Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

ERNESTO L. NATIVIDAD,
Petitioner,

- versus -

FERNANDO MARIANO, ANDRES MARIANO and DOROTEO GARCIA,
Respondents.

G.R. No. 179643

Present:

BRION,* *J., Acting Chairperson,*
DEL CASTILLO,
PEREZ,
PERLAS-BERNABE, and
LEONEN,** *JJ.*

Promulgated:

JUN 03 2013

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DECISION

BRION, *J.*:

We resolve in this Rule 45 petition for review on *certiorari*[1] the challenge to the November 28, 2006 decision[2] of the Court of Appeals *(CA)* in CA-G.R. SP No. 89365. The assailed decision affirmed the February 21, 2005 decision[3] of the Department of Agrarian Reform Adjudication Board *(DARAB)* in DARAB Case No. 10051. The DARAB ruling, in turn, reversed the decision[4] dated October 27, 1999 of the Provincial Agrarian Reform Adjudicator *(PARAD)* of Nueva Ecija granting the petition for ejectment and collection of back lease rentals filed by petitioner Ernesto L.

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* In lieu of Associate Justice Antonio T. Carpio per Special Order No. 1460 dated May 29, 2013.

** Designated as Acting Member in lieu of Associate Justice Antonio T. Carpio, per Special Order No. 1461 dated May 29, 2013.

1 *Rollo*, pp. 24-42.

2 Penned by Associate Justice Rebecca de Guia-Salvador, and concurred in by Associate Justices Magdangal M. de Leon and Ramon R. Garcia; id. at 7-20.

The August 10, 2007 resolution of the CA denied for lack of merit Ernesto's subsequent motion for reconsideration; id. at 60.

3 Penned by DARAB Member Augusto P. Quijano; id. at 194-199.

4 Decision rendered by Adjudicator Napoleon B. Baguilat; id. at 96-99.

Natividad against respondents Fernando Mariano, Andres Mariano and Doroteo Garcia.

The Factual Antecedents

At the core of the dispute in this case is a 66,997 square meter parcel of agricultural land *(subject property)* situated in Sitio Balanti, Gapan, Nueva Ecija, owned and registered in the name of Esperanza Yuzon under Transfer Certificate of Title No. NT-15747. The respondents are the tenants of the subject property.[5]

On December 23, 1998, Ernesto filed with the PARAD a petition[6] for ejectment and collection of back lease rentals against the respondents. In his petition, Ernesto alleged that he purchased the subject property in a public auction held on July 17, 1988. Immediately after the purchase, he *verbally* demanded that the respondents pay the lease rentals. Despite his repeated demands, the respondents refused to pay, prompting him to *orally* request the respondents to vacate the subject property. He filed the petition when the respondents refused his demand to vacate.

Although duly served with summons, the respondents failed to answer Ernesto's petition and were deemed to have waived their right to present evidence. The PARAD allowed the case to proceed *ex parte*.

The PARAD granted Ernesto's petition in its October 27, 1999 decision, and ordered the respondents to vacate the subject property and to pay the lease rentals in arrears. The PARAD found merit in Ernesto's unrebutted allegations.

The respondents did not appeal the decision despite due notice.[7] Thus, the PARAD's decision became final and executory, and on April 6, 2000, the PARAD granted Ernesto's motion for the issuance of a writ of execution.[8]

On May 4, 2000, the respondents, through a private law firm, filed an Appearance and Petition for Relief from Judgment[9] *(first petition)* on the ground of excusable negligence. The respondents claimed that their inexperience and lack of knowledge of agrarian reform laws and the DARAB Rules of Procedure prevented them from appearing before the PARAD in due course; these also led to their belated discovery of the approved Barangay Committee for Land Production *(BCLP)* valuation. They

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5 Id. at 195.
6 Id. at 90-94.
7 Per the Certification dated April 5, 2000 issued by the PARAD; CA *rollo*, p. 47.
8 Writ of Execution; *rollo*, pp. 101-102.
9 Dated May 2, 2000; id at 103-105.

cited these reasons as their excusable negligence justifying the grant of the relief from judgment prayed for.

In answer to Ernesto's allegations, the respondents denied knowledge of Ernesto's purchase of the subject property and, alternatively, disputed the validity of the purchase. They averred that they had been paying lease rentals to the landowner. In support of their position, the respondents attached copies of rental payment receipts[10] for the crop years 1988-1998 issued by Corazon Quiambao and Laureano Quiambao, the authorized representatives of Aurora Yuzon.[11] They added that Diego Mariano, the father of respondents Andres and Fernando, and respondent Doroteo were issued Certificates of Land Transfer *(CLTs)* on July 28, 1973.[12] Andres and Fernando added that, as heirs of Diego, they are now the new beneficiaries or allocatees of the lots covered by Diego's CLT.[13] Finally, the respondents pointed out that as of the year 2000, they have an approved valuation report issued by the BCLP.

