45 Phil. 523

[G.R. No. 20955. December 13, 1923]

BENEDICTO RUIZ, PLAINTIFF AND APPELLANT, VS. SEGUNDO DALIO, SOFIA ZALAZAR, DIRECTOR OF LANDS, AND HONORABLE SECRETARY OF AGRICULTURE AND NATURAL RESOURCES, DEFENDANTS AND APPELLEES.

D E C I S I O N

STATEMENT

The plaintiff and the defendants, Segundo S. Dalio and Sofia Zalazar, are residents of the municipality of Muñoz, Province of Nueva Ecija. The other defendants are the Director of Lands and the Secretary of Agriculture and Natural Resources.

The complaint alleges that on November 2, 1912, the plaintiff made an application to the Bureau of Public Lands for a parcel of land, known as lease No. 388, in the sitio known as Cabisuculan of the municipality of Munoz; that it was found by a Government surveyor that the homestead of Venancio de Fiesta was in the middle of the land; that on May 4, 1917, the Director of Lands notified the plaintiff to make his selection between the two portions described in his application. May 10, 1917, the plaintiff stated that he would take his lease on lands contiguous to his own homestead. It is then alleged that on August 30, 1917, the Director of Lands made a lease to the plaintiff for the land which he thus selected, and that it was approved by the Secretary of Agriculture and Natural Resources. May 15, 1914, and October 7, 1914, the defendants, Segundo S. Dalio and Gonzalo Dumale, the deceased husband of the defendant, Sofia Zalazar, each filed applications for homesteads.

All of the respective lands are particularly described in the complaint.

It having been noticed that Segundo S. Dalio and Gonzalo Dumale were occupying a portion of the land described in the lease, on May 10, 1917, the plaintiff notified the Director of Lands of that fact, who thereafter ordered an investigation, and on July 27, 1917, rendered a decision cancelling both homestead filings. On November 9, 1918, the Director of Lands rendered another decision holding the homestead filings valid, and that plaintiff's lease was void, and ordered it cancelled; that the plaintiff has been in possession of the land since 1911, during which time he paid the corresponding rents under the lease from the year, 1916, to date; that the decision of the Director of Lands of November 9, 1918, is illegal and should be declared null and void, for the reason that it is not supported by the facts, and that he had no jurisdiction to render such a decision.

As a second cause of action, the plaintiff alleges that, should judgment be rendered in favor of the defendants, he should have and recover the value of the improvements which he made upon the land, amounting to P15,000. He then prays for a decree that the final decision of the Director of Lands be declared null and void, and that he have a corresponding judgment for his improvements.

For amended answer, the defendants make a general and specific denial of all the material allegations of the complaint, and, as a special defense, allege that plaintiff did make application for lease No. 388 for 55 hectares of land, upon which a report was made to the effect that the land was more suitable for agriculture than forest purposes, alleging the filing of homesteads by Dalio and Dumale and the survey of the land sought to be leased at the instance of the plaintiff, in which it was found that the area was 91 hectares, the fact that a portion of the land was covered by the homestead of Venancio de Fiesta, and that the plaintiff elected to take his lease upon the land lying northwest of his original application, and that his land selection covered the homestead filings by Dalio and Dumale; that, through information

obtained from the homesteaders, the Director of Lands ordered an investigation of the dispute between them and the lessee; that in his report the inspector recommended the cancellation of the homesteads, upon the ground that they were subsequent to the filing of the original application for a lease made by the plaintiff; that based upon the report, the Director of Lands cancelled the homestead filings which resulted in the execution of the lease in question August 30, 1917; that the cancellation of the homesteads was not approved by the Secretary of Agriculture and Natural Resources, which the plaintiff knew, and for such reason his lease was not final; that the homesteaders appealed from the decision cancelling their homestead filings; that upon October 16, 1918, the Assistant Director of Lands recommended that the homestead filings be reinstated, and that plaintiff's lease should be cancelled; that both the plaintiff and the homesteaders were duly notified of the decision on November 9, 1918, and that on November 21, 1918, the decision was finally approved by the Secretary of Agriculture and Natural Resources; that on October 25, 1919, the plaintiff, through his attorney, filed a petition for a rehearing, which was denied on April 21, 1920; that in November, 1920, all parties in interest appeared before the Director of Lands and offered testimony pro and con of their respective claims; that after making a personal inspection and considering all the evidence and arguments, on January 12, 1921, the Director of Lands rendered a decision in favor of the homesteaders, the defendants here, to the effect that plaintiff's contract of lease was null and void and should be set aside; that plaintiff appealed from that decision to the Secretary of Agriculture and Natural Resources, by whom the decision was confirmed and approved. It is then alleged that in presenting his application for a lease plaintiff testified falsely that the land was not occupied by homesteaders, among whom was Venancio de Fiesta; that he acted in bad faith, and to obtain his lease misled the authorities, and represented to them that the land was not occupied; that for such reasons, the homestead filings were reinstated and the lease cancelled upon the ground of fraud and deceit.

