511 Phil. 641

FIRST DIVISION

[G.R. No. 145568, November 17, 2005]

HEIRS OF ENRIQUE TAN, SR., NAMELY, NORMA TAN, JEANETTE TAN, JULIETA TAN, ROMMEL TAN, AND ENRIQUE TAN, JR., ALL REPRESENTED BY ROMMEL TAN, PETITIONERS, VS. PROMULGATED: REYNALDA POLLESCAS, RESPONDENT.

D E C I S I O N

CARPIO, J.:

The Case

Before the Court is a petition for review[1] of the Decision[2] of the Court of Appeals promulgated on 31 August 2000 in CA-G.R. SP No. 48823. The Court of Appeals affirmed the decision of the Department of Agrarian Reform Adjudication Board ordering petitioners to respect respondent's possession and cultivation of the land.

The Antecedents

Petitioners Norma Tan, Jeanette Tan, Julieta Tan, Rommel[3] Tan and Enrique Tan, Jr. ("Tan Heirs") are co-owners of a coconut farmland ("Land") located at Labo, Ozamis City with an area of 25,780 square meters.[4]

Esteban Pollescas ("Esteban") was the original tenant of the Land. Upon Esteban's death in 1991, his son Enrique Pollescas ("Enrique") succeeded him and was appointed as tenant by the landowner Enrique Tan ("Tan").[5]

However, respondent Reynalda Pollescas ("Reynalda"), Esteban's surviving second spouse, demanded that Tan recognize her as Esteban's successor. Tan did not accede. Thus, Reynalda filed with the Department of Agrarian Reform Adjudication Board of Ozamis City ("DARAB-Ozamis") a complaint for Annulment of Compromise Agreement, Quieting of Tenancy Relationship and damages.[6]

In its Decision dated 28 April 1993, the DARAB-Ozamis declared Reynalda as the lawful tenant of the Land. The DARAB-Ozamis apportioned the harvests between the Tan Heirs and Reynalda based on the customary sharing system which is 2/3 to the landowner and 1/3 to the tenant.[7]

On the following harvest dates, 11 and 19 of June, 9 September, 6 and 13 of December 1993, Reynalda failed to deliver to the Tan Heirs 2/3 of the harvests amounting to P3,656.70. The Tan Heirs demanded Reynalda to pay such amount.[8] However, Reynalda ignored the demand.

Consequently, the Tan Heirs filed a complaint for *estafa* against Reynalda with the

Municipal Trial Court in Cities, Ozamis City, Branch 2.[9] The trial court found Reynalda guilty of *estafa*[10] and sentenced her to five months of *arresto mayor* maximum to two years of *prision correccional* minimum and ordered her to pay the Tan Heirs P3,656.70, the amount which she misappropriated.[11]

Subsequently, for Reynalda's continued failure to deliver their share, the Tan Heirs filed with the DARAB, Misamis Occidental ("DARAB-Misamis Occidental") an ejectment case.[12]

On 18 September 1996, the DARAB-Misamis Occidental[13] ruled in favor of the Tan Heirs. The DARAB-Misamis Occidental disposed of the case in this wise:

> WHEREFORE, premises considered, decision is hereby rendered terminating the tenancy relationship of herein parties.
>
> Consequently, respondent Reynalda Pollescas is ordered to vacate the subject landholding and turn-over its possession and cultivation to the plaintiffs.
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> The MARO of Ozamis City is likewise ordered to investigate and verify in the subject landholding if there are actual farmer-cultivators in the area who may qualify as lessees thereof, who then should be placed under leasehold pursuant to the mandate of Section 12, R.A. 6657.
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> SO ORDERED.[14]

Aggrieved by the decision, Reynalda appealed to the DARAB, Diliman, Quezon City ("DARAB"). The DARAB reversed the decision of the DARAB-Misamis Occidental, to wit:

> WHEREFORE, premises considered, the appealed decision dated 18 September 1996 is hereby REVERSED and SET ASIDE and a new one is rendered ordering the landowners to respect the peaceful possession and cultivation of the subject landholding.
>
> Respondent-Appellant is hereby ordered to pay her unpaid leasehold rentals.
>
> SO ORDERED.[15]

The Tan Heirs appealed the decision of the DARAB to the Court of Appeals. The Court of Appeals affirmed the decision of the DARAB ordering the Tan Heirs to respect Reynalda's possession and cultivation of the Land.

Hence, this petition.

The Ruling of the Court of Appeals

In affirming the decision of the DARAB, the Court of Appeals cited ***Roxas y Cia v. Cabatuando, et al***.[16] where this Court held that "x x x mere failure of a tenant to pay the landholder's share does not necessarily give the latter the right to eject the

former when there is lack of deliberate intent on the part of the tenant to pay x x x."

