

EN BANC

[G.R. No. 237663, October 06, 2020]

**REPUBLIC OF THE PHILIPPINES, PETITIONER, VS. HEIRS OF MA.
TERESITA A. BERNABE AND COOPERATIVE RURAL BANK OF
BULACAN, RESPONDENTS.**

D E C I S I O N

CAGUIOA, J:

Before the Court is a petition for review^[1] (Petition) under Rule 45 of the Rules of Court filed by petitioner Republic of the Philippines (Republic), represented by the Office of the Solicitor General (OSG), assailing the Decision^[2] dated February 21, 2018 of the Court of Appeals^[3] (CA) in CA-G.R. CV No. 104631. The CA Decision denied the Republic's appeal and affirmed the Resolution^[4] dated May 13, 2014 rendered by the Regional Trial Court, Branch 59, Angeles City (RTC), in Civil Case No. 11682. The RTC Resolution granted the Motion to Dismiss filed by respondent Cooperative Rural Bank of Bulacan (CRBB) and dismissed the Republic's Second Amended Complaint.

The Facts and Antecedent Proceedings

The CA Decision narrates the facts of the case as follows:

On August 23, 2004, a Complaint for Cancellation of Title and Reversion was filed by [the Republic] through the [OSG] against [respondent] Ma. Teresita E. Bernabe [(Bernabe)].

The Complaint alleges that on July 31, 1908, [the] then Governor General of the Philippines, James F. Smith, issued an unnumbered proclamation reserving certain parcels of land in the province of Pampanga for military purposes.

While said parcels of land remained as United States Military Reservation, a portion thereof was surveyed, segregated and designated as "Lot No. 727, Psd-5278, Angeles Cadastre". Said Lot No. 727 was assigned in favor of one Jose Henson, who later subdivided the same into seven (7) sublots, namely: Lot No. 727-A, Lot No. 727-B, Lot No. 727-C, Lot No. 727-D, Lot No. 727-E, Lot No. 727-F and Lot No. 727-G. One of the sublots, Lot No. 727-G, was further subdivided into sixty-three (63) portions as evinced by Survey Plan Csd-11198.

The sublots covered by Survey Plan Csd-11198 are portions of the Fort Stotsenburg Military Reservation, which is currently known as Clark Air Force Base. Said military reservation was never released as alienable and disposable land of the public domain, hence, they are neither susceptible

to disposition under the provisions of Commonwealth Act No. 141, the Public Land Act, nor registrable under Act No. 496, the Land Registration Act.

As evidenced by a subdivision survey covering Lot No. 965, Psd-5278, formerly Lot No. 42 of Csd-11198, one Francisco Garcia [(Garcia)] caused the registration of the same under the Torrens System of Registration; by virtue of the said registration, Garcia was then issued an Original Certificate of Title No. 83 on August 16, 1968. On March 8, 1968, Garcia sold a portion of the said Lot No. 965 to Nicanor Romero for which Transfer Certificate of Title No. 21685 was issued. The said portion [(subject property)] was then further sold to Bernabe for which Transfer Certificate of Title No. 107736 was issued.

During the fact-finding investigation and relocation survey conducted by the Bureau of Lands to determine the location of the subject property in relation to the perimeter area of Clark Air Force Base, it was discovered that the subject property was neither occupied nor cultivated by the claimants thereof. The subject property was found inside Fort Stotsenburg Military Reservation which was being used as a target range by Clark Air Force Military personnel.

As no markers or monuments were found on the subject property, the subdivision survey made on the said property must be deemed as inaccurate. Garcia's acquisition of the subject property was tainted with fraud and misrepresentation, hence, the Decision of the Court of First Instance in Cadastral Case No. 1, LRC Record No. 124 which adjudicated the subject property in favor of Garcia and decreed the consequent issuance of Original Certificate [of Title] No. 83 must be declared as null and void; since the Original Certificate of Title No. 83 issued to Garcia is null and void, the Transfer Certificate of Title No. 107736 registered under the name of Bernabe is without valid and binding effect.

