

THIRD DIVISION

[G.R. No. 182629, February 24, 2016]

**MERCEDES N. ABELLA, MA. THERESA A. BALLESTEROS AND
MARIANITO N. ABELLA, PETITIONERS, VS. HEIRS OF FRANCISCA
C. SAN JUAN namely: GLICERIA SAN JUAN CAPISTRANO,
BENIGNA SAN JUAN VASQUEZ, EVARISTO SAN JUAN, NIEVES
SAN JUAN LUSTRE AND MATILDE SAN JUAN QUILONIO,
RESPONDENTS.**

D E C I S I O N

JARDELEZA, J.:

In this case, we reiterate the prohibition on the transfer of lands under Presidential Decree No. 27^[1] (PD 27) except transfer to the Government or by hereditary succession.

The Facts

Francisca C. San Juan (Francisca), was a tenant to a parcel of land consisting of six thousand (6,000) square meters owned by petitioners, and located at Balatas, Naga City, Camarines Sur (Balatas property). The portion was covered by Certificate of Land Transfer (CLT) No. 843 (159301) issued on October 18, 1973.^[2]

On January 28, 1981, Dr. Manuel Abella (Dr. Abella) and Francisca entered into an Agreement^[3] whereby the Balatas property will be exchanged with a 6,000-square meter agricultural lot situated at San Rafael, Cararayan, Naga City (Cararayan property). The parties agreed that in addition to the Cararayan property, Francisca shall receive from Dr. Abella the amount of P5,250.00 as disturbance compensation and a 120-square meter home lot situated at Balatas, Naga City.^[4]

Dr. Abella complied with all the stipulations in the Agreement. The Department of Agrarian Reform (DAR) thru Salvador Pejo, CESO II, Ministry of Agrarian Reform (MAR) Regional Director^[5] and later DAR Regional Director Pablo S. Sayson also approved the Agreement.^[6]

Subsequently, the Cararayan property was declared in the name of Francisca, under Tax Declaration (TD) No. 01-006-0169.^[7] On the other hand, the home lot at Balatas, Naga City, was later sold for P7,200.00 to Felimon Delfino, Jr. (Delfino), on February 26, 1988.^[8] However, CLT No. 843 (159301) was not cancelled.

Sometime in 1983, Benigna San Juan Vasquez (Benigna), daughter of Francisca, sought permission from, and was allowed by Mercedes N. Abella (Mrs. Abella), wife of Dr. Abella, to construct a small house on the Balatas property. Thus, on different occasions, Benigna and her children constructed their residential houses on the

property.^[9] Later, when Mrs. Abella requested Benigna and her children to vacate the property, they refused, claiming ownership. This prompted Mrs. Abella to file an action for unlawful detainer before the Municipal Trial Court (MTC) of Naga City.^[10]

On November 26, 2004, the MTC ruled in favor of the heirs of Dr. Abella in the unlawful detainer case.^[11] The MTC issued a writ of execution^[12] and writ of demolition^[13] against Benigna and her sons.

On March 15, 2005, Benigna, for herself and in behalf of the other heirs of Francisca namely: Gliceria San Juan-Capistrano, Evaristo C. San Juan, Benigna San Juan Vasquez, Eduvejes San Juan-Martines, Nieves San Juan-Lustre, Maria San Juan-Banavides and Matilde San Juan-Quilonio (respondents), filed a Complaint with the Regional Trial Court, Branch 23, Naga City (RTC) for quieting of title and declaration of ownership and possession of real property with prayer for a temporary restraining order, preliminary injunction and damages against Mrs. Abella, Theresa A. Ballesteros and Marianito N. Abella (petitioners).^[14] The Complaint prayed for a decision declaring respondents as absolute and lawful owners of the Balatas property and holding petitioners jointly and severally liable for moral and exemplary damages, attorney's fees and appearance fee, litigation expenses and costs of suit.^[15] The RTC subsequently granted the application for a temporary restraining order.^[16]

