

THIRD DIVISION

[G.R. No. 173923, October 12, 2009]

PEDRO MAGO (DECEASED), REPRESENTED BY HIS SPOUSE SOLEDAD MAGO, AUGUSTO MAGO (DECEASED), REPRESENTED BY HIS SPOUSE NATIVIDAD MAGO, AND ERNESTO MAGO, REPRESENTED BY LEVI MAGO, PETITIONERS, VS. JUANA Z. BARBIN, RESPONDENT.

DECISION

CARPIO, J.:

The Case

This is a petition for review^[1] of the Decision^[2] dated 20 October 2005 and the Resolution dated 13 July 2006 of the Court of Appeals in CA-G.R. SP No. 87370.

The Facts

On 11 November 1994, respondent Juana Z. Barbin filed with the Provincial Agrarian Reform Adjudicator (PARAD) of Camarines Norte an action for Cancellation of Emancipation Patents, Disqualification of Tenant-Beneficiary, Repossession and Damages. Respondent alleged that she is the owner in fee simple of an irrigated riceland located in Barangay Guinacutan, Vinzons, Camarines Norte, with an area of 4.7823 hectares, and that Augusto Mago, Crispin Mago, Ernesto Mago, and Pedro Mago were tenants of the subject landholding. Respondent further alleged that petitioners violated the terms of their leasehold contracts when they failed to pay lease rentals for more than two years, which is a ground for their dispossession of the landholding.

On the other hand, petitioners alleged that the subject landholding was placed under the Operation Land Transfer program of the government pursuant to Presidential Decree No. 27 (PD 27).^[3] Respondent's title, OCT No. P-4672, was then cancelled and the subject landholding was transferred to Augusto Mago,^[4] Crispin Mago,^[5] Ernesto Mago,^[6] and Pedro Mago,^[7] who were issued Emancipation Patents on 20 February 1987 by the Department of Agrarian Reform (DAR). The Transfer Certificates of Title issued to petitioners^[8] emanating from the Emancipation Patents were registered with the Registry of Deeds on 9 February 1989. Petitioners averred that prior to the issuance of the Emancipation Patents, they already delivered their lease rentals to respondent. They further alleged that after the issuance of the Emancipation Patents, the subject landholding ceased to be covered by any leasehold contract.

In a Decision^[9] dated 30 January 1997, the PARAD denied the petition for lack of merit. The PARAD found that in her petition for retention and exemption from the

coverage of the Operation Land Transfer, and cancellation of Certificates of Land Transfer, filed before the DAR, respondent admitted that aside from the 6.7434 hectares of riceland, she also owns other agricultural lands with an aggregate of 16.8826 hectares consisting of "cocolands." The PARAD held that the subject landholding is clearly covered by the Operation Land Transfer under Letter of Instruction No. 474 (LOI 474).^[10] Under LOI 474, then President Ferdinand E. Marcos directed the Secretary of Agrarian Reform to place under the Land Transfer Program of the government pursuant to PD 27 all tenanted rice/corn lands with areas of seven hectares or less belonging to landowners who own other agricultural lands of more than seven hectares in aggregate areas or lands used for residential, commercial, industrial or other urban purposes from which they derive adequate income to support themselves and their families.

The PARAD further held that pursuant to DAR Memorandum Circular No. 6, series of 1978, payment of lease rentals to landowners covered by the Operation Land Transfer shall terminate on the date the value of the land is established. Thus, the PARAD held that the proper recourse of respondent is to file a claim for just compensation.

On appeal, the Department of Agrarian Reform Adjudication Board (DARAB) reversed and set aside the PARAD Decision. The dispositive portion of the DARAB Decision dated 18 June 2004 reads:

WHEREFORE, premises considered, the Decision dated 30 January 1997 is hereby REVERSED and SET ASIDE and a new judgment is hereby entered:

1. ORDERING the Register of Deeds of Camarines Norte to cancel EP Nos. 745, 747, and 749 issued in the name of Augusto Mago, Ernesto Mago, and Pedro Mago respectively, and
2. DIRECTING the Municipal Agrarian Reform Officer of Vinzons, Camarines Norte, to reallocate the subject lands to qualified beneficiaries.

SO ORDERED.^[11]

The DARAB held that when the subject landholding was placed under the Operation Land Transfer, the tenancy relationship between the parties ceased and the tenant-beneficiaries were no longer required to pay lease rentals to the landowner. However, when petitioners entered into an agreement with respondent for a direct payment scheme embodied in the Deeds of Transfer, petitioners obligated themselves to pay their amortizations to respondent who is the landowner. The DARAB found that except for Crispin Mago, who had fully paid his tillage, petitioners defaulted in their obligation to pay their amortization for more than three consecutive years from the execution of the Deeds of Transfer in July 1991. Under DAR Administrative Order No. 2, series of 1994, one of the grounds for cancellation of registered Emancipation Patents is when there is default in the obligation to pay an aggregate of three consecutive amortizations in case of direct payment schemes. Thus, the DARAB ruled that the cancellation of the Emancipation Patents issued to

petitioners is warranted in this case.

