

FIRST DIVISION

[G. R. NO. 142439, December 06, 2006]

FILINVEST LAND, INC., PETITIONER, VS. HON. COURT OF APPEALS AND ROMEO, ANTONIO, JOSEFINA, RICARDO (JR.), ALL SURNAMED ALVAREZ AND VENANCIA R. VDA. DE ALVAREZ, FOR HERSELF AS GUARDIAN AD LITEM FOR HER MINOR CHILDREN, RAMON, VERONICA, AND FLORDELIZA, ALL SURNAMED ALVAREZ, AND AS NECESSARY AND INDISPENSABLE PARTY PLAINTIFFS JAIME, VICTORIA, AND MANUEL, ALL SURNAMED ALVAREZ, AND ROSARIO PARAM VDA. DE ALVAREZ, RESPONDENTS.

D E C I S I O N

CHICO-NAZARIO, J.:

This is a Petition for Review on *Certiorari* under Rule 45 of the 1997 Rules of Court, as amended, seeking to set aside a Decision^[1] of the Court of Appeals dated 11 November 1998 in CA-G.R. SP No. 48396 annulling the sale of a parcel of land specified as Lot No. 329, GSS-877 of the Laguna Resettlement Project, to the late Ricardo Alvarez and the subsequent transfers to Mercedes Oliver and petitioner Filinvest Land Inc. (Filinvest); and the reversion of the subject property to the ownership of the government. The Court of Appeals in its assailed Decision affirmed the Decision^[2] of the Department of Agrarian Reform Adjudication Board (DARAB) dated 1 July 1998.

The subject matter in this case is a parcel of land registered as Lot No. 329 of the Laguna Resettlement Project, located in Barrio San Vicente, San Pedro, Laguna, with an area of 16,495 square meters. The Department of Agrarian Reform (DAR) awarded to Ricardo Alvarez the right to purchase the land in question, pursuant to an Order of Award dated 9 October 1973.^[3] On 15 August 1977, Ricardo Alvarez, with the consent of his wife, respondent Rosario Param, purchased the land, evidenced by a Deed of Sale executed by the DAR.^[4] This Deed of Sale specifically prohibited the transfer of the land within ten (10) years from the issuance of the certificate of title to any person other than the vendee's relatives within the third civil degree by consanguinity or affinity who are, at the same time, qualified beneficiaries.^[5] This restriction was in accordance with Section 62 of Republic Act No. 3844, or the Agricultural Land Reform Code.^[6]

However, pending the issuance of the certificate of title of the said land, Presidential Decree No. 1474, Declaring the San Pedro Tunasan Estate (also known as the Laguna Resettlement Project) of the Department of Agrarian Reform Suitable for Residential, Commercial, or Industrial, or other Non-Agricultural Purposes, was enacted on 11 June 1978 and published in the Official Gazette on 27 November 1978. This effectively repealed the ten-year prohibition on the transfer of agrarian

lands situated in the Laguna Resettlement Project. Presidential Decree No. 1474 provided that:

Section 1. The Department of Agrarian Reform, as Administrator of the San Pedro Tunasan Estate, is hereby ordered to convert such estate into a commercial, industrial and residential site and to transfer the same to the National Housing Authority.

Section 2. Individuals who have legally acquired farm lots in the Estate under Orders of Award or Certificates of Land Transfer or Agreement to Sell or Deeds of Sale, may sell or transfer their lots covered thereby or convert the same for the purposes mentioned in Section 1 hereof.

The Register of Deeds of the Province of Laguna issued Transfer Certificate of Title (TCT) No. 62731, covering the subject land, in the name of Ricardo Alvarez on 25 May 1979. On 10 June 1979, only 16 days after the title was issued, Ricardo Alvarez and his wife, Rosario Param, sold the said land to Mercedes Oliver for Ten Thousand Pesos (P10, 000.00). Oliver was not a relative within the third degree of consanguinity and had no capacity to personally cultivate the land, as required of a qualified beneficiary. Thus, TCT No. 62731 was cancelled, and TCT No. 64967 was issued in the name of Mercedes Oliver.^[7]

On 22 December 1989, Mercedes Oliver sold the subject land to Filinvest, resulting in the issuance of TCT No. 201836 on 23 January 1990 in the name of Filinvest.^[8]