Petitioners alleged that Dr. Abella and Francisca executed the Agreement for the exchange of lots because the Balatas property was reclassified as a high density commercial, residential and urban area and hence no longer suitable for agriculture.^[17] Since the Balatas property was exchanged with the Cararayan property on January 28, 1981, Francisca ceased to be its owner long before she died on November 19, 1996. Thus, respondents could not have inherited the Balatas property.^[18]

Respondents countered that the reclassification by the City Government of Naga did not convert the use of the land from agricultural to residential or commercial. The authority to convert the land use of a property is vested by law in the DAR.^[19] They further argued that the Agreement is null and void as it contravened the prohibition on transfer under PD 27. Thus, the approval by the DAR was of no moment.^[20]

RTC Ruling

The RTC rendered a Decision on April 12, 2005^[21] dismissing the complaint for lack of merit. It ruled that with the execution of the Agreement between Dr. Abella and Francisca, the latter's legal or equitable title to, or interest on the Balatas property, ceased to exist. Under the exchange, Francisca gave up her interest in the Balatas property in favor of an interest in the Cararayan property. Respondents as heirs of Francisca, in turn, acquired this interest on the Cararayan property.^[22]

The RTC further ruled that the Agreement did not affect the right or interest of Francisca as a tenant. The right was eventually enjoyed by one of her daughters, respondent Maria San Juan-Banavides, who is the present possessor and cultivator of the Cararayan property. The RTC held that although there was no showing that

the title to the Balatas property was cancelled or encumbered, most probably due to oversight, the execution of the Agreement, duly approved by the DAR, operates to cancel the certificate of land transfer.^[23]

The respondents appealed to the Court of Appeals (CA), contending that under PD 27, title to the Balatas property could not have been acquired by the petitioners since its transfer is limited only to the government or the grantee's heirs by way of succession. Thus, the Agreement is an invalid instrument which casts a cloud on respondents' title.^[24]

CA Decision

On October 16, 2007, the CA reversed the RTC Decision and ruled that the Agreement was void, for being violative of (1) PD 27 which provides that title to the land acquired pursuant to the Decree of Land Reform Program of the Government shall not be transferable, except by hereditary succession or to the Government, in accordance with its provisions, the Code of Agrarian Reform and other existing laws and regulations;^[25] and (2) Memorandum Circular No. 7, series of 1979 issued by the MAR, which declares as null and void the transfer by the beneficiaries under PD 27 of the ownership, rights and/or possession of their farms/home lots to other persons.^[26] The CA also cited *Toralba v. Mercado*,^[27] where this Court ruled that the rights and interests covered by certificates of land transfer are beyond the commerce of man.^[28]

The CA further ruled that the DAR approval cannot clothe the void Agreement with validity.^[29] In addition, the CA noted that the classification of the Balatas property from agricultural to high density commercial, residential and urban area was done after the Agreement was executed, contrary to petitioners' claim.^[30] The dispositive portion of the CA decision reads:

WHEREFORE, the assailed decision dated April 12, 2005 of the RTC, Branch 23, Naga City, in Civil Case No. RTC'2005-0033, is **REVERSED** and **SET ASIDE**. A new judgment is entered, declaring plaintiffs-appellants the owners of the subject property covered by CLT No. 843 and quieting their title thereto.

SO ORDERED.^[31] (Emphasis in the original.)

Petitioners filed a Motion for Reconsideration which was denied by the CA in a Resolution dated April 14, 2008.^[32]

The Petition

Petitioners assail the CA Decision and Resolution on the following grounds:

First, the Agreement, being a mere relocation agreement, did not violate nor contravene the true spirit of PD 27 and other agrarian reform laws, rules and regulations.^[33]

Second, the DAR/MAR are agencies tasked to implement PD 27 and other agrarian laws, rules and regulations relative to the disputed land, thus their approval of the Agreement must be accorded great weight by the CA.^[34]

