



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, First Division, issued a Resolution dated November 18, 2020 which reads as follows:

“G.R. No. 234542 - (PRIMITIVO C. MISLANG, *petitioner v. AURORA B. TORRES, respondent*). - This resolves the Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court filed by petitioner Primitivo C. Mislant (Mislant) against the November 17, 2016 Decision² and September 27, 2017 Resolution³ of the Court of Appeals (CA) in CA-G.R. SP NO. 127332, ordering him to pay rental arrears to respondent Aurora B. Torres (Torres).

Antecedents

Respondent Torres owns a 767.67 square meter parcel of land located at Barangay Parian, Calamba City, Laguna, covered by Transfer Certificate of Title No. T-243684 (subject property).

On April 1, 2005, Mislant rented 108 square meters of the subject property for a period of one year for his tires and batteries shop.⁴ Under the Contract of Lease,⁵ the rent was ₱4,000.00 from April 1, 2005 to September 1, 2005, and was increased to ₱4,500.00 from October 1, 2005 to April 1, 2006.⁶ It was further stipulated that any improvements introduced by Mislant shall automatically belong to Torres in the event the former ceases work operation for a period of six months, or if the lease lasts for at least five years.⁷

¹ *Rollo* pp. 11-22

² *Id.* at 29-36; penned by Associate Justice Myra V. Garcia-Fernandez, with Associate Justices Elihu A. Ybañez and Ramon Paul L. Hernando (now a Member of this Court), concurring.

³ *Id.* at 38-39.

⁴ *Id.* at 62.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.* at 63.

Over the course of the years, the parties renewed the lease, subject to incremental increases in the rent, consisting of ₱5,000.00 on April 1, 2006, and ₱5,500.00 in April 2007.⁸

However, in September 2007, Mislant defaulted in the payment of rent amounting ₱90,000.00.⁹ Hence, the parties executed a *Kasunduan*¹⁰ providing that Mislant will pay the arrears in monthly installments of ₱10,000.00 each.¹¹ Furthermore, the amount of the monthly rent was increased to ₱6,050.00 from April 2008 to April 2009, and to ₱6,655.00 from April 2009 to April 2010.¹²

Unfortunately, Mislant failed to comply with the terms of the *Kasunduan*. This led to the termination of the lease on April 2, 2010. However, Mislant refused to vacate the subject property.¹³

On June 18, 2010, Torres sent Mislant a demand letter¹⁴ asking him to vacate the leased premises and to pay rental arrears amounting to ₱234,770.00. Mislant refused to comply.¹⁵ Consequently, Torres filed an action for unlawful detainer before the Municipal Trial Court in Cities of Calamba City, Laguna (MTCC).

Mislant filed his Answer¹⁶ dated September 17, 2010, claiming that the lease ended as early as September 21, 2005.¹⁷ However, he admitted that despite the termination of the lease, he did not vacate the property because Torres failed to pay him the amount of ₱400,000.00, which represented the cost of the improvements he made on the premises. Mislant further related that his business had gone bankrupt and he asked Torres permission to sublease the property, which the latter refused. Mislant averred that he did not incur unpaid rentals because Torres took control and possession of the subject property after he ceased his business operations.

Meanwhile, on February 11, 2011, Mislant surrendered the physical possession of the leased premises as evidenced by a Receipt

⁸ Id. at 76.

⁹ Id. at 76.

¹⁰ Id. at 90-91.

¹¹ Id. at 76.

¹² Id. at 90.

¹³ Id. at 77.

¹⁴ Id. at 66.

¹⁵ Id. at 60.

¹⁶ Id. at 68-69.

¹⁷ In his Answer, Mislant stated that the lease ended in 2005. However, during the trial, he claimed that the lease ended in September 2008. In his Petition for Review before this Court, he claimed that the lease ended in September 2008.

of Possession.¹⁸

Ruling of the MTCC

On August 15, 2011, the MTCC rendered a Decision¹⁹ directing Torres to reimburse Mislang for the value of the improvements. The MTCC declared that since Mislang had already vacated the leased premises, the only issues to be resolved are the amount of his rental arrears and his entitlement to reimbursement for the improvements.

