Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

ANTIOQUIA DEVELOPMENT CORPORATION and JAMAICA REALTY & MARKETING CORPORATION,
Petitioners,

- versus -

BENJAMIN P. RABACAL, EULALIA CANTALEJO, TERESITA CANTALEJO, RUDY RAMOS, DOMINGO AGUILAR, DOMINGO CANTALEJO, VIRGINIA CANTALEJO, DULCE AQUINO, ROGELIO REDONDO, VIRGILIO CANTALEJO, FRANCISCO LUMBRES and RODOLFO DELA CERNA,
Respondents.

G.R. No. 148843

Present:

SERENO, *C.J.*,
Chairperson,
LEONARDO-DE CASTRO,
BERSAMIN,
VILLARAMA, JR., and
REYES, *JJ.*

Promulgated:

05 SEP 2012

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DECISION

VILLARAMA, JR., *J.*:

Before us is a petition for review on certiorari under Rule 45 seeking to set aside the Decision[1] dated November 28, 2000 and Resolution[2] dated July 3, 2001 of the Court of Appeals (CA) in CA-G.R. SP No. 58390, and to

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[1] *Rollo*, pp. 72-80. Penned by Associate Justice Portia Aliño-Hormachuelos with Associate Justices Angelina S. Gutierrez (retired Member of this Court) and Elvi John S. Asuncion concurring.

[2] Id. at 92-93. Penned by Associate Justice Portia Aliño-Hormachuelos with Associate Justices Elvi John S. Asuncion and Alicia L. Santos concurring.

July 3, 2001 of the Court of Appeals (CA) in CA-G.R. SP No. 58390, and to reinstate the Joint Decision[3] dated September 30, 1999 of the Regional Trial Court (RTC) of Biñan, Laguna, Branch 24, which modified the Consolidated Decision[4] dated August 11, 1998 of the Municipal Trial Court (MTC) of Cabuyao, Laguna.

The factual antecedents:

Petitioner Antioquia Development Corporation (ADC) is the registered owner of several parcels of land located atMamatid, Cabuyao, Laguna, and covered by Transfer Certificate of Title (TCT) Nos.T-278043, T-278044, T-278045, T-278050, T-278051,T-278052, T-278053, T-278054, T-244163, T-277164, T-278068, T-278069 and T-278070 of the Registry of Deeds of Laguna, Calamba Branch.

On May 29, 1989, ADC entered into a joint venture agreement with petitioner Jamaica Realty & Marketing Corporation (JRMC),a real estate developer, for the construction of a residential subdivision on its property.

Respondents are among the defendants[5] in the twenty (20) ejectment cases (Civil Case Nos. 493to 512) filed by petitioners in the MTC. Petitioners alleged that defendants were seasonal planters/workers on the property who were allowed by the former owner, Mariano Antioquia, Sr., to construct their houses on the land with an agreement that they would surrender peacefully the premises when the owner needs the same. However, despite oral and written demands by petitioners, defendants refused to vacate the premises. Petitioners further averred that Municipal Mayor Constancio G. Alimagno, Jr. had interceded in behalf of the defendants and dialogues were conducted between the parties but no settlement was reached as petitioners insisted that they have no legal obligation to pay the defendants because the latter's occupation is by mere

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3 Id. at 39-44. Penned by Judge Damaso A. Herrera.
4 Id. at 33-38. Penned by Judge ZenaidaLubrica Galvez.
5 The other named defendants were either not served with summons, did not file an Answer or no longer residing on the property.

tolerance. Defendants, moreover, are occupying the commercial area of the property and their continued stay therein has caused petitioners financial losses since prospective buyers refused to buy the property. Petitioners thus prayed that judgment be rendered ordering the defendants to vacate the property, surrender the same to petitioners, and to pay the petitioners ₱10,000 as attorney's fees, plus costs.

Answering defendants, including herein respondents, commonly asserted that the previous owner, a certain Dr.Carillo of Biñan, Laguna, gave them express permission to build their respective houses on the property through the intercession of then Barangay Captain PaulinoHilaga. It was agreed that defendants would clean and clear the land, and would stay there as long as necessary. Such agreement was respected by the succeeding owner, Mariano Antioquia, Sr. Defendants further claimed that in 1994, negotiations with petitioners were conducted for the defendants to vacate the property. Petitioners offered to give each of the defendants a 60-square meter lot valued at ₱118,000 payable in 10 years, without interest, and each defendant will also receive ₱2,000 as expenses for transfer. To this, defendants made the following counter-offer: a 60-square meter lot for each defendant for the price of ₱12,000, payable in 10 years, without interest, and in addition, petitioners would give each defendant ₱7,000 as expenses for transfer.

Defendants further claimed that during their meeting with Mayor ConstancioAlimagno, Jr., the latter proposed a 60-square meter lot for each defendant priced at ₱15,000. In the succeeding dialogues, defendants demanded to be given ₱50,000 each as disturbance compensation but the petitioners refused. Defendants contended that in addition to lots where they can build new houses, they should also be given disturbance compensation since they were permitted by the former owner to stay on the land -- which agreement should be honored -- and they being members of the "SamahangKapit-Bisig."

On August 11, 1998, the MTC rendered a Consolidated Decision[6], the dispositive portion of which states:

> WHEREFORE, judgment is hereby rendered:
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> 1. Ordering individual defendants in Civil Cases Nos. 494, 495, 496, 498, 499, 501, 503, 504, 505, 506, 508, 509, 510, 511 and 512, namely, Benjamin Rabacal, Eulalia and TeresitaCantalejo, Rudy Ramos, Domingo Cantalejo, Virginia Cantalejo, Dulce Aquino, Domingo Aguilar, Nestor Bariring, PlacidoCelis, Felix Garcia, Rogelio Redondo, VirgilioCantalejo, Sonny Lumbres, Maxima Roxas, and RodeliodelaCerna and all persons claiming rights under them to vacate the land covered by TCT Nos. 27803, 278050, 278051, 278052, 244163, 277164, 278043, 278044, 278045, 278069, 278070, 278068, and 278054 of the Register of Deeds of Laguna, and surrender possession thereof to the plaintiffs;
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> 2. Ordering plaintiffs to pay the above-named defendants the amount of Thirty Thousand (₱30,000.00) Pesos each as disturbance compensation;
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> 3. Dismissing Civil Cases Nos. 493, 497, 500, 507 and 502.
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> SO ORDERED.[7]

Not satisfied, petitioners appealed to the RTC which found merit in petitioners' argument that there is no clear and convincing basis for the award of disturbance compensation, and that they are entitled to the award of attorney's fees as they were constrained to litigate to protect their interest on account of the defendants' unwarranted refusal to vacate the land and return its possession to petitioners. The RTC thus decreed in its Joint Decision[8]:

> WHEREFORE, premises considered, the appealed consolidated decision of the Municipal Trial Court of Cabuyao, Laguna, is hereby AFFIRMED in all other respects with the modification that paragraph two (2) of the dispositive portion thereof is deleted and another one entered to read as follows:
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> "2.a. Ordering the defendants in each case named under paragraph one (1) of the consolidated decision, except Nestor Bariring, PlacidoCelis and Felix Garcia, defendants in Civil Cases Nos. 504, 505 and 506 (now B-5424, B-5425 and B-5426), to pay plaintiffs the amount of P250.00 a month as reasonable compensation for the use and occupation of that portion of the premises in question from the filing of these cases in the lower court until full possession thereof is actually surrendered to the plaintiffs; and

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6 Civil Case Nos. 493, 497, 500, 507 and 502 were dismissed for the reason that defendants therein have not been served with summons.

7 *Rollo,* p. 38.

8 Petitioners manifested that they are not appealing the portion of the MTC Consolidated Decision dismissing the cases against defendants Charlie Ramos, Edgar Adversario, Ruby Aguilar, Victor Hilaga, Gregorio Bacardo and Sonny Oneza. (*Rollo*, p. 42.)

