

SECOND DIVISION

[G.R. No. 168959, March 25, 2010]

NAPOLEON MAGNO, PETITIONER, VS. GONZALO FRANCISCO AND REGINA VDA. DE LAZARO, RESPONDENTS.

D E C I S I O N

CARPIO, ACTING CJ.:

The Case

Napoleon Magno (petitioner) filed this Petition for Review^[1] to reverse the Court of Appeals' (CA) Decision^[2] dated 4 July 2005 in CA-G.R. SP No. 84467. In the assailed decision, the CA set aside the Department of Agrarian Reform Adjudication Board's (DARAB) Decision dated 8 January 2004 and reinstated the Decision dated 22 December 1993 of the Provincial Agrarian Reform Adjudicator (PARAD) of Cabanatuan City. The PARAD dismissed petitioner's action for collection of lease rentals and ejectment against Gonzalo Francisco and Regina Vda. De Lazaro (respondents).

The Facts

Petitioner is the owner of a 5.3 hectare lot (lot) which is a portion of an agricultural land identified as Lot No. 593 situated in Brgy. San Fernando, Cabiao, Nueva Ecija. Petitioner's lot is part of the 13 parcels of land registered in the name of petitioner's mother, Maria Candelaria Salud Talens (Talens). Talens' landholding totals 61 hectares, more or less.

Petitioner acquired the lot through a Deed of Sale executed by Talens on 28 July 1972,^[3] but the sale was only registered on 3 September 1986.^[4] At the time of the sale, Gonzalo Francisco and Manuel Lazaro tenanted the land and their separate areas of tillage were 2.8 and 2.5 hectares, respectively.^[5]

Petitioner entered into a written contract of agricultural leasehold with Manuel Lazaro on 5 October 1972^[6] and with Gonzalo Francisco on 7 August 1980.^[7] In the leasehold contract, Manuel Lazaro was obliged to pay a lease rental of 35 cavans during the regular season, and 20 cavans during *dayatan* cropping season. Gonzalo Francisco, on the other hand, was required to pay a lease rental of 35 cavans during the regular season and 25 cavans during the cropping season.^[8]

Gonzalo Francisco and Manuel Lazaro (who was succeeded by his surviving spouse Regina Vda. De Lazaro upon his death) complied with the conditions of the agricultural leasehold until the regular season of April 1991 when they stopped paying rentals despite petitioner's repeated demands.^[9] Respondents believed that they have fully paid the price of the lot under the Barangay Committee on Land

Production's (BCLP) valuation.^[10]

On 10 January 1990, Gonzalo Francisco was issued Emancipation Patent (EP) No. 416156 covering an area of 27,284 square meters. On the same date, Manuel Lazaro was also issued EP No. 416157^[11] covering an area of 25,803 square meters.^[12]

On 19 May 1993, petitioner filed with PARAD of Cabanatuan City a complaint for ejectment and collection of lease rentals against respondents. At the time of filing of the complaint, respondent Francisco and respondent Lazaro were already in arrears of 155 cavans and 145 cavans, respectively.^[13]

Respondents sought the dismissal of the complaint invoking the following arguments:

1. The leasehold contracts are without force and effect since the lot was under the Operation Land Transfer (OLT) program pursuant to Presidential Decree No. (PD) 27.^[14] The sale executed by Talens was merely designed to exclude the land from OLT coverage.
2. Since the lot value, as determined and approved by the Department of Agrarian Reform (DAR), has been paid, the collection of lease rentals is now moot.
3. Respondents are now considered owners-cultivators of their respective landholdings and cannot be ejected.^[15]

On 22 December 1993, the PARAD of Cabanatuan City dismissed the case for lack of merit.^[16]

On appeal, the DARAB rendered a Decision dated 8 January 2004, the dispositive portion of which states:

WHEREFORE, in view of all the foregoing considerations, the decision appealed from is hereby SET ASIDE and a NEW DECISION is hereby rendered:

1. Finding and declaring the Deed of Absolute sale binding upon respondents Gonzalo Francisco and Regina vda. De Lazaro;
2. Maintaining the agricultural leasehold relationship between landowner-petitioner Napoleon Magno and respondents-lessees Gonzalo Francisco and Regina vda. De Lazaro; accordingly, declaring the Contracts of Agricultural Leasehold respectively entered into by and between the said parties still subsisting and in full force and effect;
3. Ordering respondents Gonzalo Francisco and Regina vda. De Lazaro to pay severally their lease rentals in arrears covering the period from the regular season of (April) 1991 up to and until the final

restoration or proper reinstatement of the lease contracts in question.

SO ORDERED.^[17]

Respondents filed a petition for review with the CA assailing the DARAB's decision. On 4 July 2005, the CA rendered a decision, the dispositive portion of which reads:

WHEREFORE, premises considered, the petition is GRANTED. The assailed decision dated January 8, 2004 is REVERSED and SET ASIDE and the decision of the PARAD-Cabanatuan City dated December 22, 1993 is hereby REINSTATED.

SO ORDERED.^[18]

Aggrieved by the CA's decision reinstating the decision of the PARAD of Cabanatuan City, petitioner elevated the case before this Court.

Ruling of the PARAD of Cabanatuan City

The PARAD stated that on 10 January 1990, EPs were issued to respondents. Then, in the conferences held on 8 March and 9 August 1990, Municipal Agrarian Reform Officer (MARO) Rogelio C. Palomo found out that the lot is covered by the OLT program and the DAR-Central Office had not received any petition for OLT exemption. The PARAD noted that in the final land valuation conference, a thorough computation of the paid lease rentals was conducted. The PARAD believed that respondents are no longer liable to pay the lease rentals because respondents are now considered owners of their respective landholdings. The PARAD stated that from 1990, respondents have fully paid the amount of the lot as evidenced by the land valuation under the BCLP scheme prepared by DAR officials.^[19]

The PARAD relied on the 2nd Indorsement submitted by PARAD Benjamin M. Yambao (PARAD Yambao) that the lot is covered by OLT and that the farmer-beneficiaries including respondents have fully paid for the lot. The 2nd Indorsement reads:

Respectfully returned to Mr. Enrique S. Valenzuela, PARO, NEPARO, Cabanatuan City, the herein Claim Folder thru BCLP of Ms. Candelaria S. Talens covered by TCT No. 7390 containing an area of 26 hectares, more or less, situated at San Fernando, Norte, Cabiao, Nueva Ecija which this Office after an appraisal of the documents attached and as per his comments therein, the landholding in question appears to have been subjected to an Operation Land Transfer pursuant to PD 27; that a BCLP has already been prepared and approved by the authorities concerned, and that as per findings, the subject landholding has already been FULLY PAID by the farmer-beneficiaries. Let it be emphasized that the landholding in question was covered by P.D. No. 27 and not pursuant to RA No. 6657, for which reason any valuation to be made in the landholding in question should be within the memorandum circular

implementing P.D. 27 and not under memorandum circular implementing RA No. 6657. Besides, as per his findings thereto, the land in question is now fully paid. By that the valuation process is a fait accompli. With that, it is now the honest opinion of the undersigned that any action to be taken thereto is within the administrative prerogative of that office there-being no formal complaint nor protest filed before this office, pursuant to DARAB Procedures this Office could not take possible action thereof unless and under a formal complaint of protest is lodge before this office, either the landowner or by the farmer-beneficiaries.^[20]