On 7 March 1982, the heirs of the late Ricardo Alvarez filed a case for reconveyance, redemption and damages against Mercedes Oliver, Avelino Ramos and Jose Nunez, before the Regional Trial Court (RTC) of Biñan, Laguna.^[9] Respondents filed an Amended Complaint for Annulment of Title with Reconveyance, dated 4 December 1985, wherein they claim that the sale of the subject land was made without their knowledge, and it was only in the 1980's that they learned of such sale. They alleged that their mother and father, both illiterate, were deceived by the defendants into executing the Deed of Sale covering the subject land in favor of Mercedes Oliver. Respondents also argued that such sale was void since the Deed of Sale was executed in violation of the law which enjoins the sale of the subject land.^[10] This case was, however, dismissed for failure of the respondents and counsel to appear during the hearing for the reception of their evidence, despite due notice and after eight postponements^[11]. The RTC, in its Order,^[12] dated 17 February 1989, ruled that:

Further considering that without the evidence of said witness and the plaintiffs not having presented any evidence on record, upon motion of counsel for defendants that this case be dismissed and further manifestation by the defendants that they are waiving their right to a counterclaim, the Court hereby orders the dismissal of this case (both the complaint and counterclaim).

Let copy of this Order be furnished party plaintiff.

The order became final and executory when the respondents failed to file a motion for reconsideration of this Order, despite receipt thereof.^[13]

On 26 March 1990, respondents filed a complaint against Mercedes Oliver and Filinvest before the Provincial Agrarian Reform Adjudication (PARAD) of Sta. Cruz, Laguna, seeking to annul the Deed of Sale between the Spouses Alvarez and Mercedes Oliver and the subsequent transfer between Mercedes Oliver and Filinvest, on grounds similar to the complaint filed before the RTC of Biñan. They also sought the issuance of a restraining order enjoining Filinvest from bulldozing the subject land, which was occupied and cultivated by the respondents. Mercedes Oliver filed a Motion to Dismiss on the grounds of *res judicata* and that the PARAD had no jurisdiction over the subject matter of the case. Filinvest similarly filed a motion to dismiss on the grounds of *res judicata* and laches. It also alleged, in its defense, that it was a purchaser for value and in good faith. In its Position Paper, Filinvest likewise asserted that the restriction against selling the subject land within ten years, provided under the Deed of Sale executed by DAR in favor of the Spouses Alvarez had already been superseded by Presidential Decree No. 1474, which took effect in 1978.^[14]

On 25 August 1993, the PARAD of Sta. Cruz, Laguna, dismissed the complaint on the ground of *res judicata*. Moreover, it ruled that the sale between the Spouses Alvarez and Mercedes Oliver was valid.^[15] The dispositive part of this Decision^[16] reads:

WHEREFORE, in view therefrom, Judgment is hereby rendered dismissing the instant case for lack of merit.

On appeal, the DARAB reversed and set aside the Decision dismissing the complaint, and ordered the reversion of the subject property to the government. The dispositive portion of the said Order,^[17] dated 1 July 1998 reads:

WHEREFORE, premises considered, the challenged decision dated August 25, 1993 is hereby REVERSED and SET ASIDE and a new judgment is hereby rendered as follows:

1. Annulling the transfer of the land in question to the late Ricardo Alvarez and its subsequent transfers to defendant Mercedes Oliver and defendant Filinvest Land Incorporated;
2. Ordering the cancellation of Transfer Certificate of Title No. 201836, covering the subject land, issued by the Register of Deeds for the Province of Laguna, Calamba branch, in the name of defendant Filinvest; and
3. Directing the Register of Deeds for the Province of Laguna, Calamba branch, to issue in lieu of TCT No. 201836, a Certificate of Title in the name of the Republic of the Philippines, through DAR, for distribution to qualified farmer-beneficiary in accordance with Administrative Order No. 01, Series of 1992, which is the Revised Rules and Procedures Governing the Disposition of Homelots and other Lots in Barangay Sites and Residential, Commercial, and Industrial Lots in Townsites within DAR Settlement Project and Similar Other Areas under DAR Jurisdiction.

The DARAB ruled, too, that *res judicata* as a bar against filing a complaint with the PARAD is not applicable in this case since there was no adjudication of the merits

before the RTC of Biñan.

The DARAB considered as self-serving and unsupported by evidence the allegations of the respondents that the consent of the Spouses Alvarez was obtained through fraud in connection with the sale made in favor of Mercedes Oliver. It also ruled that the sale between Ricardo Alvarez and Mercedes Oliver was a violation of the ten-year prohibition against the transfer of the land imposed by the Deed of Sale between the government and Ricardo Alvarez, in accordance with Section 62 of Republic Act No. 3844. Such act rendered the Deed of Sale executed by the DAR in favor of Ricardo Alvarez void, and, therefore, the subsequent transfers to Mercedes Oliver and Filinvest were, likewise, void.^[18]

