

FIRST DIVISION

[G.R. No. 182754, June 29, 2015]

**SPOUSES CRISPIN AQUINO AND TERESA V. AQUINO, HEREIN
REPRESENTED BY THEIR ATTORNEY-IN-FACT, AMADOR D.
LEDESMA, PETITIONERS, VS. SPOUSES EUSEBIO AGUILAR AND
JOSEFINA V. AGUILAR, RESPONDENTS.**

D E C I S I O N

SERENO, C.J.:

In this Petition for Review on Certiorari^[1] filed under Rule 45 of the Rules of Court, Petitioner spouses Crispin and Teresa Aquino (petitioners) assail the Court of Appeals (CA) Decision dated 25 April 2008^[2] in CA-GR SP No. 92778. The CA modified the Decisions of both the Metropolitan Trial Court (MeTC) and the Regional Trial Court (RTC). The CA ruled that although respondent spouses Eusebio and Josefina Aguilar (respondents) cannot be considered builders in good faith, they should still be reimbursed for the improvements they have introduced on petitioners' property.^[3]

The Facts

Teresa Vela Aquino (Teresa) and her husband, Crispin Aquino, are the owners of a house and lot located at No. 6948, Rosal Street, Guadalupe Viejo, Makati City as evidenced by Transfer of Certificate Title No. 148338.^[4]

Since 1981, this property has been occupied by Teresa's sister, Josefina Vela Aguilar; Josefina's spouse Eusebio; and their family.^[5] It appears from the record that respondents stayed on the property with the consent and approval of petitioners, who were then residing in the United States.^[6]

While respondents were in possession of the property, the house previously constructed therein was demolished, and a three-storey building built in its place.^[7] Respondents occupied half of the third floor of this new building for the next 20 years without payment of rental.^[8]

On 22 September 2003, petitioners sent a letter to respondents informing them that an immediate family member needed to use the premises and demanding the surrender of the property within 10 days from notice.^[9] Respondents failed to heed this demand, prompting petitioners to file a Complaint for ejectment against them before the office of the *barangay* captain of Guadalupe Viejo.^[10] The parties attempted to reach an amicable settlement in accordance with Section 412 of the Local Government Code, but these efforts proved unsuccessful.^[11]

On 19 November 2003, petitioner spouses Aquino filed a Complaint^[12] with the MeTC of Makati City praying that respondents be ordered to (a) vacate the portion of the building they were then occupying; and (b) pay petitioner a reasonable amount for the use and enjoyment of the premises from the time the formal demand to vacate was made.^[13]

In their Answer with Counterclaim,^[14] respondents claimed that they had contributed to the improvement of the property and the construction of the building, both in terms of money and management/supervision services. Petitioners purportedly agreed to let them contribute to the costs of construction in exchange for the exclusive use of a portion of the building. Respondents averred:

2.3 That the construction of the three (3) storey building was also at the uncompensated supervision of defendant Eusebio Aguilar, of which only P 2 Million was spent by plaintiffs while defendants spent around P 1 Million as contribution to the construction cost. It was defendants who introduced improvements on subject lot because at the time plaintiffs bought the property it was marshy which was filled up by defendants (sic) truck load with builders, adobe and scumbro that elevated the ground;

2.4 The original agreement was for my client to contribute his share so that they will have the portion of the subject building for their own exclusive use. It turned out later that the agreement they had was disowned by plaintiffs when they saw the totality of the building constructed thereon coupled by the fact, that the value of the lot has tremendously appreciated due to the commercialization of the vicinity which will command higher price and windfall profits should plaintiffs sell the property which they are now contemplating on (sic);

2.5 The portion which plaintiffs want defendants to vacate is a portion which the latter built with their own money upon your clients agreement and consent whom they built in good faith knowing and hoping that later on the same will be theirs exclusively. It was never an act of generosity, liberality and tolerance. Conversely, it was one of the implied co-ownership or partnership, because aside from the fact that defendants, who were then peacefully residing in Laguna, made unquantifiable contributions in terms of money and services arising from his uncompensated management and supervision over the entire subject property while plaintiffs are abroad. By legal implications he is an industrial partner responsible for the development and improvements of the subject property. His contribution was never without the consent of plaintiffs. Whatever contribution defendants introduced over the said property was made and built in good faith;^[15]

Since they were allegedly co-owners of the building and builders in good faith, respondents claimed that they had the right to be compensated for the current value of their contribution.^[16] Accordingly, they prayed for the dismissal of the Complaint and the award of P5 million as compensation for their contributions to the construction of the building, as well as moral damages, attorney's fees and costs

of litigation.^[17]

The Ruling of the MeTC

In a Decision^[18] dated 12 November 2004, the MeTC ruled in favor of petitioners, stating that they had the right to enjoy possession of the property as the registered owners thereof.^[19] Since the case was merely one for ejectment, the court held that it was no longer proper to resolve respondents' claim of co-ownership over the building.^[20]

The MeTC also declared that respondents were builders in bad faith who were not entitled to recover their purported expenses for the construction of the building.^[21] It emphasized that their occupation of the property was by mere tolerance of petitioners and, as such, could be terminated at any time.^[22] The court further noted that in a letter dated 15 July 1983, petitioners had already asked respondents to refrain from constructing improvements on the property because it was intended to be sold.^[23]

The dispositive portion of the MeTC Decision, which ordered respondents to vacate the property, reads:

