

SUPRE	ME COURT OF THE PHILIPPINES
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# Republic of the Philippines Supreme Court Manila

## SECOND DIVISION

SPS. JULIAN BELVIS, SR., AND CECILIA BELVIS, SPS. JULIAN E. BELVIS, JR., AND JOCELYN BELVIS, SPS. JULIAN E. BELVIS III AND ELSA BELVIS, AND JOUAN E. BELVIS, G.R. No. 239727

Present:

CARPIO, J., Chairperson, PERLAS-BERNABE, CAGUIOA, J. REYES, JR., and LAZARO-JAVIER, JJ.

Petitioners,

- versus -

SPS. CONRADO V. EROLA AND MARILYN EROLA, AS REPRESENTED BY MAUREEN\* FRIAS, Promulgated:

**2 4** JUL 2019

Respondents.

## DECISION

## CAGUIOA, J.:

This is a petition for review on *certiorari*<sup>1</sup> (Petition) under Rule 45 of the Rules of Court assailing the August 7, 2017 Decision<sup>2</sup> and the April 16, 2018 Resolution<sup>3</sup> of the Court of Appeals (CA) in CA-G.R. CEB-SP No. 10632. The CA Decision affirmed the November 14, 2016 Decision<sup>4</sup> of the Regional Trial Court (RTC) of Roxas City, Branch 15, in Civil Case No. V-22-15, which, in turn, affirmed the March 31, 2015 Decision<sup>5</sup> of the Municipal Circuit Trial Court (MCTC) of Pontevedra, Capiz in Civil Case No. 489. The MCTC granted the complaint<sup>6</sup> of Spouses Erola (respondents) for unlawful detainer and damages and ordered the Spouses Julian Belvis, Sr., *et. al.*,

<sup>6</sup> Id. at 42-49.

<sup>•</sup> Spelled as "Maurren" in Petition, rollo, p. 3.

<sup>&</sup>lt;sup>1</sup> *Rollo*, pp. 3-13.

<sup>&</sup>lt;sup>2</sup> Id. at 176-184. Penned by Associate Justice Germano Francisco D. Legaspi with Associate Justices Pamela Ann Abella Maxino and Gabriel T. Robeniol, concurring.

<sup>&</sup>lt;sup>3</sup> Id. at 199-201. Penned by Associate Justice Gabriel T. Robeniol with Associate Justices Gabriel T. Ingles and Pamela Ann Abella Maxino, concurring.

<sup>&</sup>lt;sup>4</sup> Id. at 20-31. Penned by Presiding Judge Alma N. Banias-Delfin.

<sup>&</sup>lt;sup>5</sup> Id. at 14-19. Penned by Presiding Judge Henry B. Avelino.

(petitioners) to vacate the premises, to pay reasonable rental in the amount of P1,000.00/month from the date of demand, and to pay litigation expenses and attorney's fees in the amount of P20,000.00.

### **The Facts and Antecedent Proceedings**

The instant case stems from a complaint for unlawful detainer and damages filed by respondents, as represented by their attorney-in-fact, Maureen Frias (Maureen).<sup>7</sup> In their complaint, respondents alleged that they are owners of a 29,772 sq. m.-lot situated in Barangay Malag-it, Pontevedra, Capiz. Lot 597 (subject property) is covered by Transfer Certificate of Title No. T-26108 and a tax declaration, both in the name of respondent Conrado V. Erola (Conrado), who allegedly purchased the same in October of 1978.<sup>8</sup> As the parties were close relatives, *i.e.*, petitioner Cecilia Erola-Bevis (Cecilia) being the sister of respondent Conrado, respondents allegedly allowed petitioners to possess the lot, subject to the condition that they would vacate the same upon demand.<sup>9</sup>

On July 2, 2012, respondents sent petitioners a letter requiring the latter to vacate the property within 30 days from receipt of the letter.<sup>10</sup> Petitioners, however, refused to comply.<sup>11</sup> After unsuccessful barangay conciliation proceedings, respondents filed the instant complaint.<sup>12</sup>

