

THIRD DIVISION

[G.R. NO. 147081, December 09, 2005]

PLANTERS DEVELOPMENT BANK, PETITIONER, VS. FRANCISCO GARCIA, RESPONDENT.

DECISION

CORONA, J.:

This is a petition for review on certiorari under Rule 45 of the Rules of Court, assailing the decision of the Court of Appeals (CA) in CA-G.R. SP No. 51801^[1] dated November 20, 2000 which dismissed the petition of Planters Development Bank (PDB) and affirmed *in toto* the decision of the Department of Agrarian Reform Adjudication Board Appeal Board (DARAB Appeal Board) dated February 23, 1999, ^[2] as well as the CA's resolution dated February 15, 2001 which denied petitioner's motion for reconsideration.

This case involves a parcel of land located in Sto. Cristo, San Antonio, Nueva Ecija with an area of 35,916 square meters. Respondent alleged that he had been an agricultural lessee on said parcel of land since 1936. This land was covered by Transfer Certificate of Title (TCT) No. T-1847, with the spouses Jose Cruz and Braulia Ortiz as the registered owners.

On November 16, 1976, the spouses sold the land to their grandson, Lorenzo Bautista. TCT No. NT-147561 was then issued in his name. Bautista mortgaged the land in favor of PDB to secure a loan on March 2, 1977. For failure to pay the loan, PDB foreclosed on the mortgage and bought the property in a public auction.^[3] The certificate of sale and the affidavit of consolidation of ownership were registered on July 11, 1979 and September 25, 1984 respectively.^[4] On the latter date, PDB was also issued TCT No. NT-185020. Thereafter, PDB sold the land to spouses Marciano Ramirez and Erlinda Camacho on July 30, 1986.^[5]

Respondent Francisco Garcia (Garcia) filed a petition for redemption before the DARAB-Region III in Cabanatuan City on January 17, 1994.^[6] The petition was originally against PDB only but in Garcia's amended petition, he impleaded the spouses Marciano Ramirez and Erlinda Camacho as additional respondents. He alleged that as an agricultural lessee, he was a holder of Certificate of Land Transfer (CLT) No. 0-089665 issued on May 26, 1982. He prayed that he be allowed to redeem the land.

The Provincial Adjudicator of DARAB-Cabanatuan City dismissed the petition. On appeal, however, the decision was reversed and set aside by the DARAB Appeal Board in Quezon City:

WHEREFORE, premises considered, the assailed Decision dated February 28, 1995 is hereby REVERSED and SET ASIDE and a new one entered as follows:

1. Affirming the coverage of the land in question under Operation Land Transfer pursuant to P.D. No. 27;

Declaring the sale and transfer of the subject property under OLT coverage to respondent-appellee Bank as null and void *ab initio* for lack of legal and factual basis;

2. Directing the respondent-appellee Bank to turn-over the questioned landholding to petitioner-appellant;
3. Directing the MARO of San Antonio, Nueva Ecija to facilitate the generation of the necessary Emancipation Patent (E.P.) pursuant to the pertinent laws and guidelines.^[7]

PDB elevated the case to the CA which affirmed *in toto* the decision of the DARAB Appeal Board. Hence this petition.

The main issues before us are as follows:

- 1) whether or not Garcia was an agricultural lessee of the predecessors of PDB under Presidential Decree No. 27 (PD 27);
- 2) whether or not the transfer of the subject land to PDB was valid and
- 3) whether Garcia can redeem the land under Section 12 of Republic Act No. 3844 (RA 3844), as amended by RA 6389.

The land subject of this case is covered by Operation Land Transfer (OLT) pursuant to PD 27^[8] which laid down a system for the purchase by small farmers of the lands they tilled. Landowners of agricultural lands which were devoted primarily to rice and corn and exceeded the minimum retention area were compelled to sell their lands to qualified farmers at liberal terms and conditions through the intercession of the government. A qualified tenant farmer was then issued a CLT.^[9]