> "2.b. Ordering the defendants in each of the fifteen (15) cases as mentioned under paragraph one (1) of the said consolidated decision to pay plaintiff the amount of P2,000.00, or the total amount of P30,000.00, as and by way of reasonable attorney's fees, plus costs.
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> SO ORDERED.[9]

Respondents elevated the case to the CA in a petition for review under Rule 42 of the 1997 Rules of Civil Procedure, as amended. They argued that since petitioners allowed them to construct their residential houses on the property, both are *in pari delicto*, the rights of one and the other shall be the same as though both acted in good faith, citing Article 453ofthe Civil Code of the Philippines. As to the award of disturbance compensation, respondents asserted that the MTC was correct in applying equity in resolving the controversy considering that their occupation of their homelots was by virtue of unwritten grant by Dr.Carillo in recognition of their contribution to the preservation of the property, especially in safeguarding it from encroachment of outsiders/squatters.

By Decision dated November 28, 2000, the CA reversed the RTC and upheld the award of disturbance compensation by the MTC. The CA thus ruled:

> In heeding petitioners' appeal that this case be decided on the basis of equity and justice, We take Our light from Section 36 of RA No. 3844, as amended, provides:
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> > "Possession of Landholding; Exceptions. -- Notwithstanding any agreement as to the period or future surrender of the land, an agricultural lessee shall continue in the enjoyment and possession of his landholding except when his dispossession has been authorized by the Court in a judgment that is final and executory if after due hearing it is shown that:
> >
> > "(1) The agricultural lessor-owner or a member of his immediate family will personally cultivate the landholding or will convert the landholding, if suitably located, into residential, factory, hospital or school site or other useful non-agricultural purpose: Provided, That the agricultural lessee shall be entitled to disturbance compensation equivalent to five years rental on his landholding in addition to his rights under Sections twenty-five and thirty-four, xxx"

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[9] *Rollo,* p. 44.

> It is not far-fetched to say that the petitioners' dwellings on the premises prevented encroachers from entering the property, which in turn redounded to the benefit of the developers. We take note of the fact that respondents had undertaken a series of negotiations with the petitioners (Rollo, p. 55), admitting in their comment that they had offered petitioners the sum of P2,000.00 in addition to a home lot of sixty (60) square meters at a very reasonable price of P18,000.00 payable on installment basis (Rollo, p. 81) for the latter to transfer. In view of all the foregoing, We rule that the award of compensation to the petitioners is warranted.
>
> WHEREFORE, upon the premises, the petition is GRANTED. The appealed portion of the RTC Decision is REVERSED and SET ASIDE and the MTC Decision is ordered REINSTATED.
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> SO ORDERED.[10]

In its Resolution dated July 3, 2001, the CA granted the motion for reconsideration of petitioners with respect only to the inclusion of defendants Nestor Baring, PlacidoCelis and Felix Garcia who did not file any answer to the complaint. Accordingly, the CA upheld its Decision but deleted the names of the said non-answering defendants from the list of those entitled to receive disturbance compensation from petitioners.[11]

Hence, this petition assailing the CA in setting aside the judgment of the RTC and reinstating the MTC's Consolidated Decision which granted disturbance compensation to the respondents. Petitioners argue that Section 36 of Republic Act (R.A.) No. 3844 has no application in this case, there being no agricultural tenancy relationship between petitioners and respondents. They also point out that respondents were not tenants of the late Mariano Antioquia, Sr. who bought the property in 1986 with respondents occupying the same by mere tolerance as there was no proof that respondents were the tenants of the previous owner, a certain Dr.Carillo who supposedly allowed them to stay on the land as long as they want without any rentals provided they will help in clearing the land.

The petition is meritorious.

