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FIRST DIVISION

[G.R. No. 109568, August 08, 2002]

ROLANDO SIGRE, PETITIONER, VS. COURT OF APPEALS AND LILIA Y. GONZALES, AS CO-ADMINISTRATRIX OF THE ESTATE OF MATIAS YUSAY, RESPONDENTS.

[G.R. NO. 113454. AUGUST 8, 2002]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. COURT OF APPEALS AND LILIA Y. GONZALES, AS CO-ADMINISTRATRIX OF THE ESTATE OF MATIAS YUSAY, RESPONDENTS.

D E C I S I O N

AUSTRIA-MARTINEZ, J.:

In a not-so-novel attempt to challenge the long-settled constitutionality of Presidential Decree No. 27, private respondent Lilia Y. Gonzales, as co-administratrix of the Estate of Matias Yusay, filed with the Court of Appeals on September 15, 1992, a petition for prohibition and *mandamus* docketed as *CA-G.R. SP No. 28906,* seeking to prohibit the Land Bank of the Philippines (LBP) from accepting the leasehold rentals from Ernesto Sigre (predecessor of petitioner Rolando Sigre), and for LBP to turn over to private respondent the rentals previously remitted to it by Sigre. It appears that Ernesto Sigre was private respondent's tenant in an irrigated rice land located in Barangay Naga, Pototan, Iloilo. He was previously paying private respondent a lease rental of sixteen (16) cavans per crop or thirty-two (32) cavans per agricultural year. In the agricultural year of 1991-1992, Sigre stopped paying his rentals to private respondent and instead, remitted it to the LBP pursuant to the Department of Agrarian Reform's Memorandum Circular No. 6, Series of 1978, which set the guidelines in the payment of lease rental/partial payment by farmer-beneficiaries under the land transfer program of P.D. No. 27. The pertinent provision of the DAR Memorandum Circular No. 6 reads:

> "A. Where the value of the land has already been established.
>
> "The value of the land is established on the date the Secretary or his authorized representative has finally approved the average gross production data established by the BCLP or upon the signing of the LTPA by landowners and tenant farmers concerned heretofore authorized.
>
> "Payment of lease rentals to landowners covered by OLT shall terminate on the date the value of the land is established. Thereafter, the tenant-farmers shall pay their lease rentals/amortizations to the LBP or its authorized agents: provided that in case where the value of the land is established during the month the crop is to be harvested, the cut-off period shall take effect on the next harvest season. With respect to cases where lease rentals paid may exceed the value of the land, the tenant-

farmers may no longer be bound to pay such rental, but it shall be his duty to notify the landowner and the DAR Team Leader concerned of such fact who shall ascertain immediately the veracity of the information and thereafter resolve the matter expeditiously as possible. If the landowner shall insist after positive ascertainment that the tenant-farmer is to pay rentals to him, the amount equivalent to the rental insisted to be paid shall de deposited by the tenant-farmer with the LBP or its authorized agent in his name and for his account to be withdrawn only upon proper written authorization of the DAR District Officer based on the result of ascertainment or investigation."[1] (Emphasis ours)

According to private respondent, she had no notice that the DAR had already fixed the 3-year production prior to October 1972 at an average of 119.32 cavans per hectare,[2] and the value of the land was pegged at Thirteen Thousand Four Hundred Five Pesos and Sixty-Seven Centavos (P13,405.67).[3] Thus, the petition filed before the Court of Appeals, assailing, not only the validity of Memorandum Circular No. 6, but also the constitutionality of P.D. 27.

The appellate court, in its decision dated March 22, 1993, gave due course to the petition and declared Memorandum Circular No. 6 null and void.[4] The LBP was directed to return to private respondent the lease rentals paid by Sigre, while Sigre was directed to pay the rentals directly to private respondent.[5] In declaring Memorandum Circular No. 6 as null and void, the appellate court ruled that there is nothing in P.D. 27 which sanctions the contested provision of the circular;[6] that said circular is in conflict with P.D. 816 which provides that payments of lease rentals shall be made to the landowner, and the latter, being a statute, must prevail over the circular;[7] that P.D. 27 is unconstitutional in laying down the formula for determining the cost of the land as it sets limitations on the judicial prerogative of determining just compensation;[8] and that it is no longer applicable, with the enactment of Republic Act No. 6657.[9]

Hence, this present recourse, which is a consolidation of the separate petitions for review filed by Rolando Sigre (who substituted his predecessor Ernesto Sigre), docketed as G.R. No. 109568 and the LBP, docketed as G.R. No. 113454.

Petitioner Sigre, in G.R. No. 109568, alleges that:

"I

"PUBLIC RESPONDENT COURT OF APPEALS ACTED WITH GRAVE ABUSE OF DISCRETION IN RULING THAT DAR MEMORANDUM CIRCULAR NO. 6, SERIES OF 1978 RUNS COUNTER TO PRESIDENTIAL DECREE NO. 816.

"II

"PUBLIC RESPONDENT ERRED IN RULING THAT DAR MEMORANDUM CIRCULAR NO. 6, SERIES OF 1978 AMENDS OR EXPANDS PRESIDENTIAL DECREE NO. 27.

"III

"PUBLIC RESPONDENT ERRED IN RULING THAT PROVISION OF PRESIDENTIAL DECREE NO. 27 ON THE FORMULA FOR DETERMINING

THE COST OF THE LAND IS UNCONSTITUTIONAL.