On June 7, 2000, the PARAD denied the respondents' first petition, finding no sufficient basis for its grant.[14] The PARAD declared that none of the grounds for the grant of a petition for relief exists and can be invoked against its October 27, 1999 decision, or could have prevented the respondents from taking an appeal. The records show that the respondents were duly notified of the scheduled hearing date and of the issuance of its decision; despite due notices, the respondents failed to appear and to appeal, for which reasons the decision became final. Lastly, the PARAD considered that the respondents' petition had been filed out of time. On July 13, 2000, the PARAD denied[15] the respondents' motion for reconsideration of the June 7, 2000 order.[16]

On June 23, 2000, the respondents, this time represented by the Agrarian Legal Assistance, Litigation Division of the Department of Agrarian Reform (*DAR*), filed a second Petition for Relief from Judgment *(second petition)*.[17] The respondents repeated the allegations in their first petition, but added lack of sufficient financial means as the reason that prevented them from seeking appropriate legal assistance.

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10 Id. at 107-126.

11 Referring to Esperanza; *rollo*, p. 9. She is also referred to as Nanang Anzang Yuzon.

12 Diego Mariano was granted CLT No. 0-049335 covering an area of 3 hectares, more or less; id at 191. While respondent Doroteo was granted CLT Nos. 0-049016 and 0-049017, covering 2.23 and 0.74 hectares, respectively; CA *rollo*, pp. 170-172.

13 Per the November 21, 1990 order of the DAR- Region III; "Kasunduan sa Pananakahan" executed by Diego in favor of his sons, respondents Andres and Fernando; and letter of consent executed by Esperanza; CA *rollo*, pp. 75-77.

14 *Rollo*, pp. 130-132.

15 Id. at 137.

16 Dated June 26, 2000; id. at 134-136.

17 Dated June 22, 2000; id. at 138-142.

On July 20, 2000, the PARAD denied the respondents' second petition based on technical grounds. When the PARAD denied their subsequent motion for reconsideration,[18] the respondents appealed to the DARAB.[19]

The Ruling of the DARAB

On February 21, 2005, the DARAB granted the respondents' appeal and reversed the PARAD's October 27, 1999 decision.[20] The DARAB ordered Ernesto to maintain the respondents in the peaceful possession and cultivation of the subject property, and at the same time ordered the respondents to pay the rentals in arrears as computed by the Municipal Agrarian Reform Officer *(MARO)*. Unlike the PARAD, the DARAB found the evidence insufficient to support Ernesto's allegation that the respondents did not pay the lease rentals. The respondents' respective receipts of payment, the DARAB noted, controverted Ernesto's claim.

Ernesto appealed the February 21, 2005 DARAB decision to the CA *via* a petition for review under Rule 43 of the Rules of Court.[21]

The Ruling of the CA

In its November 28, 2006 decision, the CA denied Ernesto's petition for review for lack of merit.[22] The CA declared that Ernesto failed to prove by clear, positive and convincing evidence the respondents' failure to pay the lease rentals and, in fact, never repudiated the authority of Corazon and Laureano to receive rental payments from the respondents. The CA ruled that under Section 7 of Republic Act *(R.A.)* No. 3844, once a leasehold relationship is established, the landowner-lessor is prohibited from ejecting a tenant-lessee unless authorized by the court for causes provided by law. While non-payment of lease rentals is one of the enumerated causes, the landowner (Ernesto) bears the burden of proving that: (1) the tenant did not pay the rentals; and (2) the tenant did not suffer crop failure pursuant to Section 36 of R.A. No. 3844. As Ernesto failed to prove these elements, no lawful cause existed for the ejectment of the respondents as tenants.

The CA also declared that the DARAB did not err in taking cognizance of the respondents' appeal and in admitting mere photocopies of the respondents' receipts of their rental payments. The CA held that the DARAB Rules of Procedure and the provisions of R. A. No. 6657 (the Comprehensive Agrarian Reform Law of 1988) specifically authorize the DARAB to ascertain the facts of every case and to decide on the merits

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18 Id. at 143-145. The PARAD denied this motion for reconsideration per the order dated September 6, 2000; id. at 146-148.

19 Notice of Appeal dated October 1, 2000, *rollo*, pp. 149-150.

20 *Supra*, note 3.