On January 23, 2006, while this case was pending, [respondents] Heirs of Bernabe mortgaged the subject property covered by Transfer Certificate of Title No. 107736 to [CRBB]. After being informed of the mortgage, the Republic, through the OSG, filed on December 5, 2011, an Amended Complaint impleading CRBB as defendant. Atty. Arnel Paciano D. Casanova [(Atty. Casanova)], the President and Chief Executive Officer of the Bases Conversion and Development Authority (BCDA), signed the Amended Complaint's Verification and Certification Against Forum Shopping.

On March 5, 2012, [the OSG filed a Second Amended Complaint indicating the place of business of x x x CRBB as Cagayan Valley Road, Banga 1st Plaridel, Bulacan.

x x x x

Instead of submitting a responsive pleading, CRBB filed a Motion to Dismiss arguing that the Republic never renounced its ownership over the Clark Air Force Base, hence, the proper party to initiate a case for

reversion is the Director of Lands. The instant complaint for cancellation of title and reversion, not being initiated by the Director of Lands, should be dismissed. Assuming that BCDA is the proper party, the complaint is still procedurally defective since it is not appended with a valid verification and certification against forum shopping. There is no showing that Atty. Casanova, in signing the x x x Verification and Certification Against Forum Shopping, was indeed authorized by the BCDA Board to sign said documents; and, if indeed the BCDA is the real party in interest, it cannot raise the defense of imprescriptibility, it being engaged in proprietary function. Finally, it contended that CRBB and the Heirs of Bernabe entered into their (loan and mortgage transactions in good faith relying on what appeared on the title of the subject property, therefore, they must be protected.

For its part, the OSG filed its Opposition contending that: the Republic is the real party in interest, being the owner of all lands of the public domain under the concept of *jura regalia*. Atty. Casanova need not be authorized by the BCDA Board because he signed the x x x Verification and Certification Against Forum Shopping, not for BCDA, but for the Republic. Atty. Casanova had sufficient knowledge and belief to swear to the truth of the allegations in the Second Amended Complaint. The defense of prescription is unavailing because said defense does not run against the State and its subdivisions; and, to grant x x x CRBB's Motion to Dismiss on account of some procedural infirmity would be tantamount to a denial of due process against the State.

Meanwhile, a Notice was sent by CRBB informing the [RTC] that it was placed under receivership by the Bangko Sentral ng Pilipinas (BSP) on May 24, 2013. It likewise stated that the Philippine Deposit Insurance Commission (PDIC) is in the process of liquidating CRBB x x x.

On July 24, 2013, an Entry of Appearance with Motion to Suspend Proceedings was filed by the Office of the General Counsel (OGC), [as counsel for] PDIC on behalf of CRBB upon discovery of the latter's insolvency and its placement under receivership. The [RTC], in its July 26, 2013 Order, noted the said entry of appearance and ordered the temporary suspension of the proceedings for a period of three (3) months.

On January 8, 2014, CRBB, through PDIC, filed a Reply with Additional Ground for the Motion to Dismiss contending that the instant case is dismissible because the same must be adjudicated under the exclusive jurisdiction of the Liquidation Court.

On February 21, 2014, the OSG filed a Rejoinder averring that liquidation proceedings filed in another court does not divest the [RTC] of its jurisdiction to take cognizance of the reversion proceedings. Citing the settled precept in procedural law that jurisdiction, once acquired, continues until the case is finally terminated, it postulated that the [RTC], which first acquired jurisdiction over the instant case, shall retain the same until the case is terminated.

On May 13, 2014, the [RTC] rendered [a] Resolution, granting CRBB's Motion to Dismiss[, the dispositive portion of which states:

WHEREFORE, premises considered, the prayer in the "Motion to Dismiss" dated December 19, 2012 filed by [CRBB] is hereby **GRANTED**.

The Second Amended Complaint filed by the [Republic] is hereby ordered **DISMISSED** without prejudice to the filing of an appropriate action by the [BCDA] to which a valid verification and certification against forum shopping must be attached.

Furnish the parties' respective counsels with copies hereof.^[5]

Aggrieved, the Republic, through the OSG, filed a Motion for Reconsideration to which CRBB, as represented by PDIC, interposed its Opposition. On September 17, 2014, the OSG filed its Comment thereon. On December 15, 2014, the [RTC] rendered a Resolution denying said motion for reconsideration.