WHEREFORE, premises considered, judgment is hereby rendered ordering defendants Eusebio & Josefina Aguilar and all persons claiming rights under them to immediately vacate the subject property, and deliver peaceful possession thereof to the plaintiffs. Defendants are likewise ordered to pay plaintiffs P7,000.00 monthly rental commencing 22 October 2003 until such time that defendant finally vacate the premises, P10,000.00 as and by way of attorney's fees, and the cost of suit.^[24]

On 14 September 2005, respondents appealed the MeTC's Decision to the RTC.^[25]

The Ruling of the RTC

In their Memorandum on Appeal^[26] before the RTC, respondents assailed the MeTC's finding that petitioners, as the registered owners of the land, were also the owners of the improvement constructed thereon.^[27] Respondents asserted that they were co-owners of the building since they built a portion thereof using their own funds, as evidenced by various receipts they presented before the MeTC.^[28]

Respondents also maintained that they were builders in good faith. They pointed out that petitioners never objected to the construction of the improvement on their property.^[29] According to respondents, petitioners' letter dated 15 July 1983 was written at a time when an old dilapidated house was still standing on the property.^[30] Subsequently however, the house was demolished and the new building was constructed thereon by respondents, with petitioners' knowledge and consent.^[31]

In a Decision^[32] dated 3 January 2006, the RTC denied the appeal and affirmed the MeTC's Decision. According to the court, respondents did not become co-owners of

the property although they may have contributed to the construction of the building thereon.^[33] Hence, their stay in the premises remained to be by mere tolerance of the petitioners.^[34]

The RTC also ruled that respondents cannot be considered builders in good faith.^[35] The court found that as early as 1983, petitioners had informed respondents of the intention to eventually dispose of the property.^[36] The RTC concluded that petitioners never consented to the construction of any form of structure on the property.^[37] Since respondents participated in the construction of the building even after they had been notified that their occupation may be terminated anytime, the RTC ruled that they did not build the structures in good faith.^[38] The RTC likewise noted that “the improvements in question as well as other personal belongings of the appellants were removed from the premises through a writ of demolition, and these properties are now in their possession.”^[39]

The Ruling of the CA

Aggrieved by the RTC Decision, respondents elevated the matter to the CA. They reiterated that they owned one-half of the third floor of the building on the property, having spent their own funds for the construction thereof. Respondents also asserted that because they built that portion in good faith, with no objection from petitioners, they were entitled to reimbursement of all necessary and useful expenses incurred in the construction.

On 25 April 2008, the CA affirmed the conclusion of the lower courts that respondents could not be considered co-owners of the property or builders in good faith.^[40] According to the appellate court, respondents were aware that their right to possess the property had a limitation, because they were not the owners thereof. They knew that their occupation of the building was by mere tolerance or permission of petitioners, who were the registered owners of the property.

The CA likewise noted that respondents failed to prove the alleged agreement between the parties with respect to the ownership of one-half of the third floor of the improvement. There being no contract between them, respondents are necessarily bound to vacate the property upon demand.^[41] The CA ruled:

The Supreme Court has consistently held that those who occupy the land of another at the latter’s tolerance or permission, without any contract between them, are necessarily bound by an implied promise that the occupants will vacate the property upon demand. Based on the principles enunciated in *Calubayan v. Pascual*, the status of petitioners is analogous to that of a lessee or a tenant whose term of lease has expired but whose occupancy continued by tolerance of the owner. In such a case, the unlawful deprivation or withholding of possession is to be reckoned from the date of the demand to vacate.^[42] (Citations omitted)

Nevertheless, the CA declared that respondents should be reimbursed for the necessary and useful expenses they had introduced on petitioners’ property, pursuant to Articles 1678 and 548 of the Civil Code.^[43] The dispositive portion of the CA Decision dated 25 April 2008^[44] reads:

WHEREFORE, the assailed Decision is **AFFIRMED** with the following **MODIFICATIONS**:

1. The case is **REMANDED** to the court of origin for further proceedings to determine the facts essential to the application of *Article 1678* and *Article 546* of the Civil Code, specifically on the following matters:

- a) To determine the cost of necessary expenses incurred by petitioners during their period of possession.
- b) To determine the cost of useful improvements introduced by petitioners in the construction of the building.

2. After said amounts shall have been determined by competent evidence:

- a) Respondents Aquino are ordered to pay petitioners the costs of necessary improvements incurred during the period of their occupation.
- b) Petitioners Aguilar are to be reimbursed one half (1/2) of the amount they expended on the construction of the building should respondents decided to appropriate the same. Should respondents refuse to reimburse the costs of the improvements, petitioners may remove the improvements even though the principal thing may suffer damage thereby.
- c) In both instances, petitioners shall have no right of retention over the subject premises.
- d) In any event, petitioners shall pay respondents the amount of Php7,000.00 as monthly rental commencing 22 October 2003 until such time that petitioners finally vacate the premises. No pronouncement as to costs.

SO ORDERED.^[45]

Respondents no longer appealed the Decision of the CA. This time, petitioners elevated the matter to this Court through the instant Petition for Review^[46] under Rule 45 of the Rules of Court.

Proceedings before this Court

In their Petition, petitioners allege that the CA seriously erred in remanding the case to the court of origin for the purpose of ascertaining the right of respondents to be reimbursed for the improvements introduced on the property.^[47] They emphasize that respondents were builders in bad faith, and, as such, are not entitled to reimbursement under Articles 449, 450 and 451 of the Civil Code.

In their Comment,^[48] respondents assert that the CA correctly ruled that their status is akin to that of a lessee or tenant whose term of lease has expired, but whose occupancy continues by virtue of the tolerance of the owner. They aver that the CA properly upheld their entitlement to reimbursement pursuant to Articles