21 CA *rollo*, pp. 15-34.

22 *Supra*, note 2.

without regard to the law's technicalities. The CA added that the attendant facts and the respondents' substantive right to security of tenure except the case from the application of the doctrine of immutability of judgments.

Finally, the CA noted that the issues Ernesto raised were factual in nature. It was bound by these findings since the findings of the DARAB were supported by substantial evidence.

Ernesto filed the present petition after the CA denied his motion for reconsideration[23] in its August 10, 2007 resolution.[24]

The Petition

Ernesto imputes on the CA the following reversible errors: *first*, the finding that he authorized Corazon and Laureano to receive the respondents' lease rentals on his behalf; *second*, the conclusion that the respondents cannot be ejected since they were excused from paying lease rentals to him for lack of knowledge of the legality of the latter's acquisition of the subject property; and *third*, the ruling that the final and fully executed decision of the PARAD could still be reopened or modified.

Ernesto argues that the respondents' admission in their pleadings and the rental receipts, which they submitted to prove payment, evidently show that the respondents paid the lease rentals to Corazon and Laureano as representatives of Esperanza and not as his representatives.[25]

Ernesto further insists that the respondents cannot deny knowledge of the legality of his acquisition of the subject property and are, therefore, not excused from paying the lease rentals to him. He claims that the respondents had long since known that he is the new owner of the subject property when the petition for the annulment of the levy and execution sale, which the respondents filed against him, was decided in his favor.[26]

Finally, Ernesto claims that the CA erred in disregarding the doctrine of immutability of final judgments simply on the respondents' feigned ignorance of the rules of procedure and of the free legal assistance offered by the DARAB. Ernesto maintains that despite due receipt of their respective copies of the PARAD's decision, the respondents nevertheless still failed to seek reconsideration of or to appeal the PARAD's decision.

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23 CA *rollo*, pp. 233-251.

24 *Supra*, note 2.

25 *Rollo*, pp. 32-34.

26 Id. at 34-36. June 28, 1993 decision of the Regional Trial Court of Gapan, Nueva Ecija, Branch 35, on the respondents' petition for the annulment of the levy and execution sale; id. at 80-89.

Ernesto concludes that the respondents' inaction rendered the PARAD's decision final and fully executed, barring its reopening or modification.[27]

The Case for the Respondents

In their comment,[28] the respondents maintain that Ernesto's purchase of the subject property is null and void. The respondents contend that both Diego and Doroteo acquired rights over the subject property when they were granted a CLT in 1973.[29] Ernesto's subsequent purchase of the subject property *via* the execution sale cannot work to defeat such rights as any sale of property covered by a CLT violates the clear and express mandate of Presidential Decree *(P.D.)* No. 27, *i.e.*, that title to land acquired pursuant to the Act is not transferable.[30] In fact, when - through the PARAD's final decision - he ejected the respondents from the subject property, Ernesto also violated R.A. No. 6657.[31]

The respondents further contend that the doctrine of immutability of judgments does not apply where substantive rights conferred by law are impaired, such as the situation obtaining in this case. The courts' power to suspend or disregard rules justified the action taken by the DARAB (as well as the CA in affirming the former) in altering the decision of the PARAD although it had been declared final.[32]

Lastly, the respondents posit that the CA did not err in upholding the DARAB's ruling since the findings of facts of quasi-judicial bodies, when supported by substantial evidence, as in this case, bind the CA.[33]

The Issue

The case presents to us the core issue of whether Ernesto had sufficient cause to eject the respondents from the subject property.

The Court's Ruling

We DENY the petition.

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27 Id. at 36-41.
28 Id. at 165-174.
29 *Supra,* note 12.
30 *Rollo,* pp. 167-170.
31 Id. at 170.
32 Id. at 170-171.
33 Id. at 171-172.

Preliminary considerations

As a preliminary matter, we reiterate the rule that a petition for review on *certiorari* under Rule 45 of the Rules of Court shall raise only questions of law.[34] A question that invites a review of the factual findings of the lower tribunals or bodies is beyond the scope of this Court's power of review[35] and generally justifies the dismissal of the petition.

The Court, as a rule, observes this Rule 45 proscription as this Court is not a trier of facts.[36] The resolution of factual issues is the function of the lower tribunals or bodies whose findings, when duly supported by substantial evidence and affirmed by the CA, bind this Court.[37]

The reviewable question sanctioned by a Rule 45 petition is one that lies solely on what the law provides on the given set of circumstances.[38] In the present petition, Ernesto essentially argues that the CA erred in ruling that he failed to sufficiently prove any cause to eject the respondents from the subject property. In effect, Ernesto asks this Court to re-examine and re-evaluate the probative weight of the evidence on record. These are factual inquiries beyond the reach of this petition.[39]

Under exceptional circumstances, however, we have deviated from the above rules. In the present case, the PARAD gave credit to Ernesto's claim that the respondents did not pay the lease rentals. The DARAB, in contrast, found Ernesto's claim unsubstantiated. This conflict in the factual conclusions of the PARAD and the DARAB on the alleged non-payment by the respondents of the lease rentals is one such exception to the rule that only questions of law are to be resolved in a Rule 45 petition.[40] Thus, we set aside the above rules under the circumstances of this case, and resolve it on the merits.

On the issue of the DARAB's grant of the respondents' appeal; Doctrine of immutability of judgments

We cannot blame Ernesto for insisting that the PARAD decision can no longer be altered. The doctrine of immutability of final judgments, grounded on the fundamental principle of public policy and sound practice,

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[34] *Milestone Realty and Co., Inc. v. Court of Appeals*, 431 Phil. 119, 132 (2002); and *Pascual v. Court of Appeals*, 422 Phil. 675, 682 (2001).

[35] See *NGEI Multi-Purpose Cooperative Inc., et al. v. Filipinas Palmoil Plantation Inc., et al.*, G.R. No. 184950, October 11, 2012; and *Pascual v. Court of Appeals, supra*, at 682. See also *Esquivel v. Atty. Reyes*, 457 Phil. 509, 515-517 (2003).

[36] *Perez-Rosario v. Court of Appeals*, 526 Phil. 562, 575 (2006).

[37] Ibid. *Maylem v. Ellano*, G.R. No. 162721, July 13, 2009, 592 SCRA 440, 448-449.

[38] See *Cando v. Sps. Olazo*, 547 Phil. 630, 636 (2007).

[39] See *National Power Corporation v. Diato-Bernal*, G.R. No. 180979, December 15, 2010; 638 SCRA 660, 666.

[40] See *Esquivel v. Atty. Reyes, supra* note 35, at 516.

is well settled. Indeed, once a decision has attained finality, it becomes immutable and unalterable and may no longer be modified in any respect,[41] whether the modification is to be made by the court that rendered it or by the highest court of the land.[42] The doctrine holds true even if the modification is meant to correct erroneous conclusions of fact and law.[43] The judgment of courts and the award of quasi-judicial agencies must, on some definite date fixed by law, become final even at the risk of occasional errors.[44] The only accepted exceptions to this general rule are the correction of clerical errors, the so-called *nunc pro tunc* entries which cause no prejudice to any party, void judgments, and whenever circumstances transpire after the finality of the decision which render its execution unjust and inequitable.[45]

This doctrine of immutability of judgments notwithstanding, we are not persuaded that the DARAB and the CA erred in reopening, and ruling on the merits of the case. The broader interests of justice and equity demand that we set aside procedural rules as they are, after all, intended to promote rather than defeat substantial justice.[46] If the rigid and pedantic application of procedural norms would frustrate rather than promote justice, the Court always has the power to suspend the rules or except a particular case from its operation,[47] particularly if defects of jurisdiction appear to be present. This is the precise situation that we presently find before this Court.

In the present petition, the DARAB granted the respondents' appeal, despite the lapse of ten months from the respondents' notice of the PARAD's decision, because the PARAD denied the respondents' petition for relief from judgment simply on a sweeping declaration that none of the grounds for the grant of the petition exists and that the petition had been filed out of time. The records, however, sufficiently contradict the PARAD's reasons for denying the respondents' petition for relief; not only do we find justifiable grounds for its grant, we also find that the respondents filed their petition well within the prescriptive period. Thus, the PARAD effectively and gravely abused its discretion and acted without jurisdiction in denying the petition for relief from judgment.

A petition for relief from the judgment of the PARAD is governed by Section 4, Rule IX of the 1994 DARAB Rules of Procedure[48] (the governing DARAB rules at the time Ernesto filed his complaint). It reads in part:

> SECTION 4. *Relief from Judgment.* A petition for relief from judgment must be verified and **must be based on grounds of fraud,**

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41 *Berboso v. Court of Appeals*, 527 Phil. 167, 189 (2006).
42 *Heirs of Maura So v. Obliosca*, G.R. No. 147082, January 28, 2008, 542 SCRA 406, 418.
43 Ibid.
44 Ibid. *Sofio v. Valenzuela*, G.R. No. 157810, February 15, 2012, 666 SCRA 55, 65.
45 *Mercado v. Mercado*, G.R. No. 178672, March 19, 2009, 582 SCRA 11, 16-17.
46 *Heirs of Maura So v. Obliosca*, *supra* note 42, at 418-419.
47 Ibid.
48 Now Sections 1 and 2, Rule XVI of the 2003 DARAB Rules of Procedure.

> **accident, mistake and excusable neglect** x x x; Provided, **that the petition is filed** with the Adjudicator *a quo* **within three (3) months from the time the** fraud, accident, mistake or **excusable neglect was discovered and six (6) months from notice** of order, resolution or **decision from which relief is sought**[.] [italics supplied; emphasis ours]

A reading of Section 4 shows that four grounds justify the grant of the petition for relief from judgment, namely: fraud, accident, mistake and excusable negligence. The same provision also presents two periods that must be observed for such grant – 90 days and six months.

In their first and second petitions, the respondents invoked the ground of excusable negligence. They alleged that they failed to appear before the PARAD due to their inexperience and ignorance of agrarian reform laws and of the DARAB Rules of Procedure, as well as indigence. These circumstances – their averred ignorance coupled with financial constraints if not outright poverty - taken altogether sufficiently convince us that the respondents' negligence is more than excusable and constitutes a justifiable ground for the grant of their petition for relief.

We are also convinced that the respondents complied with the twin period requirement set by Section 4, Rule IX of the 1994 DARAB Rules of Procedure. *First,* the records show that the respondents received a copy of the PARAD's October 27, 1999 decision on December 10, 1999, at the earliest; they filed their first petition on May 4, 2000 or five months after. *Second*, following our above discussion that the respondents had sufficiently shown grounds for the grant of their petition, we perforce count the 90-day period from the respondents' discovery of their excusable negligence. We construe this date as the time when the respondents discovered the adverse consequence of their failure to answer, seek reconsideration or appeal the PARAD's decision, which was when they were evicted from the subject property on June 9, 2000[49] or 35 days before they filed their first petition. Clearly, the respondents filed their petition well within 6 months from their notice of the PARAD's decision and within 90 days from the discovery of their excusable negligence.

Based on these considerations, we are convinced that the DARAB did not err in granting the respondents' appeal despite the procedural lapses. Under Section 3, Rule I of the 1994 DARAB Rules of Procedure,[50] the DARAB and its adjudicators "shall not be bound by technical rules of procedure and evidence as prescribed in the Rules of Court, but shall proceed to hear and decide all agrarian cases, disputes or controversies in a most expeditious manner, employing all reasonable means to ascertain the facts of every case in accordance with justice and equity." The same provision is essentially embodied in R.A. No. 3844 upon which Ernesto

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[49] Per the Implementation Report dated June 13, 2000; *rollo*, p. 133.

[50] Also Section 3, Rule I of the 2003 DARAB Rules of Procedure.

heavily relied. In our view, considerations of equity, justice and jurisdiction surround this case, justifying the relaxation of the rules and the DARAB's grant of the respondents' appeal.

In sum, we rule that the DARAB correctly allowed the respondents' appeal despite the lapse of the reglementary period. Accordingly, we cannot impute error on the CA in not reversing the DARAB's decision simply under the doctrine of immutability of judgments.

Non-payment of lease rentals as ground for eviction of tenants; Landowner with burden to prove sufficient cause for eviction

Section 7 of R.A. No. 3844 ordains that once the tenancy relationship is established, a tenant or agricultural lessee is entitled to security of tenure.[51] Section 36 of R.A. No. 3844 strengthens this right by providing that the agricultural lessee has the right to continue the enjoyment and possession of the landholding and shall not be disturbed in such possession except only upon court authority in a final and executory judgment, after due notice and hearing, and only for the specifically enumerated causes.[52] The subsequent R.A. No. 6657 further reiterates, under its Section 6, that the security of tenure previously acquired shall be respected. Finally, in order to protect this right, Section 37 of R.A. No. 3844 rests the burden of proving the existence of a lawful cause for the ejectment of the agricultural lessee on the agricultural lessor.[53]

Ernesto's petition for ejectment against the respondents was anchored precisely on the latter's alleged non-payment of the lease rentals beginning 1988 until 1998 despite his repeated verbal demands. When confronted with the respondents' defense of due payment with supporting documentary evidence of it, Ernesto countered that their payments should not be considered as he did not authorize Corazon and Laureano to receive the payments on his behalf.

These allegations pose to us three essential points that we need to address. *First*, whether Ernesto indeed made demands on the respondents for the payment of the lease rentals; *second*, assuming that Ernesto made such demands, whether the respondents deliberately failed or continuously refuse to pay the lease rentals; and *third*, whether the lease rentals paid by the respondents to Corazon and Laureano are valid.

We rule in the **NEGATIVE** on the ***first*** point.

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[51] See *Galope v. Bugarin*, G.R. No. 185669, February 1, 2012, 664 SCRA 733, 740.

[52] *Sta. Ana v. Carpo*, G.R. No. 164340, November 28, 2008, 572 SCRA 463-485. See also *Perez-Rosario v. Court of Appeals*, *supra* note 36, at 576-577.

[53] See *Galope v. Bugarin*, *supra* note 51, at 739-740; and *Pascual v. Court of Appeals*, *supra*, note 34, at 683.

Our review of the records shows that Ernesto did not present any evidence, such as the affidavit of the person or persons present at that time, to prove that he demanded from the respondents the payment of the lease rentals. We, therefore, cannot accord any merit to his claim that he made such demands. His allegation, absent any supporting evidence, is nothing more than a hollow claim under the rule that he who alleges a fact has the burden of proving it as mere allegation is not evidence.[54] Thus, Ernesto should be deemed to have made his demand only at the time he filed the petition for ejectment before the PARAD. At this point, the respondents were not yet in delay[55] and could not be deemed to have failed in the payment of their lease rentals.

We again rule in the **NEGATIVE** on the ***second*** point.

Non-payment of the lease rentals whenever they fall due is a ground for the ejectment of an agricultural lessee under paragraph 6, Section 36 of R.A. No. 3844.[56] In relation to Section 2 of Presidential Decree *(P.D.)* No. 816,[57] deliberate refusal or continued refusal to pay the lease rentals by the agricultural lessee for a period of two (2) years shall, upon hearing and final judgment, result in the cancellation of the CLT issued in the agricultural lessee's favor.

The agricultural lessee's failure to pay the lease rentals, in order to warrant his dispossession of the landholding, must be **willful and deliberate and must have lasted for at least two (2) years**. The term "deliberate" is characterized by or results from slow, careful, thorough calculation and consideration of effects and consequences, while the term "willful" is defined, as one governed by will without yielding to reason or without regard to reason.[58] Mere failure of an agricultural lessee to pay the agricultural lessor's share does not necessarily give the latter the right to eject the former **absent a deliberate intent** on the part of the agricultural lessee to pay.[59]

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54 *Concerned Citizen v. Divina*, A.M. No. P-07-2369, November 16, 2011, 660 SCRA 167, 176.

55 Article 1169 of the Civil Code of the Philippines. The pertinent portion reads:
"Art. 1169. Those obliged to deliver or to do something **incur in delay from the time the obligee judicially or extrajudicially demands** from them the fulfillment of their obligation." (emphasis ours)

56 Section 36(6) of R.A. No. 3844 reads:
"**Section 36.** *Possession of Landholding; Exceptions* – x x x
x x x x
(6) The agricultural lessee does not pay the lease rental when it falls due: Provided, That if the non-payment of the rental shall be due to crop failure to the extent of seventy-five per centum as a result of a fortuitous event, the non-payment shall not be a ground for dispossession, although the obligation to pay the rental due that particular crop is not thereby extinguished[.]" (emphasis and italics supplied)

57 Presidential Decree No. 816 promulgated on October 21, 1975, entitled "PROVIDING THAT TENANT-FARMERS/AGRICULTURAL LESSEES SHALL PAY THE LEASEHOLD RENTALS WHEN THEY FALL DUE AND PROVIDING PENALTIES THEREFOR."

58 *Sta. Ana v. Carpo*, *supra* note 52, at 485-486; and *Antonio v. Manahan*, G.R. No. 176091, August 24, 2011, 656 SCRA 190, 200.

59 *Sta. Ana v. Carpo*, *supra* note 52, at 485, citing *Roxas y Cia v. Cabatuando, et al*., G.R. No. L-16963, April 26, 1961, 1 SCRA 1106, 1108. See also *Antonio v. Manahan*, *supra*, at 199-200.

In the present petition, we do not find the respondents' alleged non-payment of the lease rentals sufficient to warrant their dispossession of the subject property. The respondents' alleged non-payment did not last for the required two-year period. To reiterate our discussion above, the respondents' rental payments were not yet due and the respondents were not in default at the time Ernesto filed the petition for ejectment as Ernesto failed to prove his alleged prior verbal demands. Additionally, assuming *arguendo* that the respondents failed to pay the lease rentals, we do not consider the failure to be deliberate or willful. The receipts on record show that the respondents had paid the lease rentals for the years 1988-1998. To be deliberate or willful, the **non-payment of lease rentals must be absolute**, *i.e.*, marked by complete absence of any payment. This cannot be said of the respondents' case. Hence, without any deliberate and willful refusal to pay lease rentals for two years, the respondents' ejectment from the subject property, based on this ground, is baseless and unjustified.

Finally, we rule in the **AFFIRMATIVE** on the ***third*** point.

Ernesto purchased the subject property in 1988. However, he only demanded the payment of the lease rentals in 1998. All the while, the respondents had been paying the lease rentals to Corazon and Laureano. With no demand coming from Ernesto for the payment of the lease rentals for ten years, beginning from the time he purchased the subject property, the respondents thus cannot be faulted for continuously paying the lease rentals to Corazon and Laureano. Ernesto should have demanded from the respondents the payment of the lease rental soon after he purchased the subject property. His prolonged inaction, whether by intention or negligence, in demanding the payment of the lease rentals or asserting his right to receive such rentals, at the very least, led the respondents to consider Corazon and Laureano to still be the authorized payees of the lease rentals, given the absence of any objection on his part.

Import of the respondents' CLT

Diego and respondent Doroteo were undoubtedly awarded CLTs over the subject property pursuant to P.D. No. 27. Thus, we agree with their position that they have acquired rights over the subject property and are in fact deemed owners of it.

A CLT is a document that evidences an agricultural lessee's **inchoate ownership** of an agricultural land primarily devoted to rice and corn production.[60] It is the **provisional title of ownership**[61] issued to facilitate the agricultural lessee's acquisition of ownership over the landholding. The transfer of the landholding to the agricultural lessee under P.D. No. 27 is

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60 *Del Castillo v. Orciga*, 532 Phil. 204, 214 (2006).

61 Ibid.

accomplished in two stages: (1) **issuance of a CLT** to a farmer-beneficiary as soon as the DAR transfers the landholding to the farmer-beneficiary in recognition that said person is a "deemed owner"; and (2) **issuance of an Emancipation Patent** as proof of full ownership of the landholding upon full payment of the annual amortizations or lease rentals by the farmer-beneficiary.[62]

The CLTs of Diego and of respondent Doroteo were issued in 1973. Thus, as of 1973, Diego and respondent Doroteo were deemed the owners of the subject property pursuant to P.D. No. 27, but subject to the compliance with certain conditions and requirements, one of which was the full payment of the monthly amortization or lease rentals to acquire absolute ownership.[63]

In the event the tenant-farmer defaults in the payment of the amortization, P.D. No. 27 ordains that the amortization due shall be paid by the farmer's cooperative where the defaulting tenant-farmer is a member, with the cooperative having a right of recourse against the farmer. Thus, if the tenant-farmer defaults, the landowner is assured of payment since the farmers' cooperative will assume the obligation. In the present petition, the records show that the respondents were members of a *Samahang Nayon*. Pursuant to P.D. No. 27, Ernesto should have claimed the unpaid lease rentals or amortizations from the respondents' *Samahang Nayon*.

Executive Order *(E.O.)* No. 228, issued on July 17, 1987, modified P.D. No. 27 on the manner of payment and provided for different modes of payment of the value of the land to the landowner. The pertinent portion reads:

> SECTION 3. Compensation shall be paid to the landowners in any of the following modes, at the option of the landowners:
>
> (a) **Bond payment** over ten (10) years, with ten percent (10%) of the value of the land payable immediately in cash, and the balance in the form of LBP bonds[;]
>
> (b) **Direct payment in cash or in kind** by the farmer-beneficiaries with the terms to be mutually agreed upon by the beneficiaries and landowners and subject to the approval of the Department of Agrarian Reform; and
>
> (c) **Other modes of payment** as may be prescribed or approved by the Presidential Agrarian Reform Council. [emphases supplied]

In the event a dispute arises between the landowner and the tenant-farmer on the amount of the lease rentals, Section 2 of E.O. No. 228 provides that the DAR and the concerned BCLP shall resolve the dispute. In any case, the Land Bank of the Philippines shall still process the payment of the landowner's compensation claim, which it shall hold in trust for the

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62 Ibid.

63 *Coruña v. Cinamin*, 518 Phil. 649, 662 (2006).

landowner, pending resolution of the dispute. Thus, under this scheme, as with P.D. No. 27, the landowner is assured of payment of the full value of the land under E.O. No. 228.