On the other hand, petitioners claimed that in 1979, the subject property was purchased by the late Rosario V. Erola (Rosario), the mother of petitioner Cecilia and respondent Conrado.<sup>13</sup> Conrado, however, allegedly succeeded in registering the property solely in his name.<sup>14</sup> Hence, an implied trust was allegedly created over the ½ undivided hereditary share of petitioner Cecilia.<sup>15</sup> For over 34 years, petitioners alleged that they possessed and cultivated the tot in the concept of an owner,<sup>16</sup> believing in good faith that they were co-owners of the subject lot.<sup>17</sup> In the course of their possession, petitioners allegedly introduced various improvements thereon by planting bamboos, nipa palms and coconut trees, and by constructing fishponds.<sup>18</sup> In their Answer,<sup>19</sup> petitioners further claimed that respondents failed to personally appear during the barangay conciliation proceedings and that their representative, Maureen, had no authority to appear on their behalf.<sup>20</sup>

7 ld at 177. 8 Id. 9 Id. 10 Id. 11 Id. 12 Id. 13 Id. at 178. 14 id 15 ld. at 177. <sup>16</sup> Id. 17 Id. at 57. 18 Id. at 4 19 Id. at 56-59. 20 Id. at 57.

#### The MCTC Ruling

After pre-trial and trial, the MCTC granted the complaint. The dispositive portion of the Decision reads:

Over and above defendant's claim, judgment is hereby rendered by this Court in favor of plaintiffs ordering the following:

- Defendants to vacate the premises of Lot No. 597, located at Brgy. Malag-it, Pontevedra, Capiz and to peacefully return the same to its owner Conrado V. and Marilyn F. Erola or attorney-in-fact and the payment of nominal rental of One Thousand (P1,000.00) Pesos every month reckoned from date of demand which is July 2, 2012 until fully returned; and
- 2. The payment of Twenty Thousand (P20,000.00) Pesos as litigation expenses and attorney's fees.<sup>21</sup>

The MCTC held that although petitioners claimed that respondents failed to personally appear during the mandatory barangay conciliation proceedings, the Office of the Punong Barangay nevertheless issued a Certification to File Action<sup>22</sup> in accordance with Section 412 of Republic Act No. (R.A.) 7160.<sup>23</sup> Further, the case was referred to Philippine Mediation Center (PMC) during pre-trial but the parties still failed to amicably settle the same.<sup>24</sup>

On the issue of possession, the MCTC reasoned that petitioners failed to present any evidence to prove that the property was purchased by the late Rosario and that it was registered solely in the name of respondent Conrado in trust for his co-heir and sister, petitioner Cecilia.<sup>25</sup> The MCTC further held that petitioners were not builders in good faith as their possession of the lot was by mere tolerance, which was subject to an implied promise to vacate the same upon demand.<sup>26</sup> Hence, respondents had the better right to possess the subject property.

Thus, petitioners filed an appeal with the RTC of Roxas City.

#### The RTC Ruling

In the RTC, petitioners reiterated their claims and further alleged that respondent Conrado never interrupted his sister's possession and cultivation, despite knowledge thereof.<sup>27</sup> Hence, they were builders in good faith under Article 448 of the Civil Code.<sup>28</sup>

- <sup>22</sup> Id. at 50.
- $^{23}$  Id. at 15.
- <sup>24</sup> Id. at 14.
  <sup>25</sup> Id. at 17.
- <sup>26</sup> Id. at 17.
- <sup>27</sup> Id. at 18.
- <sup>28</sup> Id.

<sup>&</sup>lt;sup>21</sup> Id. at 19.

In denying the appeal, the RTC held that despite the non-appearance of respondents, the parties failed to arrive at a settlement before the Office of the Punong Barangay, the PMC and even before the court during Judicial Dispute Resolution (JDR) proceedings.<sup>29</sup> In fact, the Certification to File Action was issued upon agreement of the parties.<sup>30</sup> Thus, the RTC relaxed the technical rules of procedure and held that a remand of the case would be unnecessarily circuitous.<sup>31</sup>

On the substantive issue, the RTC held that petitioners failed to prove that petitioner Cecilia was a co-owner of the property or that the same was purchased by Rosario. Further, the RTC held that petitioners could not be deemed builders in good faith as they were aware that the property was registered in the name of respondent Conrado.<sup>32</sup> Hence, they knew that there was a flaw in their supposed title when the improvements were made.<sup>33</sup>

Unfazed, petitioners filed a petition for review<sup>34</sup> before the CA.

### The CA Ruling

The CA denied the petition and found that respondents substantially complied with R.A. 7160, that their failure to personally appear was a mere irregularity and that the same did not affect the jurisdiction of the court.<sup>35</sup> In either case, the CA held that it was not disputed that the parties failed to reach an amicable settlement of the dispute.<sup>36</sup>

The CA likewise held that the evidence convincingly showed that petitioners' occupation of the subject property was by mere tolerance of respondents.<sup>37</sup> Hence, petitioners had no right to retain possession of the property under Article 448 as they were aware that their tolerated possession could be terminated at any time.<sup>38</sup> The CA thus concluded that the petitioners could not have built improvements on the subject lot in the concept of owner.<sup>39</sup>

Hence, this Petition.

#### Issues

The issues for the Court's resolution are: 1) whether respondents complied with the mandatory conciliation proceedings under R.A. 7160; and 2) whether petitioners are builders in good faith under Article 448 and thus

<sup>29</sup> ld. at 28

<sup>30</sup> Id. at 27.

<sup>31</sup> Id. at 27-28. <sup>32</sup> Id. at 24

<sup>32</sup> Id. at 24.

<sup>33</sup> Id.

<sup>34</sup> Id. at 32-41.
 <sup>35</sup> Id at 181.

<sup>36</sup> Id.

- <sup>37</sup> Id. at 182.
- <sup>38</sup> Id.

<sup>39</sup> Id.

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have a right to retain the subject lot until payment of necessary, useful and luxurious expenses.

#### The Court's Ruling

The Petition is partly meritorious.

Respondents substantially complied with the mandatory barangay conciliation proceedings under R.A. 7160

Section 412 of R.A. 7160 requires, when applicable, prior resort to barangay conciliation proceedings as a pre-condition for the filing of a complaint in court. In *Lumbuan v. Ronquillo*,<sup>40</sup> the Court explained:

The primordial objective of the *Katarungang Pambarangay* Rules, is to reduce the number of court litigations and prevent the deterioration of the quality of justice which has been brought about by the indiscriminate filing of cases in the courts. To attain this objective, Section 412(a) of Republic Act No. 7160 requires the parties to undergo a conciliation process before the *Lupon* Chairman or the *Pangkat* as a precondition to filing a complaint in court, thus:

SECTION 412. Conciliation. — (a) Pre-condition to Filing of Complaint in Court. — No complaint, petition, action, or proceeding involving any matter within the authority of the lupon shall be filed or instituted directly in court or any other government office for adjudication, unless there has been a confrontation between the parties before the *lupon* chairman or the *pangkat*, and that no conciliation or settlement has been reached as certified by the lupon secretary or *pangkat* secretary as attested to by the *lupon* or *pangkat* chairman [or unless the settlement has been repudiated by the parties thereto].<sup>41</sup>

In relation thereto, Section  $415^{42}$  of the same law holds that the parties must personally appear in said proceedings, without the assistance of counsel or any representative. Failure to comply with the barangay conciliation proceedings renders the complaint vulnerable to a motion to dismiss for prematurity<sup>43</sup> under Section 1(j),<sup>44</sup> Rule 16 of the Rules of Court.

<sup>(</sup>j) That a condition precedent for filing the claim has not been complied with.



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<sup>&</sup>lt;sup>40</sup> 523 Phil. 317 (2006).

<sup>&</sup>lt;sup>41</sup> Id. at 323.

<sup>&</sup>lt;sup>42</sup> LOCAL GOVERNMENT CODE OF 1991. SEC. 415. Appearance of Parties in Person. - In all katarungang pambarangay proceedings, the parties must appear in person without the assistance of counsel or representative, except for minors and incompetents who may be assisted by their next-of-kin who are not lawyers.

<sup>&</sup>lt;sup>43</sup> Lansangan v. Caisip, G.R. No. 212987, August 6, 2018, accessed at <a href="http://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/64494">http://elibrary.judiciary.gov.ph/thebookshelf/showdocs/1/64494</a>.