"IV

"PUBLIC RESPONDENT ERRED IN RULING THAT THE PROVISION OF PRESIDENTIAL DECREE NO. 27 ON FIXING THE JUST COMPENSATION OF THE LAND HAS BEEN REPEALED BY REPUBLIC ACT NO. 6657."[10]

Petitioner LBP, in G.R.No. 113454, claims that:

"A

"THE COURT OF APPEALS GRAVELY ERRED IN NOT FINDING THAT MAR CIRCULAR NO. 6 IS A VALID PIECE OF ADMINISTRATIVE RULES AND REGULATION COVERING A SUBJECT GERMANE TO THE OBJECTS AND PURPOSES OF PRESIDENTIAL DECREE NO. 27, CONFORMING TO THE STANDARDS OF SAID LAW AND RELATING SOLELY TO CARRYING INTO EFFECT THE GENERAL PROVISIONS OF SAID LAW.

"B

"THE COURT OF APPEALS SERIOUSLY ERRED IN RULING THAT MAR CIRCULAR NO. 6 IS INVALID IN THAT IT SUFFERS 'IRRECONCILABLE CONFLICT' WITH PRESIDENTIAL DECREE NO. 816, THUS GROSSLY DISREGARDING THE APPLICABLE DECISION OF THE SUPREME COURT THAT THERE IS NO 'INCONSISTENCY OR INCOMPATIBILITY' BETWEEN MAR CIRCULAR NO. 6 AND P.D. 816.

"C

"THE COURT OF APPEALS GRAVELY ERRED IN RULING THAT P.D. 27, INSOFAR AS IT SETS FORT (sic) THE FORMULA FOR DETERMINING THE VALUE OF THE RICE/CORN LAND, IS UNCONSTITUTIONAL, THUS GROSSLY DISREGARDING THE EXISTING JURISPRUDENCE THAT CONSISTENTLY RULED THAT P.D. 27 IS SUSTAINED AGAINST ALL CONSTITUTIONAL OBJECTIONS RAISED AGAINST IT.

"D

"THE COURT OF APPEALS GRAVELY ERRED IN FINDING THAT P.D. 27 HAS BEEN IMPLIEDLY REPEALED BY REPUBLIC ACT NO. 6657."[11]

Presidential Decree No. 27,[12] issued on October 21, 1972 by then Pres. Ferdinand E. Marcos, proclaimed the entire country as a "land reform area" and decreed the emancipation of tenants from the bondage of the soil, transferring to them the ownership of the land they till. To achieve its purpose, the decree laid down a system for the purchase by tenant-farmers, long recognized as the backbone of the economy, of the lands they were tilling. Owners of rice and corn lands that exceeded the minimum retention area were bound to sell their lands to qualified farmers at liberal terms and subject to conditions.[13] It was pursuant to said decree that the DAR issued Memorandum Circular No. 6, series of 1978.

The Court of Appeals held that P.D. No. 27 does not sanction said Circular, particularly, the provision stating that payment of lease rentals to landowners shall terminate on the date the value of the land is established, after which the tenant-

farmer shall pay their lease rentals/amortizations to the LBP or its authorized agents.

We disagree. The power of subordinate legislation allows administrative bodies to implement the broad policies laid down in a statute by "filling in" the details. All that is required is that the regulation should be germane to the objects and purposes of the law; that the regulation be not in contradiction to but in conformity with the standards prescribed by the law.[14] One such administrative regulation is DAR Memorandum Circular No. 6. As emphasized in *De Chavez v. Zobel*,[15] emancipation is the goal of P.D. 27., i.e., freedom from the bondage of the soil by transferring to the tenant-farmers the ownership of the land they're tilling. As noted, however, in the whereas clauses of the Circular, problems have been encountered in the expeditious implementation of the land reform program, thus necessitating its promulgation, viz.:

> "1. Continued payment of lease rentals directly to landowners by tenant-farmers may result to situations wherein payments made may even exceed the actual value of the land. x x x
>
> "2. There is difficulty in recording lease rental payments made by tenant-farmers to *landowners specifically in cases where landowners concerned refuse to issue acknowledgment/official receipts for payments made*;
>
> "3. Payments made by tenant-farmers to landowners after the establishment of Farmer Amortization Schedule (FAS) through the National Computer Center were found to be ineffectively captured or accounted for. x x x
>
> "4. The prolonged disagreement between parties concerned on the total payments made by the tenant-farmers has delayed program implementations."

The rationale for the Circular was, in fact, explicitly recognized by the appellate court when it stated that "(T)he main purpose of the circular is to make certain that the lease rental payments of the tenant-farmer are applied to his amortizations on the purchase price of the land. x x x The circular was meant to remedy the situation where the tenant-farmer's lease rentals to landowner were not credited in his favor against the determined purchase price of the land, thus making him a perpetual obligor for said purchase price."[16] Since the assailed Circular essentially sought to accomplish the noble purpose of P.D. 27, it is therefore valid.[17] Such being the case, it has the force of law and is entitled to great respect.[18]

The Court cannot see any "irreconcilable conflict" between P.D. No. 816[19] and DAR Memorandum Circular No. 6. Enacted in 1975, P.D. No. 816 provides that the tenant-farmer (agricultural lessee) shall pay lease rentals to the landowner until the value of the property has been determined or agreed upon by the landowner and the DAR. On the other hand, DAR Memorandum Circular No. 6, implemented in 1978, mandates that the tenant-farmer shall pay to LBP the lease rental after the value of the land has been determined.

In *Curso v. Court of Appeals,*[20] involving the same Circular and P.D. 816, it was categorically ruled that there is no incompatibility between these two. Thus: