



SUPREME COURT OF THE PHILIPPINES
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Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

ANITA C. BUCE,
Petitioner,

G.R. No. 222785

Present:

- versus -

PERALTA, *CJ.*, Chairperson,
CAGUIOA, *J.*, Working Chairperson,
REYES, *J. JR.*,
CARANDANG,* and
LAZARO-JAVIER, *JJ.*

**SPOUSES GEORGE GALEON
and ERLINDA TIONGCO
GALEON, SPOUSES HONESTO
CABRERA, JR. and GENEROSA
TIONGCO CABRERA, SPOUSES
LEO SANDS and MARIA TERESA
TIONGCO SANDS, JOSE M.
TIONGCO, and MARIA
CORAZON M. TIONGCO,**
Respondents.

Promulgated:

MAR 02 2020

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DECISION

REYES, J. JR. J.:

Before this Court is a Petition for Review on *Certiorari*, assailing the Decision¹ dated February 27, 2015 and the Resolution² dated January 29, 2016 of the Court of Appeals (CA) in CA-G.R. CV No. 97195.

* Additional member per Raffle dated February 19, 2020 in lieu of Associate Justice Mario V. Lopez, due to prior participation in the Court of Appeals.

¹ Penned by Associate Justice Myra V. Garcia-Fernandez, with Associate Justices Noel G. Tijam (a retired Member of the Court) and Mario V. Lopez (now a Member of the Court); *rollo*, pp. 43-54.

² Id. at 55-56.

The Relevant Antecedents

The case stemmed from a civil action for recovery of possession filed by the spouses George Galeon and Erlinda Tiongco Galeon, the spouses Honesto Cabrera, Jr. and Generosa Tiongco Cabrera, the spouses Leo Sands and Maria Teresa Tiongco Sands, Jose M. Tiongco and Maria Corazon M. Tiongco (collectively referred to as respondents) against Anita Buce (petitioner) involving a parcel of land located at Quirino Avenue, Pandacan, Manila (subject land).³

Respondents are the heirs of their father, Bernardo Tiongco (Bernardo) and their uncle, Dionisio Tiongco (Dionisio) who left the subject land upon their demise. The subject land was covered by Transfer Certificate of Title (TCT) No. 92195 registered in the names of Bernardo and Dionisio.⁴

Subsequently, TCT No. 167461 cancelled TCT No. 92195, as the former was issued in the names of the respondents.⁵

The records of the case reveal that Bernardo and Dionisio entered into a contract of lease with the spouses Rogelio and Anita Buce (spouses Buce) over the subject land. Under the terms of the lease contract, the same shall be effective for a period of 15 years effective June 1, 1979, subject to renewal for another 10 years under the same terms and conditions. The lessees agreed to pay the lessors a monthly rental of ₱200.00 starting June 1979. Pursuant also to the terms of the contract, the lessees were allowed to construct improvements thereon at their own expense.⁶

The monthly lease rental of ₱200.00 ballooned into ₱400.00 in 1985 and into ₱1,000.00 in July and August 1991. Before the end of the year 1991, respondents informed petitioner of the impending increase of rental to ₱1,576.58 effective January 1992. Despite such information, petitioner tendered checks in the amount of ₱400.00 for the rental payment for October to December 1991, January and May 1992, and January 1993. As these checks were insufficient to cover the total amount of monthly rental payments due, respondents refused to accept the checks drawn in their names.⁷

Petitioner, thus, filed a complaint for specific performance with prayer for consignation against the respondents. During the pendency of said case,

³ Id. at 19.

⁴ Id.

⁵ Id.

⁶ Id. at 21-22.

⁷ Id. at 22.

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respondents sent a letter to petitioner which reminded her that their lease contract expired on June 1, 1994.⁸

On August 29, 1995, the trial court declared that the lease contract between the petitioner and the respondents was automatically renewed for another 10 years. The trial court accordingly fixed the rental payment at ₱400.00 from June 1, 1990 to June 1, 1994 and ₱1,000.00 from June 1, 2000 to June 1, 2004.⁹

On appeal, the CA reversed the decision of the trial court and ordered the petitioner to immediately vacate the leased premises on the ground of the lease contract's expiration on June 1, 1994.¹⁰

The matter reached this Court in G.R. No. 136913, entitled *Buce v. Court of Appeals*.¹¹ In said case, this Court limited its resolution on the issue of the correct interpretation of the lease contract, that is, whether it is subject to automatic renewal or not. Ruling in the negative, this Court maintained that the lease contract was not automatically renewed in the absence of any mutual agreement between the parties. The *fallo* thereof reads:

WHEREFORE, the instant petition is partly GRANTED. The assailed decision of the Court of Appeals is REVERSED insofar as it ordered the petitioner to immediately vacate the leased premises, without prejudice, however, to the filing by the private respondents of an action for the recovery of possession of the subject property.

No costs.

SO ORDERED.¹²

Acting contrary to the ruling of this Court, the petitioner still failed to restore the possession of the subject property to the respondents.¹³

On July 13, 2002, respondents sent a notice to the petitioner, reiterating the turn-over of the possession of the subject property and payment of rentals in arrearages of ₱46,000.00 and ₱10,000.00 as reasonable rental for the use of the premises until petitioner vacates the same. However, petitioner failed to heed the said letter.¹⁴

⁸ Id.

⁹ Id.

¹⁰ Id.

¹¹ 387 Phil. 897 (2000).

¹² Id. at 908.

¹³ *Rollo*, p. 23.

¹⁴ Id. at 24.

Respondents brought the complaint before the barangay; but no settlement was arrived at as the petitioner failed to appear during the scheduled hearings. Hence, a Certificate to File Action was issued by the barangay captain.¹⁵

Subsequently, the respondents lowered the amount of the rental payment from ₱10,000.00 to ₱5,000.00. However, the petitioner still refused to pay and instead made partial payments of ₱1,000.00 a month.¹⁶

As the petitioner refused to turn over the premises and failed to pay proper monthly rentals, the respondents instituted a complaint for recovery of possession before the Regional Trial Court of Manila, Branch 10 (RTC).

In her Answer, petitioner averred that the filing of the complaint is premature in view of respondents' acquiescence in allowing her to continue her occupation of the subject property despite the expiration of the lease contract. In other words, petitioner insisted an implied renewal of the lease contract.¹⁷

In a Decision¹⁸ dated May 28, 2010, the RTC ordered the petitioner to vacate the premises, to remove the improvements thereon should the respondents refuse to pay the same, and to pay rental arrearages and monthly rentals. The RTC found that petitioner is no longer entitled to remain in the premises of the subject property by virtue of the expiration of the lease contract. The fact that the petitioner paid the ₱1,000.00 partial payment to respondents does not amount to an implied renewal of the lease contract nor to an acquiescence to the continued occupation of the subject property because there was nothing which indicated that respondents voluntarily waived their right to recover their property. Thus:

WHEREFORE, based on the evidence presented, judgment is hereby rendered in favor of the plaintiffs and against the defendant as follows:

a) Ordering defendant Anita C. Buce and all persons claiming right under her to restore and turn over possession of the 56[-]square [meter] parcel of land, subject of this case, to the plaintiffs;

b) Ordering defendant Anita C. Buce to remove the two (2) storey building erected on the premises should the plaintiffs refuse to pay her ½ of the value of said improvements;

¹⁵ Id.

¹⁶ Id.

¹⁷ Supra note 13.

¹⁸ Penned by Judge Virgilio M. Alameda; *rollo*, pp. 19-42.

c) Ordering defendant Anita C. Buce to pay plaintiffs the amount of P46,000.00 as rental arrearages and to pay plaintiff P1,000.00 as monthly rental for the period of June 1, 1994 to June 1, 2004;

d) Ordering defendant Anita C. Buce to pay the amount of P5,000.00 as reasonable rental for the use of the premises starting June 1, 2004 until the plaintiffs are restored by the defendant of the premises;

e) Ordering defendant to pay plaintiff the sum of P50,000.00 as attorney's fees; and

f) To pay the costs of the suit.

SO ORDERED.¹⁹

A Motion for Reconsideration was filed by petitioner. However, it was denied in a Resolution dated January 14, 2011.

On appeal, petitioner insisted that she cannot be evicted from the subject land without proper reimbursement as regards the two-storey building which she introduced therein. Nevertheless, petitioner reiterated that there was an implied renewal of the lease contract. Petitioner likewise denied her liability to pay rental in arrears because the increase of monthly rental payment from ₱1,000.00 to ₱5,000.00 is exorbitant, among others.