On the first issue, PDB insists that the existence of a tenancy relationship between Garcia and Braulia Ortiz Cruz was never raised as an issue by Garcia because the latter only dwelt on his right of redemption.^[10] However, in resolving the issue of the right of redemption, the question of tenancy must first be resolved. The existence or non-existence of a tenancy relationship was a question of fact resolved by the DARAB-Cabanatuan City against Garcia but decided in his favor by the DARAB Appeal Board and the CA. The CA held that:

On the outset, it should be borne in mind that whether the respondent was indeed a tenant or laborer is a question of fact. In this regard, **jurisprudence has provided the following requisites for tenancy relationship: (1) the parties are the landowner and the tenant; (2) the subject is agricultural land; (3) there is consent; (4) the purpose is agricultural production; (5) there is personal cultivation; and (6) there is sharing of harvests.** All these must

concur to establish the juridical relationship of tenancy.

There is no better and eloquent proof of the existence of the tenancy relationship between the respondent and Braulia Ortiz than the issuance in the former's favor of CLT No. 0-089665 over the subject parcel of land. Obviously, the afore-enumerated requisites have been met; otherwise, the said CLT could not have been issued.^[11] (Emphasis supplied)

The decision of the DARAB Appeal Board, as affirmed *in toto* by the CA, in turn had these findings of fact:

As gleaned from the records of the case, there is no denying the fact that petitioner-appellant has farmed and cultivated the land in question since 1936 with the permission of Braulia Ortiz Cruz who was the registered owner of the questioned property xxx

Sometime in December 1974, however, then landowner Braulia Ortiz Cruz entered into a written leasehold contract entitled "Kasunduan sa Buwisan sa Sakahan" (*sic*) (Annex C) evidencing petitioner's status as "de jure" tenant/agricultural lessee of the land in question.

With the promulgation of Presidential Decree No. 27 decreeing the emancipation of the tenant-farmer from the bondage of the soil, petitioner-appellant was identified by the DAR Office concerned as a qualified farmer-beneficiary under the Operation Land Transfer (OLT) program of the government, such that the latter was a recipient of Certificate of Land Transfer No. 0-089665 dated May 26, 1982 covering the subject property.^[12]

PDB, however, argues that there was nothing to show that the property covered by the CLT was the same property subject of this case. The CA merely assumed that these were the same.^[13]

It is true that CLT No. 0-089665^[14] issued in the name of Garcia merely mentions that it pertained to Lot No. 00147 located in Sto. Cristo, San Antonio, Nueva Ecija. However, a document entitled *Kasunduan sa Buwis ng Sakahan* was executed by Braulia Ortiz Cruz and Francisco Garcia pertaining to Lot No. 487-A, the same lot covered by TCT No. T-1874 registered in the name of Braulia Ortiz and Jose R. Cruz which was transferred to Lorenzo Bautista and then to PDB. This document evidenced the leasehold tenancy relationship between Garcia and Ortiz Cruz,^[15] and carried the essential requisites of such relationship:

1. Ortiz Cruz was the landowner and Garcia was the tenant;
2. the subject land was agricultural;
3. the parties consented to this agreement;
4. Garcia was obligated to cultivate the same by planting rice thereon;
5. the purpose was agricultural production and

6. there was sharing of harvests between the parties.^[16]

In addition to the *Kasunduan*, there was also a certification from the Ministry of Agrarian Reform-Region III^[17] certifying that Garcia was the recipient of CLT No. 0-089665 and specifying Braulia Ortiz as landowner. Lastly, there was the handwritten certification of the barangay captain of Sto. Cristo, San Antonio, Nueva Ecija^[18] which specified, among others, that Braulia Ortiz was the landowner of the land cultivated by Garcia.^[19]

PDB contends that the affidavits of the previous owners (Ortiz Cruz and Bautista) that the subject land was not tenanted, which affidavits were annotated on the certificate of title, should be believed over the documents submitted by Garcia. This contention is untenable. As we ruled in *Nisnisan, et al. v. Court of Appeals, et al.*:^[20]

While there are **annotations in Gavino Nisnisan's certificate of title** (Entry No. 72086 **for Affidavit of Non-Tenancy** under Justice Circular No. 31 and Entry No. 117718 for Affidavit of Non-Tenancy executed by Gavino Nisnisan) that the subject land is not tenanted, **said annotations are not conclusive proof of the real relationship between Gavino Nisnisan and petitioner Policarpio Nisnisan and are not binding upon the court.** As we have ruled in *Cuaño vs. Court of Appeals*,