Third, *Toralba v. Mercado* is not applicable because Francisca did not surrender the Balatas property to her former landowner, Dr. Abella, as contemplated under PD 27. Instead, she received in return the Cararayan property.^[35]

Fourth, PD 27 does not automatically vest ownership of a piece of land to a tenant-farmer beneficiary, contrary to the findings of the CA. Pending compliance with certain conditions set forth by PD 27, a qualified farmer cannot claim the right of absolute ownership over the land because he is considered as a mere prospective owner. Francisca defaulted in the payment of the annual amortizations for more than two years, thus, her status as deemed owner of the landholding covered by CLT No. 843 (159301) had ceased to exist. This holds true even if the cancellation of the CLT was not annotated on the certificate of land transfer and the CLT was not cancelled from the registry book of the Registry of Deeds.^[36]

Fifth, petitioners maintain that the respondents are estopped from questioning the Agreement. Benigna knew of the Agreement and yet, she neither complained nor moved to have it cancelled. When Benigna sought permission from Mrs. Abella that she be allowed to stay in the property, she recognized Mrs. Abella and the children as its owners. Benigna even benefited from the benevolence of the petitioners when upon her request, she and her family were allowed to construct their houses on the property without paying any rentals.^[37]

Sixth, the decision of the CA would unjustly enrich respondents at the expense of the petitioners. Francisca, the predecessor-in-interest of the respondents had already received, and enjoyed the following properties: (a) 0.600 hectare or 6,000-square meter Cararayan property; (b) disturbance compensation of P5,250.00; and (c) the 120-square meter Balatas home lot, all of which were given by Dr. Abella in exchange for the Balatas property.

And yet, by virtue of the CA decision, the respondents would still be entitled to recover the Balatas property.^[38]

Our Ruling

I. The Agreement is void for con/ravening PD 27.

The resolution of this Petition hinges on the determination of whether the Agreement between Dr. Abella and Francisca is void for violating PD 27.

We affirm the CA ruling.

PD 27 provides for only two exceptions to the prohibition on transfer, namely, (1) transfer by hereditary succession and (2) transfer to the Government.^[39]

Torres v. Ventura^[40] explained the provision, thus:

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The law is clear and leaves no room for doubt. Upon the promulgation of Presidential Decree No. 27 on October 21, 1972, petitioner was DEEMED OWNER of the land in question. As of that date, he was declared emancipated from the bondage of the soil. As such, he gained the rights to possess, cultivate, and enjoy the landholding for himself. Those rights over that particular property were granted by the government to him and to no other. **To insure his continued possession and enjoyment of the property, he could not, under the law, make any valid form of transfer except to the government or by hereditary succession, to his successors.**

Yet, it is a fact that despite the prohibition, many farmer-beneficiaries like petitioner herein were tempted to make use of their land to acquire much needed money. Hence, the then Ministry of Agrarian Reform issued the following Memorandum Circular:

"Despite the above prohibition, however, there are reports that many farmer-beneficiaries of PD 27 have transferred the ownership, rights, and/or possession of their farms/homelots to other persons or have surrendered the same to their former landowners. All these transactions/surrenders are violative of PD 27 and therefore, null and void."^[41] (Citations omitted, emphasis supplied.)

This interpretation is reiterated in *Estate of the Late Encarnacion Vda. de Panlilio v. Dizon*,^[42] where we ruled:

Thus, PD 27 is clear that after full payment and title to the land is acquired, the land shall not be transferred except to the heirs of the beneficiary or the Government. If the amortizations for the land have not yet been paid, then there can be no transfer to anybody since the lot is still owned by the Government. The prohibition against transfers to persons other than the heirs of other qualified beneficiaries stems from the policy of the Government to develop generations of farmers to attain its avowed goal to have an adequate and sustained agricultural production. With certitude, such objective will not see the light of day if lands covered by agrarian reform can easily be converted for non-agricultural purposes.

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Anent the contravention of the prohibition under PD 27, we ruled in *Siacor v. Giganktna* and more recently in *[Calixvug-Carmona] v. Court of*