

THIRD DIVISION

[G.R. No. 170787, September 12, 2012]

CRISPINO PANGILINAN, PETITIONER, VS. JOCELYN N. BALATBAT AND VICENTE A. BALATBAT, RESPONDENTS.

DECISION

PERALTA, J.:

This is a petition for review on *certiorari*^[1] of the Court of Appeals' Decision^[2] dated May 30, 2005 in CA-G.R. SP No. 85017, and its Resolution^[3] dated December 2, 2005, denying petitioner's motion for reconsideration.

The Court of Appeals reversed and set aside the Decision dated February 2, 2004 of the Department of Agrarian Reform Adjudication Board (DARAB), which affirmed the decision dated October 12, 1998 of the Provincial Agrarian Reform Adjudicator (PARAD) of San Fernando, Pampanga, dismissing respondents' complaint for the annulment of the emancipation patent issued in favor of respondents' tenant, petitioner Crispino Pangilinan, which emancipation patent covered a portion of the land sought to be retained by respondents.

The facts, as stated by the Court of Appeals, are as follows:

Respondent spouses Jocelyn N. Balatbat and Vicente A. Balatbat were found by the PARAD to have landholdings totaling 25.2548 hectares, which consisted of 9.8683 hectares of riceland and 15.3864 hectares of sugarland. The 9.8683 hectares of riceland was covered by land reform.

Out of the 25.2548 hectares of land owned by respondents, 18.2479 hectares or 182,479 square meters^[4] thereof was under Original Certificate of Title (OCT) No. 6009. Municipal Agrarian Reform Officer Victorino D. Guevarra found that in OCT No. 6009, 8.6402 hectares or 86,402 square meters was riceland covered by Presidential Decree (P.D.) No. 27 and Executive Order (E.O.) No. 228, while 96,077 square meters was sugarland.^[5] The 96,077 square meters of sugarland was subdivided by respondents as follows:

Title No. 181462 --	64,540 square meters
Title No. 181464 --	8,904 square meters
Title No. 181469 --	<u>22,633</u> square meters
Total	96,077 square meters

Title Nos. 181464 and 181469, representing Lots 21-0 and 21-1, were utilized by respondents in a subdivision/condominium project particularly called Carolina Village II, located at San Juan, Sta. Ana, Pampanga, while Title No. 181462, representing

Lot 21-B, was subdivided among the children of respondents.

The exact area of riceland respondents applied for retention is 8.3749 hectares, which is covered by TCT No. 181466-R, TCT No. 181465-R, TCT No. 181463-R, and TCT No. 181461-R.^[6]

Although 8.6402 hectares was subjected to the Operation Land Transfer Program under P.D. No. 27,^[7] as amended by Letter of Instruction (LOI) No. 474, this case involves only 2.9941 hectares or 29,941 square meters thereof, covered under TCT No. 181466-R,^[8] and identified as Lot 21-F of the subdivision plan Psd-03-005059, being a portion of Lot 21 Sta. Ana Cadastre, situated in the Barrio of San Juan, Municipality of Sta. Ana, Province of Pampanga. The said Lot 21-F, with an area of 29,941 square meters, was transferred to petitioner as evidenced by TCT No. 25866,^[9] which was registered in the Register of Deeds for the Province of Pampanga on May 30, 1997, pursuant to Emancipation Patent No. 00728063 issued by the DAR on April 18, 1997.^[10] Hence, respondents sought to cancel the said emancipation patent on the ground that they applied to retain the land covered by it.

Respondents first filed an Application for Retention^[11] of their landholdings under P.D. No. 27 on December 24, 1975. However, it was not acted upon.

In May 1996, respondents received a letter from Municipal Agrarian Reform Officer Victorino Guevarra informing respondents of a conference for the determination of the value of their landholdings and the final survey of the land preparatory to the issuance of emancipation patents.

Respondents alleged that on September 16, 1996, they received a Notice of Coverage on OCT No. 6009 under R.A. No. 6657, and on October 28, 1996, they received a final notification to landowner, which notices were all issued by Municipal Agrarian Reform Officer Victorino Guevarra.