From respondents' declarations, we find that no tenancy relations existedbetween them and petitioners, and neither was there any proof that they

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[10] Id. at 78-79.
[11] Id. at 92-93.

were the tenants of the late Mariano Antioquia, Sr. A tenant has been defined under Section 5(a) of R.A. No. 1199 as a person who, himself, and with the aid available from within his immediate household, cultivates the land belonging to or possessed by another, with the latter's consent for purposes of production, sharing the produce with the landholder under the share tenancy system, or paying to the landholder a price certain or ascertainable in produce or in money or both, under the leasehold system.[12] Thus, there must be a concurrence of the following requisites in order to create a tenancy relationship between the parties: (1) the parties are the landowner and the tenant; (2) the subject is agricultural land; (3) there is consent; (4) the purpose is agricultural production; (5) there is personal cultivation; and (6) there is sharing of harvests.[13]

Once the tenancy relationship is established, the tenant is entitled to security of tenure and cannot be ejected by the landlord unless ordered by the court for causes provided by law.[14]However, none of the afore-stated requisites was proven in this case as respondents admitted they were allowed to stay on the land by a certain Dr.Carillo before Mariano Antioquia, Sr. bought it, not for the purpose of agricultural production, but allegedly to help clear the land.

Respondents having failed to establish their status as tenants or agricultural lessees, they are not entitled to security of tenure nor are they covered by the Land Reform Program of the Government under existing laws,[15] including the right to receive disturbance compensation under Section 36(1) of R.A. No. 3844, as amended. On the matter of disturbance compensation, we have held that Section 36(1) of the Code of Agrarian Reforms (R.A. No. 3844) would apply only if the land in question was

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12 *Ludo&Luym Development Corporation v. Barreto*, G.R. No. 147266, September 30, 2005, 471 SCRA 391, 407.

13 *Solmayor v. Arroyo,* G.R. No. 153817, March 31, 2006, 486 SCRA 326, 347, citing *Caballes v. Department of Agrarian Reform,* No. L-78214, December 5, 1988, 168 SCRA 247, 254.

14 *Antonio v. Manahan,* G.R No. 176091, August 24, 2011, 656 SCRA 190, 197, citing *Heirs of Enrique Tan, Sr. v. Pollescas,* 511 Phil. 641, 649 (2005).

15 See *Solmayor v. Arroyo,* supra note 13 at 348, citing *Spouses Cayetano, et al. v. Court of Appeals, et al.*,215 Phil. 430, 437 (1984).

subject of an agricultural leasehold,[16]a fact that was not established before the lower courts. Clearly, there was no basis for the MTC's award of disturbance compensation to herein respondents.

Respondents' prior physical possession of the property upon the supposed permission given by the predecessor-in-interest of Mariano Antioquia, Sr. and apparently with the latter's tolerance as the subsequent owner, does not automatically entitle them to continue in said possession and does not give them a better right to the property. Well-settled is the rule thatpersons who occupy the land of another at the latter's tolerance or permission, without any contract between them is bound by an implied promise that they will vacate the same upon demand, failing which a summary action for ejectment is the proper remedy against them.[17] From the time the title to the property was transferred in the name of petitioner ADC, respondents' possession was converted into one by mere tolerance by the owner. The forbearance ceased when said new owner made a demand on respondents to vacate the property. Thenceforth, respondents' occupancy had become unlawful.[18]

While the CA correctly sustained the lower courts in ordering the respondents to vacate the subject premises, said appellate court erred in setting aside the RTC's Joint Decision which deleted the award of disturbance compensationin favor of the respondents and granted petitioners' claim for damages.

It is settled that the plaintiff in an ejectment case is entitled to damages caused by his loss of the use and possession of the premises. Damages in the context of Section 17, Rule 70 of the 1997 Rules of Civil Procedure is limited to "rent" or fair rental value or the reasonable compensation for the use and occupation of the property.[19] Since petitioners

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16 *BuklodnangMagbubukidsaLupaing Ramos, Inc. v. E.M. Ramosand Sons, Inc.,* G.R. Nos. 131481&131624, March 16, 2011, 645 SCRA 401, 457.

17 *Arambulo v. Gungab,* G.R. No. 156581, September 30, 2005, 471 SCRA 640, 650, citing *Boy v. Court of Appeals,* G.R. No. 125088, April 14, 2004, 427 SCRA 196, 206.