The MTCC noted that the parties executed a *Kasunduan* which extended the lease for a period of five years from April 1, 2005 to April 2, 2010. Said *Kasunduan* served as the new contract of lease between the parties, but did not contain the terms and conditions set forth in the original Contract of Lease. Hence, paragraph 8 of the original Contract of Lease, which granted Torres ownership of the improvements in case the lease period lasts for five years, does not apply.

Furthermore, the MTCC applied Article 448 of the Civil Code which grants the owner of the land in which anything has been built in good faith, the right to appropriate the work as his/her own upon paying the builder indemnity. Accordingly, the MTCC ordered Torres to reimburse Mislang ₱400,000.00, which represented the value of the improvements, and to deduct from said amount Mislang's rental arrears of ₱103,960.00.

The dispositive portion of the MTCC Decision reads:

WHEREFORE, judgment is hereby rendered directing [Torres] to pay [Mislang] the amount of Php296,040.00 representing the reimbursement of [Mislang] for the improvements he introduced on the subject property. No pronouncement as to cost.

SO ORDERED.²⁰

Dissatisfied with the ruling, Torres filed a Notice of Appeal.²¹

¹⁸ *Rollo*, p. 71.

¹⁹ *Id.* at 96-99; rendered by Judge Carolina C. Icasiano-Sison.

²⁰ *Id.* at 99.

²¹ *Id.* at 100.

Ruling of the RTC

On July 20, 2012, the RTC rendered a Decision²² modifying the MTCC's directive for Torres to reimburse Mislang for the value of the improvements. The RTC gave credence to Mislang's claim that he vacated the leased premises in 2008, thereby limiting the period of lease to merely three years. As such, the RTC held that paragraph 8 of the Contract of Lease granting Torres ownership of the improvements does not apply.²³ Accordingly, the RTC directed Torres to reimburse Mislang for the cost of the improvements, only after the latter presents evidence proving the total value of the improvements.

Anent the rental arrears, the RTC declared that based on the *Kasunduan* signed by the parties, it appears that Mislang had an unpaid balance of ₱90,000.00. Hence, his net unpaid rent as of April 1, 2010 was ₱215,460.00.²⁴

The dispositive portion of the RTC ruling reads:

WHEREFORE, the Decision appealed from is hereby modified directing [Torres] to reimburse [Mislang] for the improvements he introduced on the subject property which are duly proven and substantiated by receipts, deducting therefrom the net unpaid rentals of Php215,460.00. No pronouncement as to cost.

SO ORDERED.²⁵

Aggrieved, Torres filed a Motion for Reconsideration²⁶ claiming that the award of reimbursement in favor of Mislang was beyond the MTCC's jurisdiction. Torres pointed out that damages recoverable in an action for unlawful detainer are limited to the reasonable compensation for the use of the property. Mislang may not be granted reimbursement in the same ejectment case, which is a special civil action governed by the Rules on Summary Procedure. Rather, Mislang should have filed an ordinary civil action to claim payment for the improvements he introduced on the leased premises. Likewise, he must present receipts to support his claim of reimbursement. In turn, these receipts must be subjected to a closer scrutiny, including cross-examination, which is available only in a full-blown trial.

²² Id. at 118-121; rendered by Judge Antonio T. Manzano.

²³ Id. at 119-120.

²⁴ Id. at 120.

²⁵ Id. at 121.

²⁶ Id. at 122-124.