In a Decision²⁰ dated February 27, 2015, the CA denied the appeal and affirmed with modification the ruling of the RTC.

On the issue of reimbursement, the CA held that petitioner has no right of retention because she, being a lessor, knew very well that she has no claim of title over the subject land. Hence, she cannot be considered as a builder in good faith.

On the issue of implied renewal of the lease contract, the CA ruled that the same was already settled in G.R. No. 136913, holding that the lease contract was not renewed based on the terms thereof. However, petitioner's continued possession of the subject property resulted in an implied new lease under Article 1670 and Article 1687 of the New Civil Code. Nevertheless, respondents' act of sending a formal demand to vacate constitutes an express act on their part, as lessors, to withdraw their consent to the continued occupation of the subject land; hence, terminating the implied lease.

On the payment of arrears, the CA declared that petitioner is liable to pay for the same because of her use and occupation of the subject land. The CA discussed that petitioner is liable to pay ₱1,000.00 monthly rental after

¹⁹ Id. at 42.

²⁰ Supra note 1.

June 1, 1994 (or the expiration of the contract) to the time that petitioner was given five days after receipt of the demand to vacate the property or on July 13, 2002. Furthermore, the petitioner is ordered to pay ₱5,000.00 as reasonable amount of compensation for the use and occupation of the subject land.

The dispositive portion of which provides:

WHEREFORE, the appeal is DENIED. The decision rendered by the Regional Trial Court of Manila, Br. 10 dated May 28, 2010 in Civil Case No. 02-104849 is Affirmed with Modification. Defendant-appellant Anita C. Buce is ordered to pay plaintiffs-appellees Sps. Erlinda Tiongco Galeon & George Galeon, Sps. Generosa Tiongco Cabrera and Honesto Cabrera, Jr., Sps. Maria Teresa Tiongco Sands & Leo Sands, Jose M. Tiongco and Maria Corazon M. Tiongco the amount of PhP 1,000.00 as monthly rental from June 1, 1994 until the time that defendant-appellant was given five days from receipt of the letter of demand dated July 13, 2002, and further, the amount of ₱5,000.00 thereafter, as reasonable amount of compensation for the use of the premises until defendant-appellant surrenders the possession of the subject property to the plaintiffs-appellees.

SO ORDERED.²¹

Petitioner filed a motion for reconsideration, which was likewise denied in a Resolution²² dated January 29, 2016.

Echoing the arguments set forth in her appeal before the CA, the petitioner filed a Petition for Review on *Certiorari* before this Court.

In a Resolution²³ dated June 8, 2016, this Court resolved to deny the petition and affirm the February 27, 2015 Decision and the January 29, 2016 Resolution of the CA.

Undaunted, petitioner filed a Motion for Reconsideration²⁴ on July 28, 2016.

In a Resolution²⁵ dated August 30, 2016, this Court granted the reconsideration of the motion. Accordingly, the petition was reinstated and the respondents were required to file their comment thereto.

²¹ *Rollo*, pp. 50-51.

²² *Supra* note 2.

²³ *Rollo*, pp. 60-61.

²⁴ *Id.* at 62-68.

²⁵ *Id.* at 70.

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In their Comment,²⁶ respondents reiterated that petitioner has no right to any reimbursement on the two-storey building and to remain in possession of the subject land. Also, the respondents averred that petitioner is liable to pay rental arrearages and reasonable compensation for the use of the same.

Considering the pronouncement of this Court, the reexamination and reevaluation of the case is deemed proper.

The Issues

Summarily, the petitioner puts forth the following matters as subject of this Court's power of review: (a) whether or not she has a right to retention over the subject land until she is reimbursed for the costs of the building she constructed therein; (b) whether or not there was an implied new lease contract between her and the respondents; and (c) whether or not payment of attorney's fees is proper.

The Court's Ruling

On petitioner's right to retention

Whether a lessee is a builder in good faith is already settled in the case of *Geminiano v. Court of Appeals*,²⁷ to wit:

Being mere lessees, the private respondents knew that their occupation of the premises would continue only for the life of the lease. Plainly, they cannot be considered as possessors nor builders in good faith.