[The Republic, then, filed an appeal to the CA.]^[6]

Ruling of the CA

In its Decision dated February 21, 2018, the CA denied the Republic's appeal. The CA agreed with the RTC that the Republic is not the real party in interest because, from the allegations of the Republic's Second Amended Complaint, the subject property being located inside the Fort Stotsenburg Military Reservation, which is presently known as Clark Air Base, is under the direct control and ownership of the BCD A pursuant to Proclamation^[7] No. 163, series of 1993.^[8] Thus, according to the CA, the BCDA, by virtue of its ownership over the subject property, is the party which stands to be benefited or injured by the verdict in the instant case, and, being the real party in interest, the instant case for reversion and cancellation of title must be lodged in its name as the plaintiff.^[9] The CA applied the Court's ruling in the 2001 case of *Shipside Incorporated v. Court of Appeals*^[10] (*Shipside Incorporated*) that the Republic lacks standing to initiate reversion proceedings covering properties transferred to the BCDA.^[11]

The CA further stated that assuming the Republic is the real party in interest, the Second Amended Complaint is dismissible due to the defects in the Verification and Certification Against Forum Shopping (VCAFS) attached thereto because it is beyond the official functions of the BCDA, much less, its President and Chief Executive Officer (CEO), to sign the VCAFS.^[12] Assuming that the BCDA was competent to act on behalf of the Republic, Atty. Casanova's signature on the VCAFS may not be deemed valid because of the lack of any evidence showing that he was particularly authorized by the BCDA Board of Directors (Board) to sign the same.^[13]

The dispositive portion of the CA Decision states:

WHEREFORE, premises considered, the appeal is hereby **DENIED**. The

Resolution dated May 13, 2014 of the Regional Trial Court, Branch 59, Angeles City in Civil Case No. 11682 is hereby **AFFIRMED**.

SO ORDERED.^[14]

Hence, the instant Petition, without first seeking reconsideration of the CA Decision. Respondents Heirs of Ma. Teresita A. Bernabe (Heirs of Bernabe) filed a Comment^[15] dated November 20, 2018. CRBB, represented by its liquidator PDIC, filed a Comment^[16] dated December 10, 2018. Both Comments did not question the non-filing by the Republic of a motion to reconsider the CA Decision and merely reiterated the ruling and disquisitions of the lower courts. The Republic filed a Consolidated Reply^[17] dated September 9, 2019.

The Issues

The Petition states only two issues to be resolved:

1. Whether the CA erred in affirming the ruling of the RTC that the Republic is not the real party in interest and cannot invoke imprescriptibility of action.
2. Whether the CA erred in affirming the Resolution of the RTC dismissing the Second Amended Complaint for reversion and cancellation of title on the ground that the BCDA President cannot sign the VCAFS.^[18]

The Court's Ruling

The Petition is impressed with merit.

The resolution of the instant Petition rests mainly on the determination of whether the Republic is the real party in interest to institute and prosecute the instant case for reversion and cancellation of title.

As defined in Section 2, Rule 3 of the Rules of Court, a real party in interest is the party who stands to be benefited or injured by the judgment in the suit, or the party entitled to the avails of the suit. Section 2 adds that unless otherwise authorized by law or the Rules of Court, every action must be prosecuted or defended in the name of the real party in interest.

To determine who is the real party in interest, the nature or character of the subject property and who has present ownership thereof have to be inquired into.

As alleged by the Republic in its Second Amended Complaint, on July 31, 1908, the then Governor General of the Philippines, James F. Smith, through an unnumbered Proclamation, issued an Executive Order wherein "[certain] lands [were] reserved for the extension of the Camp Stotsenburg military reservation near Angeles, Pampanga x x x as declared by Executive Order of September 1, 1903 (G.O. No. 34, War Department, October 13, 1903) xxx viz: [a]ll public lands x x x."^[19] The September 1, 1903 Executive Order "reserved for military purposes subject to private rights xxx [certain] tract of public land near Angeles, Pampanga."^[20] Similar