The PARAD took note of the fact that the Deed of Absolute Sale executed by Talens, where she conveyed her land to different persons including petitioner for P1 and other valuable considerations, was suspicious in nature. The PARAD reasoned that the sale was consummated on 28 July 1972 but the registration occurred in 1986. The PARAD believed that the sale made by Talens was a device to circumvent PD 27 in order to exclude her land from OLT coverage. The PARAD noted that when the claim folder was prepared, processed and approved by the BCLP, Talens was still declared the landowner of 26 hectares including petitioner's lot. The PARAD explained that petitioner also failed to file a formal complaint or protest on the land valuation prepared by DAR officials before the proper forum. Since petitioner is estopped from claiming that respondents are still his tenants, respondents are not liable to pay lease rentals to petitioner.^[21]

Ruling of the DARAB

The DARAB found a different state of facts. The DARAB re-examined the pleadings filed and evidence submitted by the parties and found that petitioner, together with his siblings, wrote then Ministry of Agrarian Reform (MAR) Minister Conrado F. Estrella (Minister Estrella) for exemption of their properties from OLT coverage by way of a letter-protest dated 19 May 1974. Minister Estrella acted with dispatch and gave the following instruction to then District Officer Gene Bernardo, which reads:

D/O Gene Bernardo,

Please look into this petition and get the facts. Verify and make your report and recommendation.

Sgd.
CFE
5/26/74^[22]

The DARAB stated that petitioner wrote another letter dated 25 December 1975 to Minister Estrella seeking to exercise his right of retention. The DARAB ruled that these letters belie the PARAD's finding that petitioner is estopped from claiming that respondents are still his tenants.^[23]

The DARAB stated that in 1974, Minister Estrella issued MAR Memorandum Circular No. 8, Series of 1974 declaring that transfers of ownership of lands covered by PD 27 executed by landowners after 21 October 1972 shall all be considered acts

committed to circumvent PD 27. This memorandum circular was further amended by an undated Memorandum which provides:

With respect to transfers of ownership of lands covered by P.D. 27, you shall be guided by the following:

Transfers of ownership of lands covered by a Torrens Certificate of Title duly executed prior to October 21, 1972 but not registered with the Register of Deeds concerned before said date in accordance with the Land Registration Act (Act No. 496) shall not be considered a valid transfer of ownership insofar as the tenants-farmers are concerned and therefore the lands shall be placed under Operation Land Transfer.

Transfers of ownership of unregistered lands x x x executed prior to October 21, 1972, whether registered or not, with the Register of Deeds concerned, pursuant to Act No. 3344 may be considered a valid transfer/conveyance as between the parties subject to the verification of the due execution of the conveyance/transfer in accordance with the formalities prescribed by law.

In order that the foregoing transfers of ownership mentioned in the preceding paragraphs maybe binding upon the tenant, such tenant should have knowledge of the transaction prior to October 21, 1972, have recognized the persons of the new owners and have been paying rental to such new owners." (Emphasis in the original)^[24]

The DARAB ruled that respondents as petitioner's tenants had knowledge of the Deed of Sale executed on 28 July 1972 and had recognized petitioner as the new owner and paid rentals to him. Since all the requirements have been met and satisfied, the sale between petitioner and Talens is binding upon respondents. The DARAB ruled that respondents are still tenant-lessees of petitioner and shall be entitled to security of tenure and obligated to comply with their duty to pay the lease rentals in accordance with the terms and conditions of their leasehold contract.^[25]

Ruling of the Court of Appeals

The CA stated that the EPs are public documents and are prima facie evidence of the facts stated therein. The EPs are presumably issued in the regular performance of an official duty. The CA ruled that petitioner has not presented any evidence showing that the issuance of the EPs was tainted with defects and irregularities; hence, they are entitled to full faith and credit.^[26]

The CA, quoting the 2nd Indorsement issued by PARAD Yambao, held that the matter of OLT coverage of petitioner's lot has been settled. The CA also upheld the PARAD's ruling that respondents have fully paid the value of the lot.^[27]

The CA ruled that the factual findings and conclusion of the PARAD of Cabanatuan City are supported with substantial evidence as opposed to the DARAB's findings of