

## THIRD DIVISION

[ G.R. No. 95694, October 09, 1997 ]

**VICENTE VILLAFLO, SUBSTITUTED BY HIS HEIRS,  
PETITIONER, VS. COURT OF APPEALS AND NASIPIT LUMBER CO.,  
INC., RESPONDENTS.  
D E C I S I O N**

**PANGANIBAN ,J.:**

In this rather factually complicated case, the Court reiterates the binding force and effect of findings of specialized administrative agencies as well as those of trial courts when affirmed by the Court of Appeals; rejects petitioner's theory of simulation of contracts; and passes upon the qualifications of private respondent corporation to acquire disposable public agricultural lands prior to the effectivity of the 1973 Constitution.

**The Case**

Before us is a petition for review on certiorari seeking the reversal of the Decision<sup>[1]</sup> of the Court of Appeals, dated September 27, 1990, in C.A. G.R. CV No. 09062, affirming the dismissal by the trial court of Petitioner Vicente Villaflor's complaint against Private Respondent Nasipit Lumber Co., Inc. The disposition of both the trial and the appellate courts are quoted in the statement of facts below.

**The Facts**

The facts of this case, as narrated in detail by Respondent Court of Appeals, are as follows:<sup>[2]</sup>

"The evidence, testimonial and documentary, presented during the trial show that on January 16, 1940, Cirilo Piencenaves, in a Deed of Absolute Sale (exh. A), sold to [petitioner], a parcel of agricultural land containing an area of 50 hectares,<sup>[3]</sup> more or less, and particularly described and bounded as follows:

'A certain parcel of agricultural land planted to abaca with visible concrete monuments marking the boundaries and bounded on the NORTH by Public Land now Private Deeds on the East by Serafin Villaflor, on the SOUTH by Public Land; and on the West by land claimed by H. Patete, containing an area of 60 hectares more or less, now under Tax Dec. 29451 in the (sic) of said Vicente Villaflor, the whole parcel of which this particular parcel is only a part, is assessed at P22,550.00 under the above said Tax Dec. Number.'

**This deed states:**

'That the above described land was sold to the said VICENTE VILLAFLO, xxx on June 22, 1937, but no formal document was then executed, and since then until the present time, the said Vicente Villaflo has been in possession and occupation of (the same); (and)

That the above described property was before the sale, of my exclusive property having inherited from my long dead parents and my ownership to it and that of my [sic] lasted for more than fifty (50) years, possessing and occupying same peacefully, publicly and continuously without interruption for that length of time.'

Also on January 16, 1940, Claudio Otero, in a Deed of Absolute Sale (exh. C) sold to Villaflo a parcel of agricultural land, containing an area of 24 hectares, more or less, and particularly described and bounded as follows:

'A certain land planted to corn with visible concrete measurements marking the boundaries and bounded on the North by Public Land and Tungao Creek; on the East by Agusan River; on the South by Serafin Villaflo and Cirilo Piencenaves; and on the West by land of Fermin Bacobo containing an area of 24 hectares more or less, under Tax Declaration No. 29451 in the name already of Vicente Villaflo, the whole parcel of which this particular land is only a part, is assessed at P22,550.00 under the above said Tax Declaration No. 29451.'

**This deed states:**

'That the above described land was sold to the said VICENTE VILLAFLO, xxx on June 22, 1937, but no sound document was then executed, however since then and until the present time, the said Vicente Villaflo has been in open and continuous possession and occupation of said land; (and)

That the above described land was before the sale, my own exclusive property, being inherited from my deceased parents, and my ownership to it and that of my predecessors lasted more than fifty (50) years, possessing and occupying the same, peacefully, openly and continuously without interruption for that length of time.'

Likewise on January 16, 1940, Hermogenes Patete, in a Deed of Absolute Sale (exh. D), sold to Villaflo, a parcel of agricultural land, containing an area of 20 hectares, more or less, and particularly described and bounded as follows:

'A certain parcel of agricultural land planted to abaca and corn with visible concrete monuments marking the boundaries and bounded on the North by Public Land area-private Road; on the East by land claimed by Cirilo Piencenaves; on the South by Public Land containing an area of 20 hectares more or less, now under Tax Declaration No. 29451 in the name of Vicente Villaflo the whole parcel of which this

particular parcel, is assessed at P22,550.00 for purposes of taxation under the above said Tax Declaration No. 29451.'

**This deed states:**

'xxx (O)n June 22, 1937 but the formal document was then executed, and since then until the present time, the said VICENTE VILLAFLORE has been in continuous and open possession and occupation of the same; (and)

That the above described property was before the sale, my own and exclusive property, being inherited from my deceased parents and my ownership to it and that of my predecessors lasted more than fifty (50) years, possessing and occupying same, peacefully, openly and continuously without interruption for that length of time.'

On February 15, 1940, Fermin Bocobo, in a Deed of Absolute Sale (exh. B), sold to Villaflor, a parcel of agricultural land, containing an area of 18 hectares, more or less, and particularly described and bounded as follows:

'A certain parcel of agricultural land planted with abaca with visible part marking the corners and bounded on the North by the corners and bounded on the North by Public Land; on the East by Cirilo Piencenaves; on the South by Hermogenes Patete and West by Public Land, containing an area of 18 hectares more or less now under Tax Declaration No. 29451 in the name of Vicente Villaflor. The whole parcel of which this particular parcel is only a part is assessed as P22,550.00 for purposes of taxation under the above said Tax Declaration Number (Deed of Absolute Sale executed by Fermin Bocobo date Feb. 15, 1940). This document was annotated in Registry of Deeds on February 16, 1940).'

**This deed states:**

'That the above described property was before the sale of my own exclusive property, being inherited from my deceased parents, and my ownership to it and that of my predecessors lasted more than fifty (50) years, possessing and occupying the same peacefully, openly and continuously without interruption for that length of time.'

On November 8, 1946, Villaflor, in a Lease Agreement (exh. Q),<sup>[4]</sup> leased to Nasipit Lumber Co., Inc. a parcel of land, containing an area of two (2) hectares, together with all the improvements existing thereon, for a period of five (5) years from June 1, 1946 at a rental of P200.00 per annum 'to cover the annual rental of house and building sites for thirty three (33) houses or buildings.' This agreement also provides:<sup>[5]</sup>

'3. During the term of this lease, the Lessee is authorized and empowered to build and construct additional houses in addition to the 33 houses or buildings mentioned in the next preceding paragraph, provided however, that for every additional house or building constructed the Lessee shall pay unto the Lessor an

amount of fifty centavos (¢50) per month for every house or building. The Lessee is empowered and authorized by the Lessor to sublot (sic) the premises hereby leased or assign the same or any portion of the land hereby leased to any person, firm and corporation; (and)

4. The Lessee is hereby authorized to make any construction and/or improvement on the premises hereby leased as he may deem necessary and proper thereon, provided however, that any and all such improvements shall become the property of the Lessor upon the termination of this lease without obligation on the part of the latter to reimburse the Lessee for expenses incurred in the construction of the same.'

Villaflor claimed having discovered that after the execution of the lease agreement, that Nasipit Lumber 'in bad faith x x x surreptitiously grabbed and occupied a big portion of plaintiff's property x x x'; that after a confrontation with the corporate's (sic) field manager, the latter, in a letter dated December 3, 1973 (exh. R),<sup>[6]</sup> stated recalling having 'made some sort of agreement for the occupancy (of the property at Acacia, San Mateo), but I no longer recall the details and I had forgotten whether or not we did occupy your land. But if, as you say, we did occupy it, then (he is ) sure that the company is obligated to pay the rental.'