In a plethora of cases, this Court has held that Article 448 of the Civil Code, in relation to Article 546 of the same Code, which allows full reimbursement of useful improvements and retention of the premises until reimbursement is made, applies only to a possessor in good faith, *i.e.*, one who builds on land with the belief that he is the owner thereof. It does not apply where one's only interest is that of a lessee under a rental contract; otherwise, it would always be in the power of the tenant to "improve" his landlord out of his property.

Plainly, a lessee is not a builder in good faith. What is applicable in such case is Article 1678 of the Civil Code:

ART. 1678. If the lessee makes, in good faith, useful improvements which are suitable to the use for which the lease is intended, without altering the form or substance of the property leased, the lessor upon the

²⁶ Id. at 73-90.

²⁷ 328 Phil. 682 (1996).

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termination of the lease shall pay the lessee one-half of the value of the improvements at that time. Should the lessor refuse to reimburse said amount, the lessee may remove the improvements, even though the principal thing may suffer damage thereby. He shall not, however, cause any more impairment upon the property leased than is necessary.

With regard to ornamental expenses, the lessee shall not be entitled to any reimbursement, but he may remove the ornamental objects, provided no damage is caused to the principal thing, and the lessor does not choose to retain them by paying their value at the time the lease is extinguished.

Alternatively put, the right to reimbursement arises only if the lessor opts to appropriate the improvements introduced by the lessee.

In this case, there was no indication that respondents chose to appropriate the improvements. They, thus, cannot be compelled to pay one-half of its value. However, respondents cannot retain possession of the improvement, without reimbursing the petitioner. In case they refuse to pay the same, petitioner has the right to remove the building without causing any more impairment upon the property leased than is necessary. Thus, respondents cannot demand the possession of the improvements on the subject land without properly reimbursing petitioner.

*On the implied new lease under
Article 1670 of the New Civil Code of
the Philippines*

The provision on implied new lease or *tacita reconduccion* is found in Article 1670 of the Civil Code:

ART. 1670. If at the end of the contract the lessee should continue enjoying the thing leased for fifteen days with the acquiescence of the lessor, and unless a notice to the contrary by either party has previously been given, it is understood that there is an implied new lease, not for the period of the original contract, but for the time established in Articles 1682 and 1687. The other terms of the original contract shall be revived.

From the foregoing, it is clear that there is an implied renewal of the contract when the following elements concur: (a) the term of the original contract of lease has expired; (b) the lessor has not given the lessee a notice to vacate; and c) the lessee continued enjoying the thing leased for 15 days with the acquiescence of the lessor.²⁸

²⁸ *Samelo v. Manotok Services, Inc.*, 689 Phil. 411, 418 (2012).

Article 1687 of the same Code provides for the determination of the period for which such implied lease is considered as valid, to wit:

ART. 1687. If the period for the lease has not been fixed, it is understood to be from year to year, if the rent agreed upon is annual; from month to month, if it is monthly; from week to week, if the rent is weekly; and from day to day, if the rent is to be paid daily.

In other words, the terms of such contract depend on the period that the lessee made the rental payments.

Reference to the records reveal that the aforementioned elements are not extant in this case. However, respondents sent a notice to petitioner informing her of their intention not to renew the lease way back in 1993 after the filing of the specific performance case by petitioner. At this point, such notice constitutes a notice to vacate on the part of respondents as they were categorical in reminding petitioner that the contract had indeed expired; and by sending the same, it is clear that respondents intended to discontinue the juridical tie between them and petitioner as lessors and lessee. Such intention is further manifested by the filing of the case for recovery of possession following the ruling of this Court in G.R. No. 136913.²⁹ In obvious terms, respondents did not consent to petitioner's continued stay in the premises of the subject property. Her occupation therefore is by mere tolerance; deficient, however, of all the elements to constitute an implied new lease.

Moreover, the petitioner's contention that she failed to receive such notice was belied by the factual findings of the RTC and the CA. Neither can respondents' act of accepting rental payments be construed as their consent to the renewal of the lease. The simple reason is that the petitioner remained in possession of the subject land and, regardless of the outcome of their case, had to pay rentals to respondents for the use of the same.³⁰

As the petitioner continued to occupy and possess the subject property without a contract of lease, she is liable to pay for the reasonable use and possession thereof. Both the RTC and the CA found that the reasonable compensation for such use and occupation shall be pegged at ₱5,000.00 per month.

