

FIRST DIVISION

[G.R. No. 142958, April 24, 2002]

**SPS. FELINO S. SAMATRA AND CHARLITA ISIDRO, PETITIONERS,
VS. RITA S. VDA. DE PARIÑAS, RESPONDENT.**

D E C I S I O N

PUNO, J.:

The case at bar originated from an agrarian case involving two (2) agricultural lots^[1] with an aggregate area of 28,375 square meters and a homelot^[2] with an area of 472 square meters, all situated in Sto. Domingo, Nueva Ecija. These lots were originally owned by spouses Donato Samatra and Macaria Sana. Petitioner FELINO SAMATRA and respondent RITA S. VDA. DE PARIÑAS are their legitimate children.

On March 20, 1972, the spouses mortgaged one of the agricultural lots and the homelot to the Rural Bank of Sto. Domingo (N.E.) Inc. to secure their P2,500.00 loan that would mature on August 25, 1975. A year later, or on September 21, 1973, the spouses constituted another real estate mortgage over the other lot in favor of the same bank to secure their second loan of P1,300.00. This loan was to mature on April 3, 1975.

On January 3, 1975, while the mortgages were still subsisting, mortgagor Donato Samatra executed a "*Kasunduang Buwisan sa Sakahan*"^[3] constituting his daughter, respondent Rita S. Vda. de Pariñas, as agricultural lessee over the mortgaged lots, without the consent of the mortgagee bank.

When the mortgagors-spouses failed to pay their loans upon maturity, the mortgagee bank extrajudicially foreclosed the mortgages over the subject lots. At a public auction, the lots were sold to the mortgagee bank as the sole and highest bidder. The corresponding **certificates of sale were issued in its favor and registered** with the Register of Deeds of Nueva Ecija **on May 27, 1976. As the mortgagors-spouses failed to redeem the lots within a year from its registration, the mortgagee bank consolidated its ownership over the subject lots.** Nonetheless, respondent continued in possession of the lands.

Thereafter, negotiations were conducted between the manager of the mortgagee bank Ricardo E. Gonzales and the heirs of the mortgagor-spouses, with the bank offering the heirs priority to repurchase the lots. Respondent Rita S. Vda. de Pariñas and her son Perfecto showed interest in the offer. Thus, it was agreed that respondent would buy back the lots by gradually depositing small amounts for the repurchase of the properties until the full purchase price is paid and, thereafter, the mortgagee bank would execute the corresponding deed of sale in favor of respondent.

Initially, the agreement was carried out by the respondent. Later, however, respondent and her son discontinued depositing money in their account for the repurchase of the lots. Instead, they began to withdraw small amounts from their account until it was depleted and their account closed in November 1982. From then on, nothing was heard from respondent and her son about their intention to repurchase the lots. Thus, the mortgagee bank construed their silence and inaction as a lack of further interest to continue with the agreed plan of sale.

In December 1983, petitioner Felino Samatra, one of the heirs of the mortgagor-spouses and a brother of respondent, expressed his intention to repurchase the lots from the bank. Consequently, **on July 17, 1984, the bank sold the lots to petitioners FELINO SAMATRA and CHARLITA ISIDRO.**^[4] **The sale was duly registered and title was issued in the name of petitioners.**^[5]

When respondent learned about the sale, she immediately went to the bank and declared that she was ready to buy them back. The mortgagee bank informed her that they were already validly sold to petitioners. Respondent adamantly held on to the lots and continued her possession claiming right over them as agricultural lessee. She filed a complaint with the barangay's *Lupong Tagapayapa* for reconveyance of the lots as she has right of pre-emption as agricultural lessee. As the issue could not be settled at the barangay level, the Lupon issued a certification to enable the parties to file the necessary action in court.

On December 26, 1984, respondent filed an agrarian case^[6] with the Regional Trial Court against the mortgagee bank and the petitioners: (1) to annul the sale by the mortgagee bank of said lots to petitioners, claiming right of pre-emption or legal redemption as agricultural tenant and homelot possessor of the subject lots; (2) to order the mortgagee bank to reconvey the lands to her after exercising her right of legal redemption; and (3) for payment of damages.

In their Answer, petitioners argued that respondent was not an agricultural lessee over the subject lots as it was their parents, mortgagor-spouses Donato Samatra and Macaria Sana, who personally cultivated the lots as previous owners.

After the issues were joined, **trial ensued. On October 13, 1994, the trial court rendered a decision**^[7] **in favor of the petitioners. It found that respondent was not a bonafide lessee of the lands as she did not present proof that she personally cultivated them.** Not being a bonafide agricultural lessee, the trial court ruled that respondent has no right of pre-emption and legal redemption over said lots. The trial court disposed, thus:

"WHEREFORE, judgment is hereby rendered:

1. ordering the dismissal of the complaint;
2. declaring the document entitled "KASUNDUANG BUWISAN SA SAKAHAN" as fraudulent, illegal and null and void;
3. declaring the sale of the properties in question by the defendant Rural Bank of Sto. Domingo (NE), Inc. in favor of the defendants-spouses Felino Samatra and Charlita Isidro as legal and valid;

4. ordering the plaintiff to vacate the subject landholdings and deliver the possession thereof to the spouses Felino Samatra and Charlita Isidro;
5. ordering the plaintiff to pay the defendants-spouses Felino Samatra and Charlita Isidro the amount of P50,000.00 as unrealized income from the disputed land from 1984 up to the present;^[8]
6. ordering the plaintiff to pay to the defendants-spouses Felino Samatra and Charlita Isidro the amount of P3,000.00 as attorney's fees and the amount of P2,000.00 as expenses of litigation and the defendant Rural Bank of Sto. Domingo (N.E.), Inc. the amount of P3,000.00 as attorney's fees and the amount of P2,000.00 as litigation expenses; and
7. ordering the plaintiff to pay the costs of suit.