<sup>44</sup> SECTION 1. Grounds. — Within the time for but before filing the answer to the complaint or pleading asserting a claim, a motion to dismiss may be made on any of the following grounds: x x x x

Although mandatory, the Court, in *Lansangan v. Caisip*,<sup>45</sup> explained that "non-referral of a case for barangay conciliation when so required under the law is *not jurisdictional in nature*, and may therefore be deemed waived if not raised seasonably in a motion to dismiss or in a responsive pleading."<sup>46</sup>

In the instant case, it is undisputed that respondents failed to personally appear during the conciliation proceedings as required by Section 415 of R.A. 7160.<sup>47</sup> They were, however, represented by Maureen.<sup>48</sup> Although dismissible under Section 1(j), Rule 16 of the Rules of Court, the Court finds that respondents have substantially complied with the law.<sup>49</sup>

The CA, the RTC, and the MCTC unanimously found that petitioners and respondents' representative underwent barangay conciliation proceedings.<sup>50</sup> Unfortunately, they failed to arrive at any amicable settlement.<sup>51</sup> Thereafter, upon agreement of the parties, the Office of the Punong Barangay issued a Certification to File Action.<sup>52</sup> During pre-trial, the parties again underwent mediation before the PMC and JDR before the court. Still, no settlement was reached.<sup>53</sup> Given the foregoing, the Court finds that the purposes of the law, *i.e.*, to provide avenues for parties to amicably settle their disputes and to prevent the "indiscriminate filing of cases in the courts,"<sup>54</sup> have been sufficiently met. Considering that the instant complaint for unlawful detainer, an action governed by the rules of summary procedure, has been pending for 6 years, the Court finds it proper to relax the technical rules of procedure in the interest of speedy and substantial justice.

Having disposed of the procedural issue, the Court shall now proceed with the substantive issues raised.

Petitioners have the right to retain the subject lot under Article 448 as the improvements were built with the knowledge and consent of respondents.

At the onset, it bears reiterating that a petition for review on *certiorari* "shall raise only questions of law which must be distinctly set forth."<sup>55</sup> In *Angeles* v. *Pascual*, <sup>56</sup> the Court held:

<sup>&</sup>lt;sup>45</sup> Supra note 43.

<sup>&</sup>lt;sup>46</sup> Id., citing *Bañares II v. Balising*, 384 Phil. 567, 583 (2000).

<sup>&</sup>lt;sup>47</sup> *Rollo*, p. 181.

<sup>&</sup>lt;sup>48</sup> Id. at 180.

<sup>&</sup>lt;sup>49</sup> See *Lumbuan v. Ronquillo*, supra note 40.

<sup>&</sup>lt;sup>50</sup> *Rollo*, p. 181.

<sup>&</sup>lt;sup>51</sup> Id.

<sup>&</sup>lt;sup>52</sup> Id. at 50.

<sup>&</sup>lt;sup>53</sup> Id.

<sup>&</sup>lt;sup>54</sup> Lumbuan v. Ronquillo, supra note 40, at 323.

<sup>&</sup>lt;sup>55</sup> RULES OF COURT, Rule 45, Sec. 1.

<sup>&</sup>lt;sup>56</sup> 673 Phil. 499 (2011).

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x x x In appeal by *certiorari*, therefore, only questions of law may be raised, because the Supreme Court is not a trier of facts and does not normally undertake the re-examination of the evidence presented by the contending parties during the trial. The resolution of factual issues is the function of lower courts, whose findings thereon are received with respect and are binding on the Supreme Court subject to certain exceptions. A question, to be one of law, must not involve an examination of the probative value of the evidence presented by the litigants or any of them. There is a question of law in a given case when the doubt or difference arises as to what the law is on certain state of facts; there is a question of fact when the doubt or difference arises as to the truth or falsehood of alleged facts.

Whether certain items of evidence should be accorded probative value or weight, or should be rejected as feeble or spurious; or whether or not the proofs on one side or the other are clear and convincing and adequate to establish a proposition in issue; whether or not the body of proofs presented by a party, weighed and analyzed in relation to contrary evidence submitted by adverse party, may be said to be strong, clear and convincing; whether or not certain documents presented by one side should be accorded full faith and credit in the face of protests as to their spurious character by the other side; whether or not inconsistencies in the body of proofs of a party are of such gravity as to justify refusing to give said proofs weight — all these are issues of fact. Questions like these are not reviewable by the Supreme Court whose review of cases decided by the CA is confined only to questions of law raised in the petition and therein distinctly set forth.