In a letter^[12] dated September 28, 1996, respondents, by counsel, reiterated their application for retention to the Department of Agrarian Reform (DAR) Regional Director, Region III, San Fernando Pampanga, thru the Municipal Agrarian Reform Office, San Fernando, Pampanga.

The DAR Regional Director referred respondents' application for retention to the Provincial Agrarian Reform Officer in San Fernando, Pampanga, which application was later endorsed to Municipal Agrarian Reform Officer Victorino Guevarra.^[13]

After investigation and verification of the landholdings of respondents, Municipal Agrarian Reform Officer Victorino Guevarra, in a letter^[14] dated March 21, 1997, recommended to the DAR Provincial Office, San Fernando, Pampanga that respondents' re-application for retention be denied.

On May 30, 1997, the Register of Deeds for the Province of Pampanga issued TCT No. 25866 to petitioner, pursuant to Emancipation Patent No. 00728063^[15] covering Lot 21-F of the subdivision plan Psd-03-005059, situated in the Barrio of San Juan, Municipality of Sta. Ana, Province of Pampanga, with an area of 29,941

square meters, which is a portion of the land sought to be retained by respondents. This prompted respondents to file on February 4, 1998 with the DAR Provincial Agrarian Reform Adjudication Board, Region III, San Fernando, Pampanga a Complaint^[16] for annulment of emancipation patent, ejectment and damages against petitioner Crispino Pangilinan, Municipal Land Officer Victorino D. Guevarra, and the DAR Secretary, represented by the Regional Director, Region III.

In their Complaint, respondents alleged that although Municipal Agrarian Reform Officer Victorino Guevarra knew that the land cultivated by petitioner is one of those included in their application for retention, Guevarra, acting in bad faith and without notice to them and in disregard of their rights and in collusion with petitioner, recommended for the coverage of their land under Operation Land Transfer. Thereafter, Emancipation Patent No. 00728063 and TCT No. 25866 were unlawfully issued and registered with the Register of Deeds of Pampanga on May 30, 1997.

Respondents prayed for the annulment of TCT No. 25866 bearing Emancipation Patent No. 00728063, the ejectment of petitioner from the landholding in question, and for payment of moral damages, attorney's fees and litigation expenses.

On October 12, 1998, the PARAD rendered a Decision^[17] in favor of petitioner, the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered against the plaintiffs by dismissing the case for lack of merit.^[18]

The PARAD stated that 9.8683 hectares of the 25.2548 hectares of the landholding of respondents was subjected to Operation Land Transfer. He acknowledged that respondents applied for retention in 1975 under P.D. No. 27.

However, respondents were already barred in their bid for the retention area when they filed their subsequent application for retention on November 6, 1996, since the last day for the landowner to apply for his right of retention under Administrative Order No. 1 of February 27, 1985 was on August 29, 1985.

Moreover, the PARAD explained that the area of retention policy under P.D. No. 27 is that a landowner can retain in naked ownership an area of not more than seven (7) hectares of rice/corn lands if the said landowner does not own an aggregate area of more than seven (7) hectares of land used for residential, commercial, industrial and other urban purposes from which the landowner derives adequate income to support himself and his family. Otherwise, such landowner is compelled to give up his rice/corn land to his tenant-tiller, and payment to him shall be undertaken by the Land Bank of the Philippines (LBP) if not directly paid by such tenant-tiller.

In this case, the PARAD declared that respondents "retained" the sugarland with an area of 15.2864 hectares, and 4.8836 hectares thereof was divided into a subdivision lot, while the remaining balance was subdivided among respondents and their children. Hence, the PARAD held that the area of seven hectares that can be retained under P.D. No. 27 can no longer be awarded to respondents, since they already owned an aggregate area of more than seven hectares used for residential and other urban purposes from which they derive adequate income to support

themselves and their family.