On October 10, 2012, the RTC issued an Order²⁷ granting the Motion for Reconsideration. Accordingly, it amended its earlier pronouncement as follows:

WHEREFORE, [Torres'] Motion for Reconsideration is granted and the dispositive portion of this Court's Decision dated July 20, 2012, is modified to read as follows:

'WHEREFORE, the Decision appealed from is hereby modified directing [Mislang] to pay [Torres] the net unpaid rentals of Php215,460.00. [Mislang's] claim for reimbursement for the improvements he introduced on the subject property is denied for lack of jurisdiction. No pronouncement as to cost.'

SO ORDERED.²⁸

Dissatisfied, Mislang filed a Petition for Review²⁹ under Rule 42 of the Rules of Court with the CA.

Ruling of the CA

In a Decision³⁰ dated November 17, 2016, the CA affirmed the RTC's ruling with modification. It held that the MTCC has no jurisdiction to award Mislang any reimbursement for the value of the improvements.³¹ It explained that an action for reimbursement or recovery of damages may not be properly joined with an ejectment suit.³² Particularly, the action for reimbursement is an ordinary civil action that requires a full-blown trial, whereas the suit for unlawful detainer is a special civil action governed by a summary procedure.³³ It applied Section 5, Rule 2 of the Rules of Court which states that the joinder of causes of action shall not include special civil actions or actions governed by special rules.³⁴

As for Mislang's rental arrears, the CA held that the evidence shows that the former has an outstanding balance of ₱103,960.00.

²⁷ Id. at 133-134; rendered by Judge Antonio T. Manzano.

²⁸ Id.

²⁹ Id. at 40-56.

³⁰ Id. at 29-36.

³¹ Id. at 34.

³² Id.

³³ Id.

³⁴ Id.

Thus, the CA disposed of the case as follows:

WHEREFORE, the petition for review is **DENIED**. The order dated October 10, 2012 of the Regional Trial Court (RTC) of Calamba City, Laguna, Branch 37 in Civil Case No. 4494-11-C is **MODIFIED**. Petitioner Primitivo C. Mislang is liable to pay respondent Aurora B. Torres unpaid rentals in the total amount of One Hundred Three Thousand, Nine Hundred Sixty Pesos (Php103,960.00).

SO ORDERED.³⁵

Mislang filed a Motion for Reconsideration, which was denied in the September 27, 2017 Resolution³⁶ of the CA.

Undeterred, Mislang filed the instant petition for review on *certiorari*.³⁷

Issues

The issues in the instant case are whether or not Mislang (i) is liable for rental arrears; and (ii) is entitled to the value of the improvements he made on the leased premises.

Mislang claims that he vacated the subject property in September 2008.³⁸ As proof thereof, he points out that starting September 2008, Torres no longer went to the barangay to demand payment of the rent. This proves that he was no longer occupying the leased premises, and that “in principle” Torres agreed to offset the cost of the improvements from the rental arrears.

Likewise, Mislang accuses Torres of unjust enrichment. He contends that the latter deliberately opted not to file a case for unlawful detainer in September 2008 in order to make it appear that the lease continued until April 2010, and to render paragraph 8 of the Contract of Lease applicable.³⁹

Mislang further posits that the MTCC has ancillary jurisdiction to direct the payment of the value of improvements. The determination of his right to the value of the improvements is

³⁵ Id. at 35.

³⁶ Id. at 38-39.

³⁷ Id. at 11-22.

³⁸ Id. at 17.

³⁹ Id. at 19.

intimately connected with the ejectment case.⁴⁰ He urges that the MTCC has the power to determine all questions relative to the matters brought before it.⁴¹ Hence, it properly directed the reimbursement of ₱400,000.00 for the improvements he made.