SO ORDERED."

On appeal, the court of Appeals held that although the appellant did not personally cultivate the subject lands, could still be considered an agricultural lessee as the law allows the lessee to be assisted by farm laborers in working the land. The Court of Appeals also relied on two (2) documents attesting that the respondent is the registered legitimate agricultural lessee of the disputed lands, thus: (1) the Certification, dated May 8, 1985, issued by the Ministry of Agrarian Reform (MAR) District Officer Eugenio B. Bernardo, in compliance with the Order of the trial court, dated April 23, 1985; (2) an Affidavit of one Ponciano Alejo,^[9] President of the *Malaya Samahang Nayon*, dated October 4, 1984. Although the Court of Appeals ruled that respondent is a bonafide lessee, it denied her the right of pre-emption as she was already given by the bank sufficient opportunity to exercise it but she failed to avail of it. It also held that respondent did not possess the right of redemption as the sale by the mortgagee bank of the disputed lands to petitioners was not unknown to her. Hence, the Court of Appeals disposed:

"WHEREFORE, with the modification declaring the legality and validity of the contract of lease or "*KASUNDUAN BUWISAN SA SAKAHAN*," **finding appellant Rita S. Vda. de Pariñas a bonafide agricultural lessee/tenant** of the landholdings in dispute, *viz.*, Lots Nos. 2891, 2908 and Lot 2434 and **deleting the award for damages and attorney's fees and payment of litigation expenses and cost of suit**, the Decision appealed from is **AFFIRMED** in all other respects.

No Costs.

SO ORDERED."^[10] (emphasis supplied)

Petitioners' motion for reconsideration was denied.

Hence this petition, where the following issues were raised:

"4.1. WHETHER OR NOT THE TENANCY CONTRACT ENTERED INTO BETWEEN THE MORTGAGORS-SPOUSES DONATO SAMATRA AND MACARIA SANA WITH RESPONDENT RITA S. PARIÑAS DURING THE

EFFECTIVITY OF THE MORTGAGE WAS LEGAL AND VALID.

4.2. WHETHER OR NOT RESPONDENT RITA S. PARIÑAS IS A BONAFIDE AGRICULTURAL LESSEE/TENANT OF THE LANDHOLDINGS IN DISPUTE.

4.2.1. Whether or not the Court of Appeals correctly reviewed the findings of the trial court on the issue of whether or not respondent Rita S. Pariñas is deemed to have personally cultivated the landholding, considering the rule that the only duty of the Court of Appeals in agrarian cases is to determine whether the findings of the trial court are supported by substantial evidence.

4.2.2. Whether or not the Court of Appeals correctly appreciated documentary evidence in support of its ruling that respondent Rita S. Pariñas is the one personally cultivating the landholding.

4.2.3. Whether or not the resolution of (sic) this second main issue and its following two corollary issues are tantamount to (sic) questions of law that ought to be reviewed by this Honorable Supreme Court.

4.3. WHETHER OR NOT PETITIONERS ARE ENTITLED TO UNREALIZED INCOME FROM THE TIME THEY PURCHASED THE PROPERTIES IN DISPUTE FROM THE RURAL BANK OF STO. DOMINGO (N.E.) AND TO ATTORNEY'S FEES AND LITIGATION EXPENSES."

We shall discuss the issues *in seriatim*.

Petitioners insist that the tenancy contract was illegal as the mortgagor-spouses cannot validly enter into an agricultural lease agreement with respondent during the effectivity of the mortgage contract.

We disagree. The Court of Appeals correctly applied Article 2130 of the Civil Code which renders void any stipulation forbidding the owner from alienating the immovable mortgaged (*pacto de non aliendo*) property. It is settled that a real estate mortgage does not extinguish the title of the debtor. He does not lose his right to use or dispose of the mortgaged property (*jus disponendi*) which is one of the principal attributes of ownership. Thus, in the case at bar, the mortgagor-spouses were well within their rights when they constituted respondent as an agricultural lessee and the legality of the leasehold contract cannot be validly assailed on this ground.

The second issue deals with whether or not respondent may be considered a **bonafide** agricultural lessee of the subject lands as to give her the right to repurchase the foreclosed lands. The findings of the trial court and the Court of Appeals on this matter are directly opposed to each other. Thus, a scrutiny of the evidence on record is in order to determine if there is merit in the petition at bar.

The essential elements of agricultural leasehold relationships are: (1) the parties are the landowner and the agricultural lessee; (2) the subject matter of the relationship is agricultural land; (3) there is consent between the parties to the relationship; (4) the purpose of the relationship is to bring about agricultural production; (5) **there is personal cultivation on the part of the agricultural**