Moreover, the PARAD stated that petitioner has absolute ownership of the landholding as he has fully paid the amortizations to the LBP.

Respondents appealed the decision of the PARAD before the DARAB.^[19]

On February 2, 2004, the DARAB rendered its Decision,^[20] the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered, the decision of the Honorable Adjudicator *a quo*, 'dated October 12, 1998, is hereby AFFIRMED *IN TOTO*.^[21]

In support of its decision, the DARAB cited Administrative Order No. 4, Series of 1991, which provides:

Subject: Supplemental Guidelines Governing the Exercise of Retention Rights by Landowners Under Presidential Decree No. 27

x x x x

B. Policy Statements

1. **Landowners covered by P.D. 27 are entitled to retain seven hectares, except those whose entire tenanted rice and corn lands are subject of acquisition and distribution under Operation Land Transfer (OLT). An owner of tenanted rice and corn lands may not retain these lands under the following cases:**

- a. If he, as of 21 October 1972, owned more than 24 hectares of tenanted rice or corn lands; or
- b. **By virtue of LOI 474, if he, as of 21 October 1976, owned less than 24 hectares of tenanted rice or corn lands but additionally owned the following:**

- **Other agricultural lands of more than seven hectares, whether tenanted or not, whether cultivated or not, and regardless of the income derived therefrom; or**

- **Lands used for residential, commercial, industrial, or other urban purposes, from**

which he derives adequate income to support himself and his family.^[22]

In this case, the DARAB noted that respondents' total landholding is 25.2548 hectares. Of the total landholding, 9.8683 hectares was riceland, which was subjected to Operation Land Transfer, while 15.3864 hectares was sugarland, which was subdivided by respondents into a 4.8836 subdivision lot to support themselves and their family. Hence, respondents are no longer entitled to retain seven hectares of the land subject to Operation Land Transfer.

The DARAB also stated that as an emancipation patent has been issued to petitioner, he acquires the vested right of absolute ownership in the landholding.

Respondents' motion for reconsideration was denied by the DARAB in a Resolution^[23] dated June 11, 2004.

Petitioner filed a petition for review of the decision of the DARAB before the Court of Appeals, alleging that the DARAB gravely erred in finding that (1) once an emancipation patent is issued to a qualified beneficiary, the latter acquires a vested right of absolute ownership in the landholding that is no longer open to doubt or controversy; and (2) respondents are no longer entitled to retention, applying LOI No. 474.

On May 30, 2005, the Court of Appeals rendered a Decision^[24] in favor of respondents, the dispositive portion of which reads:

WHEREFORE, premises considered, petition for review is hereby **GIVEN DUE COURSE** and the assailed October 12, 1998 Decision of the Provincial Agrarian Reform Adjudication Board, Region III of San Fernando, Pampanga in DARAB Case No. 537-P'98, is hereby **REVERSED AND SET ASIDE**. TCT No. 25866 is hereby **DECLARED VOID** *ab initio*. The Register of Deeds is hereby **DIRECTED TO CANCEL TCT No. 25866** in the name of Crispino Pangilinan in order to fully accord to petitioners BALATBAT their rights of retention under Presidential Decree No. 27 and Section 6 of R.A. No. 6657, and **TO ISSUE A NEW TCT** in the name of petitioners in lieu of TCT No. 25866 in order to replace TCT No. 181466-R under the name of petitioners that the Register of Deeds of Pampanga cancelled. Since land is tenanted, within a period of one (1) year from finality of this decision, the respondent tenant Crispino Pangilinan shall have the option to choose whether to remain therein or be a beneficiary in the same or another agricultural land with similar or comparable features; in case the tenant chooses to remain in the retained area, he shall be considered a leaseholder and shall lose his right to be a beneficiary under this Act; in case the tenant chooses to be a beneficiary in another agricultural land, he loses his right as a leaseholder to the land retained by the landowner.^[25]

The Court of Appeals stated that P.D. No. 27 allows a landowner to retain not more than seven (7) hectares of his land if his aggregate landholding does not exceed