

SECOND DIVISION

[G.R. No. 125728, August 28, 2001]

MARIA ALVAREZ VDA. DE DELGADO, CATALINA C. DELGADO, NATIVIDAD D. CLUTARIO, ANTONIA DELGADO, FLORINTINO DELGADO, PACIENCIA D. CAZORLA, GLORIA D. SOTIANGCO, JOSE DELGADO, JR., MARLENE D. SENNER, JOEL DELGADO, MARISSA DELGADO, JESUS DELGADO, JANICE DELGADO, VICTORINO DELGADO, AND JUAN DELGADO, PETITIONERS, VS. HON. COURT OF APPEALS AND REPUBLIC OF THE PHILIPPINES, RESPONDENTS.

D E C I S I O N

QUISUMBING, J.:

This petition assails the decision^[1] of the Court of Appeals in CA-G.R. CV No. 36923 dated June 14, 1996, which reversed the decision^[2] of the Regional Trial Court, of Catarman, Northern Samar, Branch 19, in a case originally involving reconveyance of property with damages between the Delgado family members as plaintiffs and the Republic of the Philippines as defendant.

The following facts appear on the record:

During his lifetime, Carlos Delgado was the absolute owner of a parcel of land with an area of 692,549 square meters, situated in the Municipality of Catarman, Samar. On October 5, 1936, said Carlos Delgado granted and conveyed, by way of donation or gift with quitclaim, all his rights, title, interest, claim and demand over a portion of said land consisting of 165,000 square meters in favor of the Commonwealth of the Philippines or its successors. Acceptance^[3] was made by then President Manuel L. Quezon in his capacity as Commander-in-Chief of the Philippine Army.^[4]

The Deed of Donation^[5] states as reason or consideration the donor's desire to contribute to the formation of the National Defense of the Philippines. It contained the following condition:

The condition of this donation is, that the parcel of land above described shall be for the exclusive benefit of the Commonwealth of the Philippines to be used as military reservation for training cadres or for such other uses of the Philippine Army as the Commander-in-Chief or Chief of Staff thereof may determine, provided that when the Commonwealth of the Philippines no longer needs this parcel of land for any military purposes, then said land shall automatically revert to the donor or its heirs or assigns.^[6]

The donee promptly occupied the donated land and constructed buildings thereon for military purposes, such as a military training campsite. Further, after entering into physical possession of the land and making the said improvements, the donee caused the property and several others similarly donated to it^[7] to be surveyed, with a view to having them all brought under the operation of the *Torrens* system and registered in the name of the Commonwealth of the Philippines.

Upon approval of the application for registration with the Court of First Instance of Samar, the parcels of land donated by Carlos Delgado (165,000 sq. m.), Visitacion Diaz (8,220 sq. m.) and Leona Balite (10,080 sq. m.), containing a total of 183,300 square meters in all, became identified as Lot No. 1, Plan Ps1-9. But said Lot No. 1 showed an area of 216,907 square meters, apparently with an excess of 33,607 square meters from the total area of the parcels actually donated. Such apparent excess came allegedly from the neighboring parcels of land also owned by Carlos Delgado.

On February 6, 1939, the CFI of Samar decreed that on the basis of more than forty years of quiet, peaceful and continuous possession by the donors and their donee, and after finding a general default of opposition to the application for registration, the aforesaid parcels of land as well as the improvements thereon, were to be registered in the name of the Commonwealth of the Philippines as absolute owner thereof.

Pursuant to the CFI order, Original Certificate of Title No. 2539 was issued by the Register of Deeds on September 9, 1939, covering among other parcels the aforesaid Lot No. 1, Plan Ps1-9. The OCT contained an annotation of the express condition attached to the land donated by Carlos Delgado.

Subsequently, said OCT was later cancelled and replaced with Transfer Certificate of Title No. (0-2539)-160. It appears, however, that said TCT did not contain an annotation of the condition originally found in the Deed of Donation.

Upon declaration of independence on July 4, 1946, the Commonwealth of the Philippines passed out of existence. It was replaced by the existing Republic of the Philippines, which took over the subject land and turned portions of it over to the then Civil Aeronautics Administration (CAA), later renamed Bureau of Air Transportation Office (ATO). Said government agency has since utilized the land in question, or portions of it as a domestic national airport, with some portions rented to the Philippine Airlines, and some to the provincial government for a capitol site and a hospital site, and for some other uses which clearly are not military in nature.

A petition for reconveyance was filed on December 25, 1970, alleging as ground therefor the violation of the express condition imposed by the donor. It was also during this time that Jose Delgado, brother and lone heir of the donor, Carlos,^[8] obtained a court order dated March 15, 1971, directing the insertion of the automatic reversion clause as an annotation in the TCT.

Due to the plaintiff's failure to prosecute, the case for reconveyance was eventually dismissed by the lower court without prejudice on September 26, 1983.

Sometime in early 1989, the heirs of Jose Delgado sent letters^[9] to the different agencies occupying the subject property, inviting their attention to the donation and the violation of the condition imposed therein. No settlement or understanding was reached, such that on September 28, 1989, the widow and surviving heirs of Jose Delgado filed a new action for reconveyance with the RTC of Catarman, Northern Samar, Branch 19, docketed as Civil Case No. C-489.

On March 8, 1990, an Amended Complaint was filed wherein plaintiffs prayed for reconveyance of the donated parcel of land based on the following reasons:

- a) That there was non-compliance by the donee of the condition imposed in the deed of donation;
- b) That assuming there was compliance, the donation became inoperative when the donee, the then Commonwealth of the Philippines, passed out of existence on July 4, 1946, with the birth of the Republic of the Philippines, making the donation inoperative and the land subject thereof automatically reverted to the donor or his heirs;
- c) That in the event the court declares the donation to have subsisted, the excess of 33,607 square meters, over and above the 165,000 square meters donated by Carlos Delgado, should be declared to have been unlawfully included and registered in the name of the Commonwealth of the Philippines and is now in the possession of the Republic of the Philippines. They pray for the reconveyance of such excess, or in the alternative, to declare that portion to have been expropriated, entitling them to just compensation; and
- d) That the Republic should be declared a possessor in bad faith and therefore liable to the petitioners for the fruits received or could have been received from the use and occupation of the land. They likewise pray for actual and compensatory damages as well as attorney's fees.

In answer to the complaint, respondent Republic of the Philippines contends that the heirs have no cause of action and even denied knowledge of such donation, having no record thereof in its possession. It continually asserts government ownership over the property in dispute. Assuming *arguendo* that indeed there was such a donation, the Republic interposed these defenses:

- 1.) That defendant (Republic) as successor-in-interest of the Commonwealth of the Philippines thereby succeeded to all the rights, titles and interests of the latter with respect to the property in question; that the said donation continued to be operative and no automatic reversion occurred;
- 2.) That granting there was a violation of the condition, the action for reconveyance is already barred by laches, waiver and/or prescription; and