Petitioners filed a motion for reconsideration, which the DARAB denied for lack of merit. Petitioners then appealed to the Court of Appeals, which affirmed the DARAB Decision and thereafter denied petitioners' motion for reconsideration. Hence, this petition.

The Court of Appeals' Ruling

The Court of Appeals held that the mere issuance of an Emancipation Patent to a qualified farmer-beneficiary is not absolute and can be attacked anytime upon showing of any irregularity in its issuance or non-compliance with the conditions attached to it. The Emancipation Patent is subject to the condition that amortization payments be remitted promptly to the landowner and that failure to comply with this condition is a ground for cancellation under DAR Administrative Order No. 02, series of 1994. The Court of Appeals found that petitioners failed to comply with this condition since petitioners failed to prove that they have remitted the amortizations due to the landowner in accordance with their agreed direct payment scheme embodied in the Deeds of Transfer.

The Issues

Petitioners contend that:

1. THE HONORABLE COURT OF APPEALS ERRED IN FINDING THE PETITIONERS LIABLE FOR VIOLATING DAR ADMINISTRATIVE ORDER NO. 02, SERIES OF 1994;
2. THE HONORABLE COURT OF APPEALS ERRED IN AFFIRMING THE DECISION OF THE HONORABLE DAR ADJUDICATOR IN ORDERING THE CANCELLATION OF THE EMANCIPATION TITLES ISSUED TO THE PETITIONERS-FARMER BENEFICIARIES DESPITE THE LAPSE OF ONE (1) YEAR WHICH RENDERS THE SAID TITLES INDEFEASIBLE PURSUANT TO THE LAW AND JURISPRUDENCE;
3. THE HONORABLE COURT OF APPEALS ERRED IN NOT CONSIDERING THE RECEIPTS EVIDENCING PAYMENTS OF THE DISPUTED AMORTIZATION WHICH WERE FORMALLY OFFERED AND CONSIDERED BY THE HONORABLE DAR PROVINCIAL ADJUDICATOR OF CAMARINES NORTE (PARAD) IN DECIDING THE CASE AS SHOWN IN THE DECISION DATED JANUARY 30, 1997.^[12]

The Ruling of the Court

We find the petition without merit.

Petitioners argue that the Emancipation Patents and Transfer Certificates of Title issued to them which were already registered with the Register of Deeds have already become indefeasible and can no longer be cancelled.

We do not adhere to petitioners' view. This Court has already ruled that the mere issuance of an emancipation patent does not put the ownership of the agrarian reform beneficiary beyond attack and scrutiny.^[13] Emancipation patents issued to agrarian reform beneficiaries may be corrected and cancelled for violations of agrarian laws, rules and regulations. In fact, DAR Administrative Order No. 02, series of 1994, which was issued in March 1994, enumerates the grounds for cancellation of registered Emancipation Patents or Certificates of Landownership Award:

Grounds for the cancellation of registered EPs [Emancipation Patents] or CLOAs [Certificates of Landownership Award] may include but not be limited to the following:

1. Misuse or diversion of financial and support services extended to the ARB [Agrarian Reform Beneficiaries]; (Section 37 of R.A. No. 6657)
2. Misuse of the land; (Section 22 of R.A. No. 6657)
3. Material misrepresentation of the ARB's basic qualifications as provided under Section 22 of R.A. No. 6657, P.D. No. 27, and other agrarian laws;
4. Illegal conversion by the ARB; (Cf. Section 73, Paragraphs C and E of R.A. No. 6657)
5. Sale, transfer, lease or other forms of conveyance by a beneficiary of the right to use or any other usufructuary right over the land acquired by virtue of being a beneficiary, in order to circumvent the provisions of Section 73 of R.A. No. 6657, P.D. No. 27, and other agrarian laws. However, if the land has been acquired under P.D. No. 27/E.O. No. 228, ownership may be transferred after full payment of amortization by the beneficiary; (Sec. 6 of E.O. No. 228)
6. **Default in the obligation to pay an aggregate of three (3) consecutive amortizations in case of voluntary land transfer/direct payment scheme, except in cases of fortuitous events and force majeure;**
7. Failure of the ARBs to pay for at least three (3) annual amortizations to the LBP, except in cases of fortuitous events and force majeure; (Section 26 of RA 6657)
8. Neglect or abandonment of the awarded land continuously for a period of two (2) calendar years as determined by the Secretary or his authorized representative; (Section 22 of RA 6657)