After the final

decision was rendered in the land office, the plaintiff commenced this action in the Court of First Instance where the case was tried upon the issues above stated, and that court rendered a decision, dismissing plaintiff's complaint, from which he appeals and assigns the following errors:

"I. The court *a quo* erred in finding that the Director of Lands, with the approval of the Secretary of Agriculture and Natural Resources, had the power to cancel the contract of lease Exhibit 19.

"II. The court *a quo* erred in not finding that the Director of Lands, in cancelling the lease (Exhibit 19), violated the law, abused his discretion, and committed gross mistake.

"III. The court *a quo* erred in finding, contrary to the manifest weight of evidence, that the land in controversy was not originally included in the lease application (Exhibit A).

"IV. The court *a quo* erred in not finding that the lands described in the homestead applications Exhibits 3 and 4 are not included in the land in controversy.

"V. The court *a quo* erred in not finding that Benedicto Ruiz has preferent right to the land in question by priority in filing application for and by priority in the occupation, of said land.

"VI. The court *a quo* erred in holding, as one of the grounds of its decision, that the resolution of the Director of Lands (Exhibit 32) was approved by the Secretary of Agriculture and Natural Resources and that consequently same cannot be questioned.

"VII. The court *a quo*
erred in finding, contrary to the manifest weight of evidence, that
Segundo S. Dalio and Gonzalo Dumale cleared the land in question.

"VIII. The court *a quo* erred in not finding that Benedicto Ruiz has the right to be indemnified for the improvements he made on the land in question.

"IX. The court *a quo*
erred in not awarding Benedicto Ruiz the sum of P10,000 as indemnity
for the improvements made by him on the land in controversy."

JOHNS, J.:

It is admitted that the lands in question are public lands, and that an investigation of the conflicting claims was made by the Bureau of Lands, of which all parties in interest were duly notified; that they appeared with their attorneys and then and there submitted evidence pro and con to sustain their respective claims; that on November 21, 1918, and as a final result of the hearing, the Secretary of Agriculture and Natural Resources rendered his decision to the effect that the lease was null and void, and that it should be cancelled.

The
Government contends that the courts do not have any jurisdiction over the subject-matter of this appeal; that the land department is a special tribunal vested with quasi-judicial power to hear and determine claims to public lands, and that its decision upon such questions are final and conclusive, and that the Director of Lands has the legal right to cancel the lease.

Section 70 of Act No. 926 of the Philippine Commission, enacted October 7, 1903, provides:

"While
title to public lands in the Philippine Islands remains in the Government, the Chief of the Bureau of Public Lands, under the supervision of the Secretary of the Interior, shall be charged with the immediate executive control of the survey, classification, lease, sale,

> and other disposition and management thereof, and the decisions of the Bureau as to questions of fact relating to such lands shall be conclusive when approved by the Secretary of the Interior."

Section 3 of Act No. 2874 of the Philippine Legislature, approved November 29, 1919, provides:

> "While title to lands of the public domain remains in the Government, the Secretary of Agriculture and Natural Resources shall be the executive officer charged with carrying out the provisions of this Act, through the Director of Lands, who shall act under his immediate control."

Section 4:

> "Subject to said control, the Director of Lands shall have direct executive control of the survey, classification, lease, sale, or any other form of concession or disposition and management of the lands of the public domain, and his decisions as to questions of fact shall be conclusive when approved by the Secretary of Agriculture and Natural Resources."

And, among other things, section 89 of the Act provides:

> "The statements made in the application shall be considered as essential conditions and parts of any concession, title, or permit issued on the basis of such application, and any false statement therein or omission of facts altering, changing, or modifying the consideration of the facts set forth in such statements, and any subsequent modification, alteration, or change of the material facts set forth in the application shall *ipso facto* produce the cancellation of the concession, title or permit granted."

It will be noted that the lease in question was formally executed in August, 1917, and that Act No. 2874 became a law in November, 1919, and that the provisions of section 89 of Act No. 2874, for the cancellation of a lease, are not found in Act No. 926. But section 22 of Act No. 926 does provide:

> " * * * That no lease shall be permitted to interfere with any prior claim by settlement or occupation until the consent of the occupant or settler is first had and obtained, or until such claim shall be legally extinguished."

And section 23 says:

> "Leases made under the provisions of this chapter, of land previously surveyed, must be made of contiguous legal subdivisions."

It is conceded that the lands covered by the homestead filing of Venancio de Fiesta were included in, and were a part of, the lands described in plaintiff's original application for a lease. For such reason, plaintiff elected to omit the lands covered by Fiesta's homestead filing and to take other and different lands, and, in doing so, made his election to take lands which covered and embraced the homestead filings of Dalio and Dumale. When that fact was discovered, and after a report of the inspector was made, the Director of Lands, upon the theory that the land in questions were included in plaintiff's original application for a lease in 1912, cancelled the homestead filings of Dalio and Dumale, and executed the lease in question to the plaintiff.

The record is conclusive that the homestead filings of both Dalio and Dumale were included in, and are a part of, the lands described in plaintiff's lease. It is also conclusive that the applications for homestead were made in 1914, and that they were approved, respectively, on November 10th and December 12th of that year; that in October, 1914, and after the homestead filings were made,

the plaintiff applied for a survey of the land which was made by Hidalgo at the instance of the plaintiff, and it was then found that the lands sought to be leased contained 91 hectares, or 36 hectares more land than in his original application.

In other words,
when the plaintiff changed the description of the lands in his application for a lease, so as to avoid the force and effect of Fiesta's homestead filing, he made an application for lands which were covered and embraced in the homestead filings of Dalio and Dumale, and at the time of the change those homestead filings were in legal force and effect. It is true that they were later cancelled upon the petition of the plaintiff. It is also true that upon appeal, the cancellation was set aside, and the homesteaders were reinstated as of the dates, of their original filings. For such reason, that portion of section 22 of Act No. 926 above quoted is square in point. By its terms the Director of Lands has no power or authority to make a lease to any one of any land embraced within a homestead filing "until the consent of the occupant or settler is first had and obtained, or until such claim shall be legally extinguished."

There is no claim or
pretense that the plaintiff ever had the consent of the homesteaders, or that their rights were ever legally extinguished. Until that was done, the Director of Lands did not have any authority to make a lease of the lands in question, and the plaintiff did not have any legal right to take or accept a lease of such lands. When he applied for a lease of the lands in question, he knew or should have known that it included lands which were embraced within the homestead filings, and that without the consent of the homesteaders, or until such time as their rights were legally extinguished, he had no legal right to apply for, take or accept, a lease of public lands upon which there were homestead filings at the time he modified his application for a lease. It is very apparent that in taking and accepting the lease, plaintiff undertook and relied upon the fact that the homesteaders' rights were "legally extinguished" by the cancellation. As a matter of law, he knew or should have known that the cancellation decision was not final, and

that the order was subject to a rehearing or an appeal where upon a final hearing it could be reversed, modified or affirmed. He also knew that the homesteaders had a right of appeal, and that, if on appeal the decision of the Director of Lands was reversed, the legal rights of the homesteaders would then be reinstated as of the dates of their original filings. Hence, through the reversal on appeal, plaintiff applied for, took and accepted a lease of public lands upon which there were valid homestead filings at the time of, and for nearly three years prior to, the date of the lease.

The Director of Lands had no power or authority to make a lease upon which there were valid existing homestead filings, and as to the lands in question, the lease was and is null and void.

Upon the question of any improvements which the plaintiff may have made upon the lands of the homesteaders, he had legal knowledge of all the facts, and in making them he speculated and took his chances as to whether the homesteaders' rights were "legally extinguished." He legally knew that the decision of cancellation was not final; that it was subject to appeal; and that it might or could be reversed on appeal.

As to the lands in question, upon the facts shown, the plaintiff applied for, took and accepted a lease which the land officials had no power or authority to make. In addition to that, it may well be questioned whether the plaintiff himself was acting in good faith with either the homesteaders or the Government.

The lease, being null and void as to the lands in questions, it is not necessary to pass upon or decide any other of the numerous questions presented on appeal. Assuming that this court has jurisdiction of the subject-matter involved in this proceeding, it must follow that plaintiff's lease as to the lands embraced in the homestead filings of the defendants is null and void, and to that extent plaintiff's lease cannot be enforced. If the lease

was of lands which the public officials had power or authority to make, and was fairly made and entered into by both parties, and legal rights had become vested, another and a different question would be presented.

It follows that the judgment of the lower court is affirmed, with costs against the plaintiff. So ordered.

Johnson, Street, Malcolm, Avanceña, Villamor, Ostrand, and *Romualdez, JJ.*, concur.

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