

## SECOND DIVISION

[ G.R. No. 203610, October 10, 2016 ]

**REPUBLIC OF THE PHILIPPINES AND HOUSING AND URBAN DEVELOPMENT COORDINATING COUNCIL (HUDCC), PETITIONERS, VS. GONZALO ROQUE, JR., MANUELA ALMEDA ROQUE, EDUVIGIS A. PAREDES, MICHAEL A. PAREDES, PURIFICACION ALMEDA, JOSE A. ALMEDA, MICHELLE A. ALMEDA, MICHAEL A. ALMEDA, ALBERTO DELURA, AND THERESA ALMEDA, RESPONDENTS.**

### DECISION

**BRION, J.:**

We resolve the petition for review on *certiorari*<sup>[1]</sup> filed by the Republic of the Philippines (*Republic*) assailing the July 4, 2012 decision<sup>[2]</sup> and the September 26, 2012 resolution<sup>[3]</sup> of the Court of Appeals (*CA*) in CA G.R. CV No. 93018. The *CA* affirmed the Regional Trial Court's (*RTC*) decision annulling the sale of the respondents' properties to the Republic, and ordering the respondents to return the purchase price they received from the government.

### ANTECEDENT FACTS

Gonzalo Roque, Jr. (*Gonzalo*), Manuela Almeda-Roque, Eduvigis A. Paredes, Michael A. Paredes, Purification Almeda, Jose A. Almeda, Michelle A. Almeda, Michael A. Almeda, Alberto Delura, and Theresa Almeda (*respondents*), owned several parcels of land with a total area of about 9,811 square meters,<sup>[4]</sup> located in Constitution Hills, Quezon City.<sup>[5]</sup> Gonzalo represented the respondents in the court proceedings.

In 1978, the Republic, through the Department of Public Works and Highways (*DPWH*), approached the respondents and asked them to sell a portion of the land at government-dictated prices lower than the market value.<sup>[6]</sup> The Republic was supposed to use the land for President Marcos' National Government Center (*NGC*) Project — his plan to bring together the various national government offices in one venue for greater efficiency and to create additional areas for the expanding needs of the central government and the people.<sup>[7]</sup>

The respondents allege that several public hearings regarding the sale took place between the Republic and the respondents;<sup>[8]</sup> and that during these meetings, the Republic made the following representations:

First, the Republic guaranteed that although the respondents would get paid a price much lower than the market value of the land, the construction of the *NGC* Project would eventually enhance the value of the surrounding portions of the land that they still own.<sup>[9]</sup>

Second, the Republic assured the respondents that, in the remote possibility that it abandons the project, they will have the right to buy back the land.<sup>[10]</sup>

The respondents further allege that they were reluctant to sell the land, but felt compelled to do so because martial law was in force, and they dared not resist a project of President Marcos.<sup>[11]</sup> Thus, relying on the Republic's representations, the respondents signed the deeds of absolute sale.

The Register of Deeds cancelled the three certificates of title (TCT) and issued six new titles.<sup>[12]</sup> Three of these new titles were issued in the Republic's name: (a) TCT No. RT-115781 (283214); (b) TCT No. RT-34249 (283216); and (c) TCT No. RT-115907 (283212).<sup>[13]</sup>

The Republic did not immediately take possession of all of the land it had bought from the respondents;<sup>[14]</sup> thus, the respondents continued to occupy portions of the sold properties.<sup>[15]</sup>

After several years, informal settlers began to occupy parts of the land, and the respondents felt that the Republic was renegeing on its undertaking to develop the land into the NGC Project.<sup>[16]</sup> Hence, Gonzalo sent letters dated March 25, 1987, and September 23, 1988, to then DPWH Secretary Vicente R. Jayme (*Jayme*) offering to buy back the properties.<sup>[17]</sup> Gonzalo received no response.