On the other hand, Torres counters that Mislant's claim that he vacated the leased premises in 2008 is self-serving, and bereft of any evidence.⁴² On the contrary, the Receipt of Possession proves that Mislant surrendered the actual physical possession of the property only on February 11, 2011, while the unlawful detainer case was already pending.⁴³

Moreover, Torres avers that Mislant is not entitled to the reimbursement of the value of the improvements. Paragraph 8 of the Contract of Lease states that all improvements shall automatically belong to her after a period of five years.⁴⁴ This was a valid stipulation. It was not contrary to law, morals, public customs, public order or public policy.⁴⁵ Hence, Mislant was bound to honor said provision. Alternatively, even assuming that the ownership of the improvements has not yet passed to her, Mislant is still not entitled to the award of ₱400,000.00 in the absence of competent evidence proving the actual value of the improvements.⁴⁶

Furthermore, Torres avers that the doctrine of ancillary jurisdiction does not apply to the instant case. Said doctrine applies only in the absence of specific provisions of law or jurisprudence.⁴⁷ With respect to the particular issue at hand, the Court has already ruled that the MTCC may not award reimbursement for improvements in unlawful detainer cases.⁴⁸

Lastly, Torres argues that Article 448 of the Civil Code does not apply to parties bound by a lease contract.⁴⁹

⁴⁰ Id. at 20.

⁴¹ Id. at 19.

⁴² Id. at 167.

⁴³ Id.

⁴⁴ Id.

⁴⁵ Id. at 168.

⁴⁶ Id. at 169.

⁴⁷ Id. at 168.

⁴⁸ Id. at 169.

⁴⁹ Id. at 168.

Ruling of the Court

The petition is denied.

Damages Awarded in Actions for Unlawful Detainer are Limited to the Reasonable Compensation for the Use or Occupation of the Property

Essentially, an *accion interdical* is a summary action that determines the right to physical possession, independent of ownership. It is cognizable by the proper municipal or metropolitan trial court,⁵⁰ and is governed by the Rules on Summary Proceedings. An *accion interdical* comprises two distinct causes of action – forcible entry and unlawful detainer. They are distinguished mainly by the nature of the deforciant’s entry into the property. Specifically, in forcible entry, possession is illegal at the outset, as entry was effected through force, intimidation, strategy, threats, or stealth. On the other hand, in unlawful detainer, possession is initially lawful as it stems from an express or implied contract, but subsequently becomes illegal when the deforciant withholds possession after the expiration or termination of his/her right.⁵¹

Notably, in actions for forcible entry and unlawful detainer, the only damage that may be recovered is the fair rental value or the reasonable compensation for the use and occupation of the leased property. This stems from the fact that the only issue raised in ejectment proceedings is that of rightful possession. Naturally, the damages which could be recovered are those which the plaintiff could have sustained as a mere possessor, or those caused by the loss of the use and occupation of the property, and **not** the damages which he/she may have suffered but have no direct relation to his loss of material possession.⁵²

Section 17, Rule 70 of the Rules of Court clearly provides that:

⁵⁰ *Javelosa v. Tapus, et al.*, G.R. No. 204361, July 4, 2018, citing *Suarez v. Emboy*, 729 Phil. 315, 324-325 (2014), citing *Spouses Valdez, Jr. v. Court of Appeals*, 523 Phil. 39, 45-46 (2006).

⁵¹ *Id.*, citing *Suarez v. Emboy*, supra at 326, citing *Spouses Valdez, Jr. v. Court of Appeals*, supra.

⁵² *Lajave Agricultural Management and Development Enterprises, Inc. v. Spouses Javellana*, G.R. No. 223785, November 7, 2018, citing *Araos v. Court of Appeals*, 302 Phil. 813, 819 (1994); *C & S Fishfarm Corporation v. Court of Appeals, et al.*, 442 Phil. 279, 292 (2002); *Dumo v. Espinas*, 515 Phil. 685, 692 (2006)

Section 17. Judgment. — If after trial court finds that the allegations of the complaint are true, it shall render judgment in favor of the plaintiff for the restitution of the premises, the sum justly due as arrears of rent or as reasonable compensation for the use and occupation of the premises, attorney's fees and costs. If a counterclaim is established, the court shall render judgment for the sum found in arrears from either party and award costs as justice requires.

Remarkably, in *Teraña v. Judge De Sagun, et al.*,⁵³ a case that involved an action for unlawful detainer, the parties respectively sought the reimbursement of the expenses they incurred in the construction of property in the leased premises. Particularly, the defendant-lessee claimed reimbursement for expenses incurred in building a new house on the leased premises, along with moral damages. This Court rejected the claims and stressed that:

Damages recoverable in an unlawful detainer action are limited to rentals or reasonable compensation for the use of the property.

This Court has no jurisdiction to award the reimbursement prayed for by both parties. Both parties seek damages other than rentals or reasonable compensation for the use of the property, which are the only forms of damages that may be recovered in an unlawful detainer case. Rule 70, Section 17 of the Rules of Court authorizes the trial court to order the award of an amount representing arrears of rent or reasonable compensation for the use and occupation of the premises if it finds that the allegations of the complaint are true.

The rationale for limiting the kind of damages recoverable in an unlawful detainer case was explained in *Araos v. Court of Appeals*, wherein the Court held that:

‘The rule is settled that in forcible entry or unlawful detainer cases, the only damage that can be recovered is the fair rental value or the reasonable compensation for the use and occupation of the leased property. The reason for this is that in such cases, the only issue raised in ejectment cases is that of rightful possession; hence, the damages which could be recovered are those which the plaintiff could have sustained as a mere possessor, or those caused by the loss of the use and occupation of the property, and not the

⁵³ *Teraña v. Judge De Sagun, et al.*, 605 Phil. 22 (2009).

damages which he may have suffered but which have no direct relation to his loss of material possession.’

An action for reimbursement or for recovery of damages may not be properly joined with the action for ejectment. **The former is an ordinary civil action requiring a full-blown trial, while an action for unlawful detainer is a special civil action which requires a summary procedure. The joinder of the two actions is specifically enjoined by Section 5 of Rule 2 of the Rules of Court, which provides:**

Section 5. Joinder of causes of action. – A party may in one pleading assert, in the alternative or otherwise, as many causes of action as he may have against an opposing party, subject to the following conditions:

- (a) The party joining the causes of action shall comply with the rules on joinder of parties;
- (b) The joinder shall not include special civil actions or actions governed by special rules;
- (c) Where the causes of action are between the same parties but pertain to different venues or jurisdictions, the joinder may be allowed in the Regional Trial Court provided one of the causes of action falls within the jurisdiction of said court and the venue lies therein; and
- (d) Where the claims in all the causes of action are principally for recovery of money, the aggregate amount claimed shall be the test of jurisdiction.⁵⁴ (Citations omitted. Emphasis and underscoring supplied)

Clearly, as underscored in *Teraña*,⁵⁵ damages that do not pertain to the reasonable use and occupation of the leased premises may not be awarded in an unlawful detainer case. This rule applies with equal force to the plaintiff and defendant in said case.

Accordingly, Mislang’s claim for the value of the improvements may not be recovered in the action for unlawful detainer. The resolution of such claim necessitates the introduction of evidence in a full-blown trial. Thus, the MTCC should have limited its award to the amount of rental arrears due to Torres.

⁵⁴ Id. at 40-42.

⁵⁵ Id.

At any rate, Mislang's claim for reimbursement likewise fails on other grounds.

The improvements shall belong to Torres after a period of five years

It is an elementary principle of civil law that the parties to the contract are bound by its terms and must thus comply with them in good faith. On this score, paragraph 8 of the Contract of Lease⁵⁶ executed by Mislang and Torres states that:

That any improvement to be introduced by the LESSEE in the leased property shall automatically belong to the LESSOR without obligation to reimburse the LESSEE of the expenses for the same in any of the following events: (a) in case the LESSEE ceases work operation for a period of six (6) months, or (b) after a period of five (5) years of lease in the subject property.⁵⁷

Verily, under the terms of the lease, any and all improvements shall automatically belong to Torres, as the lessor, in case Mislang ceases work operation for at least six months, or if the lease subsists for five years. The latter circumstance applies, thereby granting Torres ownership of the improvements, sans any obligation for reimbursement.