With the enactment of R.A. No. 6657 on June 10, 1988, the manner and the mode of payment were further modified with the options available to the landowner, provided as follows:

> "SECTION 18. *Valuation and Mode of Compensation*. — x x x x x x x
>
> (1) **Cash payment**, x x x;
> (2) **Shares of stock** in government-owned or controlled corporations, LBP preferred shares, physical assets or other qualified investments in accordance with guidelines set by the PARC;
> (3) **Tax credits** which can be used against any tax liability;
> (4) **LBP bonds**[.]" (emphases ours; italics supplied)

Following these guarantees to the landowner under P.D. No. 27 and E.O No. 228, as well as R.A. No. 6657, the clear rule is that notwithstanding the non-payment of the amortization to the landowner, the tenant-farmer retains possession of the landholding.[64] In addition, we point out that under P.D. No. 27 and R.A. No. 6657, the transfer or waiver of the landholding acquired by virtue of P.D. No. 27 is prohibited, save only by hereditary succession or to the Government; effectively, reversion of the landholding to the landholder is absolutely proscribed. In light of this decree, we hold that the DARAB correctly reversed the decision of the PARAD, which ordered the respondents to surrender the possession of the subject property to Ernesto as this was in clear contravention of the objectives of the agrarian reform laws.

Nevertheless, we cannot agree with the DARAB's ruling that the MARO should assist the parties in executing a new leasehold contract. To recall, Diego and respondent Doroteo are valid holders of CLTs. Also, as of the year 2000, the concerned BCLP has already issued an approved valuation for the subject property. Under these circumstances, the proper procedure is for Ernesto and the DAR to agree on the manner of processing the compensation payment for the subject property. Hence, pursuant to R.A. No. 6657, E.O. No. 228, in relation to Department Memorandum Circular No. 26, series of 1973, and the related issuances and regulation of the DAR, we must remand the case to the DAR for the proper determination of the manner and mode of payment of the full value of the subject property to Ernesto.

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[64] *Del Castillo v. Orciga*, *supra* note 60, at 218.

As a final note, we observe that on April 11, 1988, Diego waived his right over the 3-hectare lot covered by his CLT (which formed part of the subject property) in favor of his two sons, Andres and Fernando, with each obtaining an equal half interest. This arrangement directly contravenes Ministry Memorandum Circular No. 19, series of 1978. This memorandum circular specifically proscribes the partition of the landholding; should the farmer-beneficiary have several heirs, as in this case, the ownership and cultivation of the landholding must ultimately be consolidated in **one heir** who possesses the requisite qualifications.[65] Thus, under paragraph 2 of the memorandum circular, Andres and Fernando must agree on one of them to be the sole owner and cultivator of the lot covered by Diego's CLT.

WHEREFORE, in view of these considerations, we **AFFIRM** with **MODIFICATION** the decision dated November 28, 2006 and the resolution dated August 10, 2007 of the Court of Appeals in CA-G.R. Sp No. 89365. Petitioner Ernesto L. Natividad is **ORDERED** to immediately surrender possession of the subject property to the respondents, and the DARAB is directed to ensure the immediate restoration of possession of the subject property to the respondents. We **REMAND** the case to the Department of Agrarian Reform for the: (1) proper determination of the manner and mode of payment of the full value of the land to petitioner Ernesto L. Natividad in accordance with R.A. No. 6657, Executive Order No. 228, Department Memorandum Circular No. 26, series of 1973, and other related issuances and regulation of the Department of Agrarian Reform; and (2) proper determination of the successor-in-interest of Diego Mariano as the farmer-beneficiary to the landholding covered by his CLT, in accordance with the provisions of Ministry Memorandum Circular No. 19, series of 1978. No costs.

SO ORDERED.

ARTURO D. BRION
Associate Justice

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[65] See Ministry Memorandum Circular No. 19-78. The pertinent portion reads:

"1. Succession to the farmholding covered by Operation Land Transfer, shall be governed by the pertinent provisions of the New Civil Code of the Philippines subject to the following limitations:

a. The farmholding **shall not be petitioned or fragmented**.

b. The **ownership and cultivation of the farmholding shall ultimately be consolidated in one heir** who possesses the following qualifications:

(1) being a full-fledged member of a duly recognized farmers' cooperative;

(2) capable of personally cultivating the farmholding; and

(3) willing to assume the obligations and responsibilities of a tenant-beneficiary." (emphasis ours)

WE CONCUR:

MARIANO C. DEL CASTILLO
Associate Justice

JOSE PORTUGAL PEREZ
Associate Justice

ESTELA M. PERLAS-BERNABE
Associate Justice

MARVIC MARIO VICTOR F. LEONEN
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ARTURO D. BRION
Associate Justice
Acting Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Acting Chairperson's Attestation, it is hereby certified that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P. A. SERENO
Chief Justice