In negating Filinvest's claim that Presidential Decree No. 1474 has superseded Section 62 of Republic Act No. 3844, the DARAB cited the case of *Tipon v. Intermediate Appellate Court*,^[19] where the Court upheld the validity of the ten-year prohibition on the transfer of land given by the government to farmer-beneficiaries. The DARAB added that the restriction on transfer of land is contained in our present agrarian laws, particularly Republic Act No. 6675.^[20]

The petitioners then filed a Petition for *Certiorari* under Section 43 of the 1997 Rules of Court before the Court of Appeals, but on 11 November 1998, the appeal was again dismissed for lack of merit and the assailed Decision of the DARAB was affirmed.^[21]

The petitioners filed a Motion for Reconsideration, which was subsequently denied in a Resolution dated 8 February 1999.^[22]

Hence this petition, wherein Filinvest raised the following issues:

I

WHETHER OR NOT THE COURT OF APPEALS GRAVELY ABUSED ITS DISCRETION AND COMMITTED REVERSIBLE ERROR IN HOLDING THAT THE SALE OF THE SUBJECT PARCEL OF LAND BY RICARDO ALVAREZ TO MERCEDES OLIVER VIOLATED THE TRANSFER RESTRICTION CONTAINED IN THE PRIOR DEED OF SALE OF THE SAME PROPERTY EXECUTED BY THE DEPARTMENT OF AGRARIAN REFORM IN FAVOR OF RICARDO ALVAREZ AND SECTION 62, ARTICLE II, CHAPTER III OF REPUBLIC ACT NO. 3844

II

WHETHER OR NOT THE COURT OF APPEALS ACTED WITH GRAVE ABUSE OF DISCRETION AND COMMITTED REVERSIBLE ERROR IN APPLYING SECTION 1 (C), RULE II OF THE NEW RULES OF PROCEDURE OF THE DEPARTMENT OF AGRARIAN REFORM ADJUDICATION BOARD (DARAB), CONFERRING JURISDICTION OF THE DARAB OVER THE INSTANT CASE, IN DISREGARD OF THE PROVISIONS OF PRESIDENTIAL DECREE NO. 1474

III

WHETHER OR NOT THE COURT OF APPEALS ACTED WITH GRAVE ABUSE OF DISCRETION AND COMMITTED REVERSIBLE ERROR IN RULING THAT THE DOCTRINE OF RES JUDICATA DOES NOT APPLY TO BAR RESPONDENTS' COMPLAINT IN DARAB CASE NO. IV-032-L

IV

WHETHER OR NOT THE COURT OF APPEALS ACTED WITH GRAVE ABUSE OF DISCRETION AND COMMITTED REVERSIBLE ERROR IN NOT RULING THAT PETITIONER IS A BUYER IN GOOD FAITH WHO SHOULD BE ENTITLED TO PROTECTION AGAINST THE ALLEGED CLAIM OF THE RESPONDENT HEREIN, PURSUANT TO THIS HONORABLE COURT'S RULING IN AGRICULTURAL AND HOME EXTENSION DEVELOPMENT GROUP VS. COURT OF APPEALS, ET AL., G.R. NO. 92319, SEPTEMBER 3, 1992^[23]

This petition is meritorious.

The first issue raised by Filinvest is whether the sale between Ricardo Alvarez and Mercedes Oliver was void because it violated the prohibitory condition contained in the Deed of Sale between Ricardo Alvarez and the Government, to wit:

2. That from the date of the pertinent Order of Award and within TEN (10) years from the date of issuance by the proper Register of Deeds of the certificate of title, the land subject hereof shall not, except by hereditary succession, be subdivided, sold or in any manner transferred or encumbered except in favor of any of the VENDEE'S relative within the third civil degree by consanguinity or affinity who fulfill the four (4) requirements in Section 6 Land Authority Administrative Order No. 4, Series of 1967, or in favor of the Government and its financial or banking institutions or rural banks, and only upon prior written consent of the Secretary of the Department of Agrarian Reform; and any sale, transfer, encumbrance or alienation made in violation hereof shall be null and void: x x x^[24]

This condition is in accordance with Section 62 of Republic Act No. 3844, The Agricultural Land Reform Code, which provided that:

Section 62. *Limitation on Land Rights.* - Except in case of hereditary succession by one heir, landholdings acquired under this Code may not be resold, mortgaged, encumbered, or transferred until after the lapse of ten years from the date of full payment and acquisition and after such ten-year period, any transfer, sale or disposition may be made only in favor of persons qualified to acquire economic family-size farm units in accordance with the provisions of this Code: *Provided*, That a purchaser who acquired his landholding under a contract to sell may secure a loan on the same from any private lending institution or individual for an amount not exceeding his equity on said landholding upon a guaranty by the Land Bank.