Seeking to escape from said provision, Mislang claims that the lease contract was terminated in as early as September 2008. Hence, ownership of the improvements has not yet passed to Torres.

This Court is not persuaded. Aside from being a bare and unsubstantiated allegation, the evidence proves that the lease subsisted until April 2010.

A perusal of the records shows that the original one-year lease contract was continuously renewed for several years, until it was finally terminated in April 2010. This is clear from the *Kasunduan*⁵⁸ which states that the amount of the monthly rent will be increased to ₱6,050.00 from April 2008 to April 2009, and ₱6,655.00 from April 2009 to April 2010.⁵⁹ Mislang signed the *Kasunduan*.

⁵⁶ *Rollo*, pp. 62-65.

⁵⁷ *Id.* at 63.

⁵⁸ *Id.* at 90.

⁵⁹ *Id.*

Moreover, the Receipt of Possession⁶⁰ issued by the MTCC states that Mislant surrendered the actual physical possession of the leased premises on February 11, 2011. This certainly dispels his claim that he physically left the premises in September 2008.

Mislant may not claim reimbursement on the basis of Article 448 of the Civil Code

Article 448 of the Civil Code states that:

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.

In line with this, Articles 546 and 548 correspondingly provide that:

Article 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.

Art. 548. Expenses for pure luxury or mere pleasure shall not 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.

Notably, Article 448 applies when the builder believes that he/she is the owner of the land or that by some title he/she has the

⁶⁰ Id. at 71.

right to build thereon,⁶¹ or at least, has a claim of title thereto.⁶² It does not apply when there is a contractual relation between the parties, or when the builder's interest is merely that of a holder, such as a mere tenant, agent or usufructuary.⁶³ Good faith is identified by the belief that the land is owned or by some title, one has the right to build, plant, or sow therein.⁶⁴

Parenthetically, in *Spouses Esmaguél v. Coprada*,⁶⁵ Art. 448 was not applied considering that the builder's occupation was by mere tolerance. This Court explained that persons whose occupation of a realty is by sheer tolerance of its owners are not possessors in good faith. They cannot be deemed to have built on the land with the belief that they own it.⁶⁶

With all the more reason does Art. 448 not apply to a builder who is a lessee. As declared in *Sulo Sa Nayon, Inc., and/or Philippine Village Hotel, Inc., et al. v. Nayong Pilipino Foundation*,⁶⁷ and *Spouses Lacap v. Lee*,⁶⁸ Art 448 is manifestly intended to apply only to a case where one builds on land in which he/she believes to have a claim of title, and not to lands where the only interest of the builder is that of a holder, such as a tenant.

As elaborated in *Sulo Sa Nayon, Inc., and/or Philippine Village Hotel, Inc., et al. v. Nayong Pilipino Foundation*:⁶⁹

In the case at bar, petitioners have no adverse claim or title to the land. In fact, as lessees, they recognize that the respondent is the owner of the land. What petitioners insist is that because of the improvements, which are of substantial value, that they have introduced on the leased premises with the permission of respondent, they should be considered builders in good faith who have the right to retain possession of the property until reimbursement by respondent.

We affirm the ruling of the CA that introduction of valuable improvements on the leased premises does not give the petitioners the right of retention and reimbursement which rightfully belongs

⁶¹ *Communities Cagayan, Inc. v. Sps. Arsenio (deceased) and Angeles Nanol, et al.*, 698 Phil. 648, 661 (2012), citing *Rosales v. Castellort*, 509 Phil. 137, 147 (2005).

⁶² *Id.*, citing *Briones v. Macabagdal*, 640 Phil. 343, 352 (2010).

⁶³ *Id.* at 661.

⁶⁴ *Id.*

⁶⁵ *Spouses Esmaguél v. Coprada*, 653 Phil. 96 (2010).

⁶⁶ *Id.* at 109-110.