18 See *Malabanan v. Rural Bank of Cabuyao, Inc.,* G.R. No. 163495, May 8, 2009, 587 SCRA 442, 452.

19 Id., citing *Sps.Catungal v. Hao,* 407 Phil. 309, 320 (2001).

did not appeal the amount of rental fixed by the RTC (₱250.00 per month), the same may be safely presumed as reasonable compensation for respondents' use and occupation of the property.

Respondents nonetheless contend that reinstatement of the RTC Joint Decision would grossly cause injustice to them who labored to clear the land and guard it against entry of squatters. While the amount of ₱30,000 awarded by the MTC and affirmed by the CA would be inadequate considering the costs and expenses of relocating their respective families, they are willing to accept said amount to put an end to this case. They insist that it is petitioners who were unjustly enriched by respondents'efforts to clear the land and prevent encroachment by illegal occupants. They prayed for the affirmance of the CA Decision which upheld the award of ₱50,000 to each defendant on equitable considerations.

The Court is not persuaded.

There is nothing in existing laws and procedural rules that obliges a plaintiff in an unlawful detainer or forcible entry case to pay compensation or financial assistance to defendants whose occupation was either illegal from the beginning or had become such when they refused to vacate the subject premises upon demand by the owner or person having better right to its possession. On the contrary, our Rules of Court expressly recognizes the right of such plaintiff to claim for damages arising from the unlawful deprivation of physical possession.

We stress that equity, which has been aptly described as "justice outside legality," is applied only in the absence of, and never against, statutory law or judicial rules of procedure.Positive rules prevail over all abstract arguments based on equity *contra legem*.[20]For all its conceded merit, equity is available only in the absence of law and not as its

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[20] *Parents-Teachers Association (PTA) of St. Mathew Christian Academy v. Metropolitan Bank and Trust Co.,* G.R. No. 176518, March 2, 2010, 614 SCRA 41, 61-62, citing *Zabat, Jr. v. Court of Appeals,* 226 Phil. 489, 495 (1986).

replacement.[21]The CA thus erred in applying equity to favor the grant of disturbance compensation which has no basis in law.

There is likewise no merit in respondents' assertion that the payment of reasonable compensation for the use and occupation of the property after demand to vacate was made by petitioners would unjustly enrich the latter. Respondents themselves admitted they were able to build houses on the land and stayed there for several years without paying any rental even when Mariano Antioquia, Sr. already bought the land. And yet, respondents still ask to be compensated for their long years of occupying the premises rent-free while its owners could not make use of the same throughout such period.

A plaintiff adjudged to have the better right to possession in an ejectment case cannot be said to have been unjustly enriched by the court's award of reasonable compensation for the use and occupation of the premises. As we held in *Car Cool Philippines, Inc. v. Ushio Realty and Development Corporation*[22]:

> CAR COOL asserts that to award damages to USHIO Realty would constitute unjust enrichment at the expense of CAR COOL. CAR COOL claims that it never benefited from its occupation of the property after USHIO Realty's agents entered the property on 1 October 1995 and unlawfully destroyed CAR COOL's office, equipment and spare parts. Because of the destruction of the equipment and spare parts needed to operate its business, CAR COOL asserts that it was no longer possible to continue its business operations.
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> We are not convinced.
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> Rule 70 of the Rules of Civil Procedure, which governs the rule on ejectment (forcible entry and unlawful detainer), provides under Sections 17 and 19 that:
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> > "Sec. 17. *Judgment*. – If after trial the 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 it finds that said allegations are not true, it shall render judgment for the

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21 Id. at 62, citing *Tirazona v. Philippine EDS Techno-Service, Inc. (PET, Inc.),* G.R. No. 169712, January 20, 2009, 576 SCRA 625, 633.