Nonetheless, the Court has recognized several exceptions to the rule, including: (a) when the findings are grounded entirely on speculation, surmises or conjectures; (b) when the inference made is manifestly mistaken, absurd or impossible; (c) when there is grave abuse of discretion; (d) when the judgment is based on a misapprehension of facts; (e) when the findings of facts are conflicting; (f) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; (g) when the findings are contrary to those of the trial court; (h) when the findings are conclusions without citation of specific evidence on which they are based; (i) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (i) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; and (k) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion. x x x<sup>57</sup>

In their Petition, petitioners again claim that 1) they have been in possession and cultivation of the subject property for more than 34 years in the concept of being a co-owner by succession of the subject property and not by tolerance of respondents<sup>58</sup> and that 2) even assuming they were not co-owners of the subject property, respondent Conrado never interrupted their possession despite knowledge that petitioners were building substantial improvements on said lot.<sup>59</sup> The foregoing claims are undoubtedly questions of fact that the Court does not ordinarily review.

<sup>58</sup> *Rollo*, p. 7.

<sup>59</sup> Id.

<sup>&</sup>lt;sup>57</sup> Id. at 504-506.

In the instant case, the CA, the RTC and the MCTC consistently found that petitioners failed to prove that the property was purchased by petitioners' mother or that it was only registered in respondent Conrado's name in trust for the hereditary share of petitioner Cecilia. Rather, the lower courts categorically held that respondents merely tolerated petitioners' possession of the subject property and allowed them to stay, provided the latter would vacate the same upon demand. The lower courts likewise held that petitioners could not be deemed builders in good faith as they never constructed the alleged improvements in the concept of an owner under Article 448.

While the findings of the lower courts deserve great weight and are generally binding on the Court, a review of the facts is proper when "the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion."<sup>60</sup>

The Court agrees with the CA and the lower courts that petitioners cannot be deemed builders in good faith. In *Spouses Macasaet v. Spouses Macasaet*,<sup>61</sup> the Court explained –

 $x \ge x \ge W$  hen a person builds in good faith on the land of another, the applicable provision is Article 448, which reads:

"Article 448. The owner of the land on which anything has been built, sown or planted in good faith, shall have the right to appropriate as his own the works, sowing or planting, after payment of the indemnity provided for in Articles 546 and 548, or to oblige the one who built or planted to pay the price of the land, and the one who sowed, the proper rent. However, the builder or planter cannot be obliged to buy the land if its value is considerably more than that of the building or trees. In such case, he shall pay reasonable rent, if the owner of the land does not choose to appropriate the building or trees after proper indemnity. The parties shall agree upon the terms of the lease and in case of disagreement, the court shall fix the terms thereof."

This Court has ruled that this provision covers only cases in which the builders, sowers or planters believe themselves to be owners of the land or, at least, to have a claim of title thereto. It does not apply when the interest is merely that of a holder, such as a mere tenant, agent or usufructuary. From these pronouncements, good faith is identified by the belief that the land is owned; or that — by some title — one has the right to build, plant, or sow thereon.<sup>62</sup>

In the case at bar, the CA properly held that petitioners have no right to retain possession of the property under Article 448 as they were aware that their tolerated possession could be terminated at any time. Thus, they could not have built on the subject property in the concept of an owner.

<sup>&</sup>lt;sup>60</sup> Angeles v. Pascual, supra note 56, at 506.

<sup>&</sup>lt;sup>61</sup> 482 Phil. 853 (2004).

<sup>&</sup>lt;sup>62</sup> Id. at 871-872.