⁶⁷ 596 Phil. 715 (2009).

⁶⁸ 442 Phil. 190 (2002).

⁶⁹ *Supra.*

to a builder in good faith. **Otherwise, such a situation would allow the lessee to easily "improve" the lessor out of its property. We reiterate the doctrine that a lessee is neither a builder in good faith nor in bad faith that would call for the application of Articles 448 and 546 of the Civil Code.** His rights are governed by Article 1678 of the Civil Code, which reads:

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 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.⁷⁰ (Emphasis supplied)

A similar ruling was rendered in the cases of *Spouses Jimenez v. Patricia, Inc.*,⁷¹ and *Josefa v. San Buenaventura*.⁷²

As to the house built by petitioners on the property, **this Court has previously ruled that lessees, much less, sublessees, are not possessors or builders in good faith over rented land because they know that their occupancy of the premises continues only during the life of the lease, or sublease as the case may be; and, they cannot as a matter of right recover the value of their improvements from the lessor, much less retain the premises until they are reimbursed.** Instead, their rights are governed by Art. 1678 of the Civil Code which allows reimbursement of lessees up to one-half (1/2) of the value of their improvements if the lessor so elects: x x x⁷³ (Emphasis supplied)

It must be noted that neither does Article 1678 apply considering that as earlier discussed, paragraph 8 of the Contract of Lease clearly grants ownership of the improvements to Torres.

Interestingly, in *Lhuiller v. Court of Appeals*,⁷⁴ it was held that a covenant to renew a lease, which makes no provision on its terms, implies an extension or renewal subject to the same terms in the original lease contract. Consequently, an agreement in the original lease contract that all improvements introduced by the lessee will accrue to the benefit of the owner without reimbursement is a valid

⁷⁰ Id. at 726-727.

⁷¹ 394 Phil. 877 (2000).

⁷² 519 Phil. 45 (2006).

⁷³ *Sps. Jimenez v. Patricia, Inc.*, supra at 889.

⁷⁴ *Lhuillier v. Court of Appeals*, 401 Phil. 828 (2000).

stipulation. Such stipulation, not being contrary to law, morals, public order or public policy, binds the parties and is the law between them. Accordingly, Art. 1678 of the Civil Code will not apply.⁷⁵

Mislang Failed to Present Clear and Convincing Evidence to Prove the Cost of the Improvements

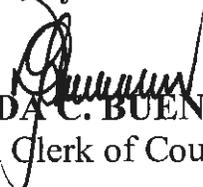
Finally, even assuming for the sake of argument that Mislang may claim reimbursement for the improvements, it must be noted that he failed to present an iota of evidence proving their value. Surely, the MTCC erred in accepting Mislang's claim hook, line and sinker, and haphazardly deducting the amount of ₱400,000.00 (alleged value of improvements) from the rental arrears. The records are utterly bereft of any receipts or documents evidencing the actual cost of the improvements.

Based on all the foregoing, this Court denies Mislang's claim for reimbursement and affirms the CA's ruling directing Mislang to pay Torres the amount of ₱103,960.00, representing the former's rental arrears. Said amount was supported by the evidence on record, consisting of the documents signed by both parties.

WHEREFORE, the petition is **DENIED for lack of merit**. The November 17, 2016 Decision and September 27, 2017 Resolution of the Court of Appeals in CA-G.R. SP No. 127332 are **AFFIRMED**.

SO ORDERED." *Carandang, J.*, on official leave.

By authority of the Court:


LIBRADA C. BUENA
Division Clerk of Court 

by:

MARIA TERESA B. SIBULO
Deputy Division Clerk of Court

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⁷⁵ Id. at 835.



PUBLIC ATTORNEY'S OFFICE
Special and Appealed Cases Service
Counsel for Petitioner
DOJ Agencies Building
Diliman, 1101 Quezon City

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Atty. Crisostomo B. Manalo
Counsel for Respondent
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