On July 7, 1948, in an 'Agreement to Sell' (exh. 2), Villaflor conveyed to Nasipit Lumber, two (2) parcels of land xxx described as follows:<sup>[7]</sup>

#### 'PARCEL ONE

Bounded on the North by Public Land and Tungao Creek; on the East by Agusan River and Serafin Villaflor; on the South by Public Land, on the West by Public Land. Improvements thereon consist of abaca, fruit trees, coconuts and thirty houses of mixed materials belonging to the Nasipit Lumber Company. Divided into Lot Nos. 5412, 5413, 5488, 5490, 5491, 5492, 5850, 5849, 5860, 5855, 5851, 5854, 5855, 5859, 5858, 5857, 5853, and 5852. Boundaries of this parcel of land are marked by concrete monuments of the Bureau of Lands. Containing an area of 112,000 hectares. Assessed at P17,160.00 according to Tax Declaration No. V-315 dated April 14, 1946.

#### PARCEL TWO

Bounded on the North by Pagudasan Creek; on the East by Agusan River; on the South by Tungao Creek; on the West by Public Land. Containing an area of 48,000 hectares more or less. Divided into Lot Nos. 5411, 5410, 5409, and 5399. Improvements 100 coconut trees, productive, and 300 cacao trees. Boundaries of said land are marked by concrete monuments of the Bureau pf (sic) Lands. Assessed value -- P6,290.00 according to Tax No. 317, April 14, 1946.'

This Agreement to Sell provides:

'3. That beginning today, the Party of the Second Part shall continue to

occupy the property not anymore in concept of lessee but as prospective owners, it being the sense of the parties hereto that the Party of the Second Part shall not in any manner be under any obligation to make any compensation to the Party of the First Part, for the use, and occupation of the property herein before described in such concept of prospective owner, and it likewise being the sense of the parties hereto to terminate as they do hereby terminate, effective on the date of this present instrument, the Contract of Lease, otherwise known as Doc. No. 420, Page No. 36, Book No. II, Series of 1946 of Notary Public Gabriel R. Banaag, of the Province of Agusan.

4. That the Party of the Second Part has bound as it does hereby bind itself, its executors and administrators, to pay unto the party of the First Part the sum of Five Thousand Pesos (P5,000.00), Philippine Currency, upon presentation by the latter to the former of satisfactory evidence that:

(a) The Bureau of Lands will not have any objection to the obtainment by the Party of the First Part of a Certificate of Torrens Title in his favor, either thru ordinary land registration proceedings or thru administrative means procedure.

(b) That there is no other private claimant to the properties hereinbefore described.

5. That the Party of the First Part has bound as he does hereby bind to undertake immediately after the execution of these presents to secure and obtain, or cause to be secured and obtained, a Certificate of Torrens Title in his favor over the properties described on Page (One) hereof, and after obtainment of such Certificate of Torrens Title, the said Party of the First Part shall execute a (D)eed of Absolute Sale unto and in favor of the Party of the Second Part, its executors, administrators and assigns, it being the sense of the parties that the Party of the Second Part upon delivery to it of such deed of absolute sale, shall pay unto the Party of the First Part in cash, the sum of Twelve Thousand (P12,000.00) Pesos in Philippine Currency, provided, however, that the Party of the First Part, shall be reimbursed by the Party of the Second Part with one half of the expenses incurred by the Party of the First Part for survey and attorney's fees; and other incidental expenses not exceeding P300.00.'

On December 2, 1948, Villaflor filed Sales Application No. V-807<sup>[8]</sup> (exh. 1) with the Bureau of Lands, Manila, 'to purchase under the provisions of Chapter V, XI or IX of Commonwealth Act. No. 141 (The Public Lands Act), as amended, the tract of public lands x x x and described as follows: 'North by Public Land; East by Agusan River and Serafin Villaflor; South by Public Land and West by public land (Lot Nos. 5379, 5489, 5412, 5490, 5491, 5492, 5849, 5850, 5851, 5413, 5488, 5489, 5852, 5853, 5854, 5855, 5856, 5857, 5858, 5859 and 5860 x x x containing an area of 140 hectares xxx.' Paragraph 6 of the Application, states: 'I understand that this application conveys no right to occupy the land prior to its approval, and I recognized (sic) that the land covered by the same is of public domain and any and all rights I may have with respect thereto by virtue of continuous occupation and cultivation are hereby relinquished to the Government.'<sup>[9]</sup> (exh. 1-D)