The Court of Appeals held that Reynalda's failure to deliver the full amount of the Tan Heirs' share could not be considered as a willful and deliberate intent to deprive the Tan Heirs of their share. The Court of Appeals held that Reynalda honestly believed that she was entitled to a share of the harvests in 1992-1993 while the case for Annulment of Compromise Agreement was pending before the DARAB-Ozamis. Reynalda also believed that she could effect a set-off for her 1992-1993 share from the 1994 share of the Tan Heirs.

The Court of Appeals further declared that the rental must be legal to consider non-payment of such as a ground for ejectment. The appellate court stated that:

> x x x for a tenant's failure to pay rental to come within the intendment of the law as a ground for ejectment, it is imperative that the rental must be legal. What the law contemplates is the deliberate failure of the tenant to pay the legal rental, not the failure to pay an illegal rental. A stipulation in a leasehold contract requiring a lessee to pay an amount in excess of the amount allowed by law is considered contrary to law, morals or public policy. Such contract is null and void as to the excess.
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> It is noteworthy that Section 34 of RA 3844 provides that the consideration for the lease of riceland and lands devoted to other crops shall not be more than the equivalent of twenty-five per centum of the average normal harvest. The tenant is obliged to pay a maximum of 25% of the normal harvest and not two thirds as in the case at bar. Thus, even admitting that a set-off was effected in favor of respondent for her 1992-1993 share, yet enough is left to cover the 25% share of the petitioners for the 1994 crop.[17]

Citing Section 8 of Republic Act No. 3844 ("RA 3844"), the Court of Appeals also held "[t]here is nothing in the law that makes failure to deliver share a ground for extinguishment of leasehold agreement."[18] Reynalda's failure to deliver fully the share of the Tan Heirs is not sufficient to disturb the agricultural leasehold relation.[19]

The Issues

In their Memorandum, the Tan Heirs raise the following issues:

> I
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> WHETHER THERE IS NO EXCEPTION TO THE GROUNDS FOR EXTINGUISHMENT OF LEASEHOLD RELATION UNDER SECTION 8 OF RA 3844.
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> II
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> WHETHER THE COURT OF APPEALS CORRECTLY RULED THAT REYNALDA IS OBLIGED TO PAY ONLY 1/4 OR 25% OF THE NORMAL HARVEST AND NOT 2/3 WHEN THE SUBJECT LAND WAS NOT YET PLACED UNDER THE LEASEHOLD SYSTEM PURSUANT TO SECTION 12 OF RA 6657.[20]

The Ruling of the Court

The petition lacks merit.

At the outset, the Court declares that RA 6657 is the governing statute in this case.

On 8 August 1963, RA 3844 or the Agricultural Land Reform Code[21] abolished and outlawed share tenancy and put in its stead the agricultural leasehold system.[22] On 10 September 1971, Republic Act No. 6389 ("RA 6389") amending RA 3844 ("RA 3844 as amended") declared share tenancy relationships as contrary to public policy.[23] RA 6389 did not entirely repeal Republic Act No. 1199[24] and RA 3844 even if RA 6389 substantially modified them.[25] Subsequently, Republic Act No. 6657 or the Comprehensive Agrarian Reform Law of 1988 ("RA 6657") took effect on 15 June 1988. RA 6657 only expressly repealed Section 35 of RA 3844 as amended.[26] Thus, RA 6657 is the prevailing law in this case. The harvests in dispute are for the years 1992-1993 or after the effectivity of RA 6657.

No ground for dispossession of landholding

Section 7 of RA 3844 as amended provides that once there is a leasehold relationship, as in the present case, the landowner cannot eject the agricultural tenant from the land unless authorized by the court for causes provided by law.[27] RA 3844 as amended expressly recognizes and protects an agricultural leasehold tenant's right to security of tenure.[28]

Section 36 of RA 3844 as amended enumerates the grounds for dispossession of the tenant's landholding, to wit:

> SEC. 36. *Possession of Landholding; Exceptions.*—Notwithstanding any agreement as to the period or future surrender of the land, an agricultural lessee shall continue in the enjoyment and possession of his landholding except when his dispossession has been authorized by the Court in a judgment that is final and executory if after due hearing it is shown that:
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> (1) The landholding is declared by the department head upon recommendation of the National Planning Commission to be suited for residential, commercial, industrial or some other urban purposes: *Provided,* That the agricultural lessee shall be entitled to disturbance compensation equivalent to five times the average of the gross harvests on his landholding during the last five preceding calendar years;
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> (2) The agricultural lessee failed to substantially comply with any of the terms and conditions of the contract or any of the provisions of this Code unless his failure is caused by fortuitous event or *force majeure;*
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> (3) The agricultural lessee planted crops or used the landholding for a purpose other than what had been previously agreed upon;
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> (4) The agricultural lessee failed to adopt proven farm practices as determined under paragraph 3 of Section twenty-nine;