"We believe and so hold that such annotation cannot be regarded as conclusive upon the courts of justice as to the legal nature and incidents of the relationship between the landowner(s) in this case and private respondents. Firstly, the annotation serves basically as notice to all persons of the existence of the Certification issued by Mr. Eugenio Bernardo, but neither adds to the validity or correctness of that certification nor converts a defective and invalid instrument into a valid one as between the parties. Secondly, the certification issued by Mr. Eugenio Bernardo of the MAR (Ministry of Agrarian Reform) is very much like the certifications issued by the Secretary of Agrarian Reform and other officials of the Ministry and later the Department of Agrarian Reform concerning the existence of tenancy relationships in respect of agricultural lands from which persons, who claim to be tenants, are sought to be ejected. It is well settled that the findings of or certifications issued by the Secretary of Agrarian Reform, or his authorized representative, in a given locality concerning the presence or absence of a tenancy relationship between the contending parties are merely preliminary or provisional and not binding upon the courts."^[21] (Emphasis supplied)

While it is true that certifications by officials of the Department of Agrarian Reform (DAR), like the certification submitted by Garcia, are not necessarily conclusive on the courts, all of the evidence on record, taken as a whole, can be considered as ample proof that Garcia's CLT referred to the land subject of this case and that Garcia was the tenant or agricultural lessee of Braulia Ortiz Cruz therein. As stated

by the DARAB Appeal Board, "with respect to the adjudication of agrarian cases, disputes or controversies, the degree of proof or evidence necessary to prove one's cause is only 'substantial evidence'."^[22] Accordingly, we will not disturb the factual finding of the CA and DARAB Appeal Board that Garcia was the agricultural lessee of the subject land, considering that it was supported by substantial evidence.

On the second issue, PDB argues that it was a mortgagee in good faith, hence it acquired the subject land validly. This contention has merit.

Well-settled is the rule that persons dealing with property covered by a Torrens Certificate of Title may rely on the face of the certificate. As a rule, they are not required to go beyond what appears therein. Good faith is likewise presumed.^[23] Garcia failed to show that PDB acquired the property in bad faith. We thus hold that PDB was a mortgagee in good faith and acquired the subject land validly.

However, Garcia, as tenant or agricultural lessee, enjoys certain legal rights under RA 3844, otherwise known as the "Agricultural Land Reform Code."^[24] Section 10 of this law provides that the existence of an agricultural leasehold relationship is not terminated by changes in ownership in case of sale or transfer of legal possession (as in lease):

Sec. 10. Agricultural Leasehold Relation Not Extinguished By Expiration of Period, etc. - The agricultural leasehold relation under this Code shall not be extinguished by mere expiration of the term or period in a leasehold contract nor by the sale, alienation or transfer of the legal possession of the landholding. **In case the agricultural lessor sells, alienates or transfers the legal possession of the landholding, the purchaser or transferee thereof shall be subrogated to the rights and substituted to the obligations of the agricultural lessor.** (Emphasis supplied)

This doctrine is well-settled in jurisprudence. ^[25]

Thus, when PDB became the absolute owner of the subject land, it was subrogated to the rights and obligations of its predecessors, Jose Cruz, Braulia Ortiz Cruz and Lorenzo Bautista as agricultural lessors. The tenancy relationship was not affected by the transfer of the ownership of the landholding.^[26] The new owner was bound to respect and maintain the tenant's landholding because the tenancy right attached to the land regardless of who its owner may be.^[27] The purpose of the law is to strengthen the security of tenure of the tenants:

...in case of transfer or in case of lease, as in the instant case, the tenancy relationship between the landowner and his tenant should be preserved in order to insure the well-being of the tenant or protect him from being unjustly dispossessed by the transferee or purchaser of the land; in other words, the purpose of the law in question is to maintain the tenants in the peaceful possession and cultivation of the land or afford them protection against unjustified dismissal from their holdings.

^[28]

We therefore conclude that it was error for the CA to declare the sale and transfer of the subject property to the bank as null and void *ab initio*. *The transfer to PDB was*