The respondents' suspicion was confirmed in December 2003. Armando A. De Castro (*De Castro*), then undersecretary of the Housing and Urban Development Coordinating Council (*HUDCC*), wrote a letter to the respondents, requesting them to vacate all portions of the sold land that they were still occupying, because the government would use the properties for socialized housing pursuant to Republic Act (*R.A.*) No. 9207.<sup>[18]</sup>

On August 23, 2004, Gonzalo wrote another letter to then HUDCC Secretary Michael Defensor, offering to buy back the properties.<sup>[19]</sup> He argued that the respondents have the right to repurchase the properties after the Republic abandoned the NGC Project and diverted the use of the properties to socialized housing.<sup>[20]</sup>

Secretary Defensor allegedly found the respondents' position reasonable and requested a feedback on the possibility of a repurchase.<sup>[21]</sup> However, the secretary was transferred to another department and was unable to further address the situation.<sup>[22]</sup> Despite persistent follow-ups, the respondents failed to receive any action from the Republic on this matter.<sup>[23]</sup>

Realizing that the Republic had completely abandoned its initial plan to use the land for the NGC Project, in 2005, the respondents filed a **complaint for the annulment of the sale** of the properties on the grounds of fraud, force, intimidation, or undue influence.<sup>[24]</sup> They also asserted their right to buy back the properties at the same price at which they sold them since the Republic failed to develop the land according to the original purpose for which it was "expropriated."<sup>[25]</sup> Alternatively, they asked for the payment of additional compensation in the amount of not less than Five

Million Pesos.<sup>[26]</sup>

In their answer,<sup>[27]</sup> the Republic and the HUDCC (*defendants*) argue that: (1) they are immune from suit as government instrumentalities; (2) they agreed to neither the respondents' right to repurchase the properties in case the government abandons the NGC Project nor a right to additional compensation in case the respondents' remaining properties suffer a decrease in market value; (3) the respondents were not forced, intimidated, or unduly influenced to sell their properties to the government; and (4) even assuming that any vice of consent attended the sale, the respondents' action for the annulment of sale is barred by prescription<sup>[28]</sup> and laches.

During trial, Dante Viloría (*Viloría*) testified on the negotiations that took place. Viloría was the Assistant City Assessor of Quezon City and was part of the government's negotiating team for the NGC Project. He testified that: (a) the negotiated price was lower than the base amounts in Presidential Decree No. 1517;<sup>[29]</sup> (b) the government did not file any court action to expropriate the properties; (c) it did not take possession of the properties; and (d) it undertook to resell the properties to the respondents at the same price if the project would not push through.<sup>[30]</sup> Gonzalo's testimony corroborated Viloría's testimony.

Several presidential proclamations were issued pertaining to the NGC Project from 1979-1998.<sup>[31]</sup> In 2003, Congress passed RA 9207, amending the proclamations. Under Section 3 of RA 9207, 184 hectares on the west side and 238 hectares on the east side were excluded from the original 444-hectare NGC reservation.<sup>[32]</sup>

### **THE RTC RULING**

The RTC decided in the respondents' favor. It held that: (1) the Republic is not immune from suit; (2) the respondents' action is not barred by either prescription or laches; and (3) the sale should be annulled.

*First*, the RTC held that the Republic is not immune from suit. Citing Section 9, Article III of the Constitution,<sup>[33]</sup> the Republic cannot invoke government immunity since the nature of the case is either to obtain just compensation or to retrieve the properties.

*Second*, the respondents' action is not barred by either prescription or laches.

It noted Roque's letters to DPWH Secretary Jayme dated March 25, 1987 and September 23, 1988. In the March letter, Gonzalo brought up the agreement he had with the Republic that he has pre-emptive right to buy back his property from the government should the project not push through. In the September letter, Gonzalo told the DPWH Secretary that he prevented the informal settlers from building structures within his former property and reiterated his pre-emptive right to buy back the property. The RTC took these letters as clear indications of the respondents' vigilance in invoking their right; thus, their action is not barred by laches.

The RTC added that the respondents found out about the Republic's plan to divert

the use of the properties to low-cost housing only on May 14, 2003, when RA 9207 was enacted. Thus, the filing of the complaint in 2005 was within the four-year prescriptive period reckoned from the enactment of RA 9207.

*Third*, the RTC annulled the deeds of absolute sale on the ground of fraud. It gave credence to Vitoria and Gonzalo's testimonies about the matters discussed during negotiations. Based on these testimonies, the RTC emphasized that the respondents signed the deeds of absolute sale relying on the government's assurances that they could retrieve the properties should the NGC Project not materialize.