Even assuming that petitioner Cecilia was a co-owner of the subject property, Article 448 would still be inapplicable. In *Ignao v. Intermediate Appellate Court*,<sup>63</sup> citing *Spouses del Ocampo v. Abesia*,<sup>64</sup> the Court held that Article 448 may not generally apply to a co-owner who builds, plants, or sows on a property owned in common, "for then he [(the co-owner)] did not build, plant or sow upon land that exclusively belongs to another but of which he is a co-owner. The co-owner is not a third person under the circumstances, and the situation is governed by the rules of co-ownership."<sup>65</sup>

The reason for this rule is clear. Under Article 445<sup>66</sup> of the Civil Code, rights of accession with respect to immovable property apply to "[w]hatever is built, planted or sown on the land of another."<sup>67</sup> A co-owner of a parcel of land, however, builds on his own land and not that of another as "[a] co-owner of an undivided parcel of land is an owner of the whole, and over the whole he exercises the right of dominion[;] but he is at the same time the owner of a portion which is truly ABSTRACT."<sup>68</sup> More importantly, co-ownerships are governed by Articles 484-501 of the Civil Code, which already specify the rights and obligations of a co-owner who builds, plants, and sows on a co-owned property and the rules for the reimbursement thereof.

While petitioners cannot be deemed to be builders in good faith, it being undisputed that the land in question is titled land in the name of respondents, the CA and the lower courts overlooked the fact that petitioners constructed improvements on the subject lot with the knowledge and consent of respondents. In exceptional cases,<sup>69</sup> the Court has applied Article 448 to instances where a builder, planter, or sower introduces improvements on titled land if with the knowledge and consent of the owner. In *Department of Education v. Casibang*,<sup>70</sup> the Court held:

x x x However, there are cases where Article 448 of the Civil Code was applied beyond the recognized and limited definition of good faith, *e.g.*, cases wherein the builder has constructed improvements on the land of another with the consent of the owner. The Court ruled therein that the structures were built in good faith in those cases that the owners knew and approved of the construction of improvements on the property.

Despite being a possessor by mere tolerance, the DepEd is considered a builder in good faith, since Cepeda permitted the construction of building and improvements to conduct classes on his

<sup>66</sup> ART. 445. Whatever is built, planted or sown on the land of another and the improvements or repairs made thereon, belong to the owner of the land, subject to the provisions of the following articles.

<sup>&</sup>lt;sup>63</sup> 271 Phil. 17 (1991).

<sup>&</sup>lt;sup>64</sup> 243 Phil. 532 (1988).

<sup>&</sup>lt;sup>65</sup> Ignao v. Intermediate Appellate Court, supra note 63, at 23, citing id. at 536.

<sup>&</sup>lt;sup>67</sup> Id.

<sup>&</sup>lt;sup>68</sup> Edgardo L. Paras, CIVIL CODE OF THE PHILIPPINES ANNOTATED, 17<sup>th</sup> ed., 2013, Vol. II, p. 316.

<sup>&</sup>lt;sup>69</sup> See Spouses del Ocampo v. Abesia, supra note 64; Spouses Macasaet v. Spouses Macasaet, supra note 61; Communities Cagayan, Inc. v. Sps. Arsenio (deceased) and Angeles Nanol, 698 Phil. 648 (2012); Sps. Aquino v. Sps. Aguilar, 762 Phil. 52 (2015); Department of Education v. Casibang, 779 Phil. 472 (2016).

## property. Hence, Article 448 may be applied in the case at bar.<sup>71</sup> (Underscoring supplied)

In the instant case, respondents judicially admitted in their Complaint that "being close relatives of the plaintiffs, [the defendants] sought the permission and consent of the plaintiffs to possess lot 597 as they do not have any property or house to stay"<sup>72</sup> and that "[the] plaintiffs agreed that [the] defendants possess lot 597 but with a condition that in case [the] plaintiffs will be needing the property, [the] defendants will vacate the lot in question upon notice to vacate coming from the plaintiffs."73 While respondents may have merely tolerated petitioners' possession, respondents never denied having knowledge of the fact that petitioners possessed, cultivated and constructed various permanent improvements on the subject lot for over 34 years.<sup>74</sup> In fact, the records are bereft of any evidence to show that respondents ever opposed or objected, for over 34 years, to the improvements introduced by petitioners.<sup>75</sup> despite the fact that petitioner Cecilia and respondent Conrado are siblings and that both parties reside in Pontevedra, Capiz.<sup>76</sup> As such, the Court finds that respondents likewise acted in bad faith under Article 453 of the Civil Code, which provides:

ART. 453. If there was bad faith, not only on the part of the person who built, planted or sowed on the land of another, but also on the part of the owner of such land, the rights of one and the other shall be the same as though both had acted in good faith.