On the issue of rental payment

The Court agrees with petitioner that she is not liable to pay rental arrearages.

²⁹ Supra note 11.

³⁰ *Torres v. Court of Appeals*, 290-A, Phil. 163, 169 (1992).

The increment from ₱1,000.00 to ₱1,576.58 which respondents demanded to take effect on January 1992 nor the increase of monthly rental from ₱1,000.00 to ₱5,000.00 which respondents demanded on July 2002 cannot be considered by this Court in holding the petitioner liable for deficient rental payment as there was no sufficient evidence which proved that the petitioner indeed received the notices signifying the intended rental increase by respondents and that the parties mutually agreed thereto. In fact, the respective rulings of the RTC and the CA failed to uphold the increments demanded by the respondents and brushed aside the respondents' averment that the increased rental payment was already established among the parties.

As respondents admitted that they received ₱1,000.00 per month from the petitioner as rental payment,³¹ the rental arrearages computed on the basis of the aforementioned increase has no basis.

On payment of attorney's fees

It is settled that the award of attorney's fees is the exception rather than the general rule; counsel's fees are not awarded every time a party prevails in a suit because of the policy that no premium should be placed on the right to litigate. Attorney's fees, as part of damages, are not necessarily equated to the amount paid by a litigant to a lawyer.³²

Article 2208³³ of the Civil Code specifically provides for the instances when attorney's fees may be recovered. The power of the court to award attorney's fees under Article 2208 demands factual, legal, and equitable justification.³⁴

The Court sustains the award of attorney's fees.

³¹ *Rollo*, p. 84.

³² *See Philippine National Construction Corporation v. APAC Marketing Corporation*, 710 Phil. 389, 395 (2013).

³³ Art. 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

- (1) When exemplary damages are awarded;
- (2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;
- (3) In criminal cases of malicious prosecution against the plaintiff;
- (4) In case of a clearly unfounded civil action or proceeding against the plaintiff;
- (5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;
- (6) In actions for legal support;
- (7) In actions for the recovery of wages of household helpers, laborers and skilled workers;
- (8) In actions for indemnity under workmen's compensation and employer's liability laws;
- (9) In a separate civil action to recover civil liability arising from a crime;
- (10) When at least double judicial costs are awarded;
- (11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.

³⁴ *Spouses Timado v. Rural Bank of San Jose, Inc.*, 789 Phil. 453, 460 (2016).

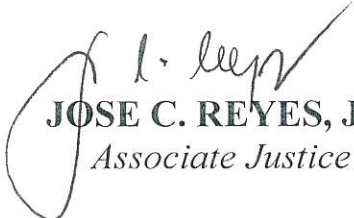
First. Even after this Court's ruling in G.R. No. 136913, the petitioner still refused to surrender the possession of the subject land despite the categorical declaration that the lease contract was not renewed. *Second.* The petitioner disregarded respondents' notice to vacate the premises. *Third.* This case was elevated to this Court for the second time because of petitioner's insistence that she has a better right to possess the subject land.

Verily, the RTC and the CA are correct in that they found that petitioner's unjustified failure to turn over the possession of the subject land amounted to bad faith; hence, entitlement of respondents to attorney's fees shall ensue as a consequence.

WHEREFORE, premises considered, the petition is **PARTLY GRANTED**. Accordingly, the Decision dated February 27, 2015 and the Resolution dated January 29, 2016 are **AFFIRMED with MODIFICATION** in that petitioner Anita C. Buce is **ORDERED to PAY** reasonable compensation for the use and occupation of the subject property in the amount of ₱5,000.00 from the expiration of the contract of lease which was on June 1, 1994 until she vacates the premises. The petitioner's liability to pay rental arrearages is hereby **DELETED**.

ALL OTHERS STAND.

SO ORDERED.


JOSE C. REYES, JR.
Associate Justice

WE CONCUR:


DIOSDADO M. PERALTA
Chief Justice
Chairperson



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Working Chairperson



ROSMARIE D. CARANDANG
Associate Justice



AMY C. LAZARO-JAVIER
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.



DIOSDADO M. PERALTA
Chief Justice