22 G.R. No. 138088, January 23, 2006, 479 SCRA 404.

> defendant to recover his 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. (Emphasis supplied)
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> Sec. 19. *Immediate execution of judgment; how to stay same.* – If judgment is rendered against the defendant, execution shall issue immediately upon motion, unless an appeal has been perfected and the defendant to stay execution files a sufficient supersedeas bond, approved by the Municipal Trial Court and executed in favor of the plaintiff to pay the rents, damages, and costs accruing down to the time of the judgment appealed from, and unless, during the pendency of the appeal, he deposits with the appellate court the amount of rent due from time to time under the contract, if any, as determined by the judgment of the Municipal Trial Court. **In the absence of a contract, he shall deposit with the Regional Trial Court the reasonable value of the use and occupation of the premises for the preceding month or period at the rate determined by the judgment of the lower court on or before the tenth day of each succeeding month or period.** The supersedeas bond shall be transmitted by the Municipal Trial Court, with the other papers, to the clerk of the Regional Trial Court to which the action is appealed."(Emphasis supplied)
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USHIO Realty, as the new owner of the property, has a right to physical possession of the property.Since CAR COOL deprived USHIO Realty of its property, CAR COOL should pay USHIO Realty rentals as reasonable compensation for the use and occupation of the property.

Contrary to CAR COOL's allegations, ***the payment of damages in the form of rentals for the property does not constitute unjust enrichment.*** The Court of Appeals held:

> "x xx [T]he alleged payment by the petitioner as rentals were given to the former owner (Lopez) and not to the private respondent who was not privy to the transaction. As a matter of fact, it never benefited financially from the alleged transaction. Aside from that, the postdated checks the "private respondent" admitted to have received, as rental payments for September to December 1995, were never encashed. On the contrary, the private respondent even offered to return the same to the petitioner, but was refused. [T]herefore, it did not amount to payment."

We have held that "[t]here is unjust enrichment when a person unjustly retains a benefit to the loss of another, or when a person retains money or property of another against the fundamental principles of justice, equity and good conscience." Article 22 of the Civil Code provides that "[e]very person who through an act of performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just or legal ground, shall return the same to

him." The principle of unjust enrichment under Article 22 requires two conditions: (1) that a person is benefited without a valid basis or justification, and (2) that such benefit is derived at another's expense or damage.

There is no unjust enrichment when the person who will benefit has a valid claim to such benefit. Under Section 17 of Rule 70 of the Rules of Civil Procedure, USHIO Realty has the legal right to receive some amount as reasonable compensation for CAR COOL's occupation of the property. Thus, in *Benitez v. Court of Appeals* we held that:

> "x x x Damages are recoverable in ejectment cases under Section 8, Rule 70 of the Revised Rules of Court. These damages arise from the loss of the use and occupation of the property, and not the damages which private respondents may have suffered but which have no direct relation to their loss of material possession. Damages in the context of Section 8, Rule 70 is limited to "rent" or "fair market value" for the use and occupation of the property."[23]

(Emphasis and italicization supplied)

We also sustain the RTC's grant of attorney's fees in favor of petitioners who were "constrained to litigate [to protect their interest] due to the unwarranted refusal of the x x x defendants to vacate and surrender possession of the premises in question."[24] There is no doubt whatsoever that it is within the MTC's competence and jurisdiction to award attorney's fees and costs in an ejectment case,[25] in accordance with Section 17, Rule 70 of the 1997 Rules of Civil Procedure, as amended.

WHEREFORE, the petition for review on certiorari is **GRANTED.** The Decision dated November 28, 2000 and Resolution dated July 3, 2001 of the Court of Appeals in CA-G.R. SP No. 58390 are **SET ASIDE.** The Joint Decision dated September 30, 1999 of the Regional Trial Court of Biñan, Laguna, Branch 24 in Civil Case Nos. B-5413 to B-5432 is hereby **REINSTATED and UPHELD.**

No pronouncement as to costs.

SO ORDERED.

MARTIN S. VILLARAMA, JR.
Associate Justice

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23 Id. at 410-413.
24 *Rollo*, p. 43.
25 *Llobrera v. Fernandez*, G.R. No. 142882, May 2, 2006, 488 SCRA 509, 516.

WE CONCUR:

MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson

TERESITA J. LEONARDO-DE CASTRO
Associate Justice

LUCAS P. BERSAMIN
Associate Justice

BIENVENIDO L. REYES
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.

MARIA LOURDES P. A. SERENO
Chief Justice