It is understood that there is bad faith on the part of the landowner whenever the act was done with his knowledge and without opposition on his part. (Underscoring supplied)

Pursuant to the aforementioned article, the rights and obligations of the parties shall be the same as though both acted in good faith. Therefore, Article 448 in relation to Articles  $546^{77}$  and  $548^{78}$  of the Civil Code applies.

Under Article 448 in relation to Articles 546 and 548, respondents as landowners have the following options: 1) they may appropriate the improvements, after payment of indemnity representing the value of the improvements introduced and the necessary, useful and luxurious expenses defrayed on the subject lots; or 2) they may oblige petitioners to pay the price of the land, if the value is not considerably more than that of the

<sup>78</sup> ART. 548. Expenses for pure luxury or mere pleasure shall be refunded to the possessor in good faith; but he may remove the ornaments with which he has embellished the principal thing if it suffers no injury thereby, and if his successor in the possession does not prefer to refund the amount expended.



<sup>71</sup> Id. at 488. 72

*Rollo*, p. 43. 73 Id.

<sup>74</sup> 

Id. at 223-224. 75

See Communities Cagayan, Inc. v. Sps. Arsenio (deceased) and Angeles Nanol, supra note 69, at 663. 76 Rollo, p. 42. 77

ART. 546. Necessary expenses shall be refunded to every possessor; but only the possessor in good faith may retain the thing until he has been reimbursed therefor.

Useful expenses shall be refunded only to the possessor in good faith with the same right of retention, the person who has defeated him in the possession having the option of refunding the amount of the expenses or of paying the increase in value which the thing may have acquired by reason thereof.

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improvements and buildings.<sup>79</sup> Should respondents opt to appropriate the improvements made, however, petitioners may retain the subject lot until reimbursement for the necessary and useful expenses have been made.<sup>80</sup>

In view of the foregoing, the Court is therefore constrained to remand the instant case to the MCTC for further proceedings to determine the facts essential to the proper application of Articles 448 in relation to Articles 546 and 548 of the Civil Code.<sup>81</sup>

On a final note, it bears emphasis that this is a case for unlawful detainer. Thus, "[t]he sole issue for resolution  $x \ x \ x$  is [the] physical or material possession of the property involved, independent of any claim of ownership by any of the parties."<sup>82</sup> The determination of the ownership of the subject lot is merely provisional<sup>83</sup> and is without prejudice to the appropriate action for recovery or quieting of title.

WHEREFORE, the Petition is GRANTED. The August 7, 2017 Decision and the April 16, 2018 Resolution of the Court of Appeals in CA-G.R. CEB-SP No. 10632 are **REVERSED**. The instant case is **REMANDED** to the court of origin for a determination of the facts essential to the proper application of Articles 448, 546 and 548 of the Civil Code and thereafter, a determination of which between the parties is entitled to the physical possession of the subject lot.

SO ORDERED.

**4IN S. CAGUIOA** ssociatè stice

WE CONCUR:

ANTONIO T. CARPIC Associate Justice Chairperson

<sup>79</sup> See *Department of Education v. Casibang*, supra note 69, at 489.

- <sup>81</sup> Spouses Macasaet v. Spouses Macasaet, supra note 61, at 874.
- <sup>82</sup> Spouses Esmaguel and Sordevilla v. Coprada, 653 Phil. 96, 104 (2010).

<sup>&</sup>lt;sup>80</sup> CIVIL CODE, Art. 546.

<sup>&</sup>lt;sup>83</sup> RULES OF COURT, Rule 70, Sec. 16. Resolving defense of ownership. — When the defendant raises the defense of ownership in his pleadings and the question of possession cannot be resolved without deciding the issue of ownership, the issue of ownership shall be resolved only to determine the issue of possession.

**ESTELA M AS-BERNABE** Associate Justice

JØSE C. RE ES, JR. Associate Justice

ZARO-JAVIER AMY **Associate** Justice

## ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ANTONIO T. CARPIO Associate Justice Chairperson, Second Division

## **CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

Chief Justice