*Fourth*, the RTC declared that the respondents are not entitled to damages and attorney's fees because the Republic was not in bad faith in resisting the complaint. The RTC added that the Republic is not entitled to its counterclaims because RA 9207 recognizes the validity of vested rights and precedence of proclamations.

Aggrieved, the Republic filed an appeal with the CA.

### **THE CA RULING**

The CA **affirmed** the RTC's decision.<sup>[34]</sup> It held that: (1) the Republic is not immune from suit; (2) the sale was conditioned upon the materialization of the NGC Project; and (3) the respondents' action is not barred by prescription or laches.

*First*, the CA ruled that the doctrine of sovereign immunity must be read with Section 9, Article III of the Constitution, which provides that "private property shall not be taken for public use without just compensation." This provision imposes two requirements: public purpose and payment of just compensation.

In the present case, the Republic "extrajudicially expropriated" the respondents' properties for a public purpose, *i.e.*, *the construction of the NGC Project*. However, the Republic failed to pay just compensation to the respondents. To recall, it expropriated the land at an amount far below the actual market value. Despite the low price, the respondents sold their properties relying on the Republic's promise that they would be amply compensated by the appreciation of their remaining properties' values.

Not only did the NGC Project not materialize but the values of their remaining properties depreciated due to the illegal settlers in their vicinity. Thus, the respondents were deprived of just compensation to which they are entitled.

Consequently, the Republic may not validly invoke the non-suability of the State and conveniently hide under the State's cloak of invincibility against suit. The ends of justice would be subverted if the court were to uphold the State's immunity from suit in this case.

*Second*, the CA held that the parties entered into a conditional sale with a right to repurchase the properties from the Republic. The sale was subject to these conditions: (a) the landowners may repurchase the properties at selling price should the NGC Project not materialize; and (b) the construction of the NGC Project will increase the land value of the landowners' remaining properties.

The Republic invoked the parol evidence rule in arguing that the sale had no conditions. In response, the CA noted that the parol evidence rule admits of exceptions, such as the failure of the written agreement to express the parties' true intent.<sup>[35]</sup> This exception applies in the present case.

The testimony of Viloría established that the sale contracts failed to express the parties' true intent and agreement. He explained that the Republic assured the respondents that it would reconvey the properties to them should the NGC Project not push through.

The CA added that the enactment of R.A. No. 9207 had no effect on the respondents' right to repurchase their land, because the law recognizes the precedence and validity of vested rights. Given that the Republic no longer pushed through with the NGC Project, it should have allowed the respondents to exercise their right to buy back the land.

*Third*, the CA ruled that the respondents' action is not barred by prescription and/or laches. As the RTC held, the respondents filed their complaint within the prescribed period and were prompt and vigilant in protecting their rights.

Hence, the Republic filed this petition.

### **THE PARTIES' ARGUMENTS**

In its petition, the Republic argues that: (a) the lower courts erred in annulling the sale on the ground of fraud; (b) the respondents have no right to reacquire the properties sold to the Republic; (c) the respondents' action is barred by laches and/or prescription; and (d) the State has not given its consent to be sued.

The Republic submits that the government did not use insidious words or machinations constitutive of fraud in transacting with the respondents. The government did not lie when it told the respondents that it intended to establish the NGC Project in the area, and its failure to realize the project cannot be considered a fraudulent act.<sup>[36]</sup>

Furthermore, the respondents' failure to realize their expected gain from the "economic boom" is not a ground to annul the sale. They voluntarily agreed to the sale, albeit reluctantly. They should not be allowed to obtain judicial relief just because they believe they got the short end of the bargain. Moreover, any deficiency in the purchase price has been more than adequately compensated by the respondents' uninterrupted use of a portion of the government's property for over thirty (30) years.<sup>[37]</sup>

The Republic points out that the respondents failed to present any document to prove that there were conditions imposed on the sale.<sup>[38]</sup> Furthermore, the enactment of R.A. No. 9207 has determined the public use of the land.<sup>[39]</sup>

Even assuming that vices of consent attended the sale in 1978 and persisted during the Marcos regime, the Republic argues that the respondents should have filed the action to annul within four (4) years from February 24, 1986.<sup>[40]</sup> The respondents, however, only filed their complaint in January 2005, or clearly beyond the