

$$\text{Appraised Value} = \text{P}208,000 \times 22/25 = \mathbf{183,040}^{\text{[20]}} \text{ (Emphasis in the original)}$$

On January 30, 2009, Spouses Padilla, exercising their option to sell the land to Malicsi, et al. under Article 448 of the Civil Code in the amount of P5,000.00 per square meter, filed a Motion and Manifestation with Offer to Sell. In their Comment, Malicsi, et al. stated that by filing the Motion and Manifestation, Spouses Padilla had, in effect, recognized Malicsi, et al.'s standing as builders in good faith. They did not accept the offer to sell.^[21]

In the Decision^[22] dated July 15, 2009, the Regional Trial Court ruled that Malicsi, et al. cannot be considered as builders in good faith.^[23] The dispositive of the Regional Trial Court Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the [Spouses Padilla] and against [Malicsi, et al.] ordering the latter:

1. To vacate the property covered by TCT-T-45565 of the Registry of Deeds of Cabanatuan City and surrender possession of the same to [Spouses Padilla];
2. To pay [Spouses Padilla] jointly and severally attorney's fees in the amount of P20,000.00 and litigation expenses in the amount of P10,000.00.

SO ORDERED.^[24] (Emphasis in the original)

Malicsi, et al. appealed to the Court of Appeals. On March 19, 2012, the Court of Appeals reversed and set aside the Regional Trial Court Decision.^[25]

The Court of Appeals gave credence to Malicsi, et al.'s allegation that they relied on De Mossessgeld's representation that she owned the lot and gave them permission to build their houses on it.^[26] The dispositive of the Court of Appeals Decision reads:

WHEREFORE, premises considered, the decision appealed from is hereby **REVERSED** and **SET ASIDE**. In lieu thereof, another is entered as follows:

1. Declaring [respondents] as builders in good faith.
2. Ordering [respondents] to purchase the subject land unless the fair market value of the land is considerably more than the fair market value of the improvements thereon, in which case, a forced lease shall be created between the parties on terms to be mutually agreed upon by them or, in case of disagreement, to be fixed by the court.
3. Deleting the award of attorney's fees and litigation expenses for lack of basis.

SO ORDERED.^[27] (Emphasis in the original)

Petitioners Spouses Pablo M. Padilla, Jr. and Maria Luisa P. Padilla elevated the case to this Court. In their Petition for Review on Certiorari,^[28] they point out that respondents Leopoldo Malicsi, Lito Casino, and Agrifino Guanes failed to substantiate their claim of being builders in good faith:

While the law says, that presumption of good faith leans in favor of the respondents and the burden rests upon the petitioners, yet from the surroundings [sic] circumstances and the evidenced [sic] adduced before the Regional Trial Court, it appears that respondents' declaration that Toribia Vda. De Mossessgeld permitted them to stay in the premises in question is not an evidence at all to prove them to be builders in good faith. Mossessgeld was never presented as a witness nor there was an evidence [sic], that Mossessgeld is the owner thereof. Is that sufficient evidence to support the claim of the respondents that they are builders in good faith?^[29]

In their Comment,^[30] respondents maintain that the question of whether they were builders in good faith has already been settled by the Court of Appeals, and that there is no reason to deviate from its findings.^[31]

The sole issue for this Court's resolution is whether respondents are builders in good faith.

I

The Rules of Court categorically states that a review of appeals filed before this Court is "not a matter of right, but of sound judicial discretion."^[32]

The Rules of Court further requires that only questions of law should be raised in petitions filed under Rule 45^[33] since factual questions are not the proper subject of an appeal by certiorari. It is not this Court's function to analyze or weigh all over again evidence that has already been considered in the lower courts.^[34]

However, these rules admit exceptions. *Medina v. Mayor Asistio, Jr.*^[35] lists down 10 recognized exceptions:

(1) When the conclusion is a finding grounded entirely on speculation, surmises or conjectures; (2) When the inference made is manifestly mistaken, absurd or impossible; (3) Where there is a grave abuse of discretion; (4) When: the judgment is based on a misapprehension of facts; (5) When the findings of fact are conflicting; (6) When the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee; (7) The findings of the Court of Appeals are contrary to those of the trial court; (8) When the findings of fact are conclusions without citation of specific evidence on which they are based; (9) When the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; and (10) The finding of fact of the Court of Appeals is premised on the supposed absence of evidence and is contradicted by the evidence on record.^[36]

Pascual v. Burgos^[37] instructs that parties must demonstrate by convincing evidence that the case clearly falls under the exceptions to the rule:

Parties praying that this court review the factual findings of the Court of Appeals must demonstrate and prove that the case clearly falls under the exceptions to the rule. They have the burden of proving to this court that a review of the factual findings is necessary. Mere assertion and claim that the case falls under the exceptions do not suffice.^[38] (Citation omitted)

Petitioners claim that the Court of Appeals erred in reversing the trial court's finding that respondents were not builders in good faith. However, that the findings of the Court of Appeals and of the trial court are opposite does not warrant this Court's automatic review of factual findings.^[39] This only presents a *prima facie* basis for recourse to this Court. *Fernan v. Court of Appeals*^[40] cautions that this Court's review of the factual findings of the lower courts "must be invoked and applied only with great circumspection and upon a clear showing that manifestly correct findings have been unwarrantedly rejected or reversed."^[41]

A careful study of the records leads this Court to conclude that this case falls under the exceptions cited in *Medina*, particularly in that "the inference made is manifestly mistaken";^[42] and that "[t]he findings of the Court of Appeals are contrary to those of the trial court, necessitating a review of the question of fact raised before this Court."^[43]

II

A builder in good faith is a builder who was not aware of a defect or flaw in his or her title when he or she introduced improvements on a lot that turns out to be owned by another.^[44]

Philippine National Bank v. De Jesus^[45] explains that the essence of good faith is an honest belief of the strength and validity of one's right while being ignorant of another's superior claim at the same time:

Good faith, here understood, is an intangible and abstract quality with no technical meaning or statutory definition, and it encompasses, among other things, an honest belief, the absence of malice and the absence of design to defraud or to seek an unconscionable advantage. An individual's personal good faith is a concept of his own mind and, therefore, may not conclusively be determined by his protestations alone. It implies honesty of intention, and freedom from knowledge of circumstances which ought to put the holder upon inquiry. The essence of good faith lies in an honest belief in the validity of one's right, ignorance of a superior claim, and absence of intention to overreach another[.]^[46] (Citations omitted)

The following provisions of the Civil Code are relevant as regards the remedies available to a landowner and builder in good faith: