

Title: Republic of the Philippines vs. Heirs of Ma. Teresita A. Bernabe and Cooperative Rural Bank of Bulacan

Facts:

- **Initial Complaint:** On August 23, 2004, the Republic of the Philippines filed a Complaint for Cancellation of Title and Reversion against Ma. Teresita E. Bernabe. The complaint alleged that land part of the Clark Air Force Base, reserved in 1908 by the Governor General of the Philippines, had been wrongly titled and transferred.
- **Land Survey and Ownership:** The said land part of the Fort Stotsenburg Military Reservation was surveyed and indicated as "Lot No. 727," which was subdivided and subsequently registered under individuals. Transfer Certificate of Title (TCT) No. 107736 was issued to Bernabe after several transfers.
- **Investigation:** The Bureau of Lands established the property's location inside the military reservation, never released as alienable and disposable. Therefore, titles issued were alleged to be void.
- **Mortgage by Bernabe's Heirs:** During the pendency of the case, Bernabe's heirs mortgaged the property to Cooperative Rural Bank of Bulacan (CRBB). This necessitated the inclusion of CRBB as a defendant.

Procedural History:

- **First Forum (RTC):** During proceedings in the Regional Trial Court (RTC), CRBB sought dismissal citing its insolvency and liquidation proceedings. RTC granted the Motion to Dismiss based on defects in the complaint's verification.
- **Motion for Reconsideration:** The Republic filed a Motion for Reconsideration, which was denied by the RTC.
- **Appeal to CA:** The Republic appealed to the Court of Appeals (CA), which upheld the RTC's ruling based on the BCDA (Bases Conversion and Development Authority) being the real party in interest, not the Republic.
- **Supreme Court Petition:** The Republic, through the OSG, petitioned the Supreme Court under Rule 45, challenging the CA's decision.

Issues:

1. Whether the CA erred in determining that the Republic was not the real party in interest.
2. Whether the CA erred in dismissing the Second Amended Complaint due to defects in the Verification and Certification Against Forum Shopping (VCAFS).

Court's Decision:

- **Real Party in Interest**: The Supreme Court held that the Republic of the Philippines is the real party in interest. The Republic retained beneficial ownership of the Clark Air Base lands under Section 8 of R.A. 7227, with BCDA acting merely as a trustee. The court thus rejected the CA's reliance on the Shipline Incorporated precedent.
- **Verification and Certification**: Given the special circumstances and the submission of a Secretary's Certificate authorizing BCDA's President to sign the VCAFS, the Supreme Court deemed there was substantial compliance with the requirements. The CA and RTC's strict interpretation was found misplaced.

Doctrine:

- **Beneficial Ownership**: Even if lands are transferred to a government instrumentality like the BCDA, such entity may only hold them in trust for the Republic. The Republic retains beneficial ownership and is thus the real party in interest in actions involving such lands.
- **Verification Compliance**: Courts may exercise discretion to relax verification and certification requirements under special circumstances or for substantial compliance.

Class Notes:

- **Real Party in Interest**: As defined in Rule 3, Section 2 of the Rules of Court, a real party in interest is one who would benefit or suffer from the judgment.
- **Government Instrumentalities**: Entities like BCDA are government instrumentalities with corporate powers but remain parts of the government machinery, holding property in trust for the Republic.
- **Verification and VCAFS**: Per *Altres v. Empleo* and subsequent cases, defects in verification can be cured, and under special circumstances, compliance requirements may be relaxed.

Historical Background:

- **Clark Air Base**: Originally a U.S. Military Reservation, Clark Air Base was part of the broader plan for military bases' conversion to economic zones under R.A. 7227 (Bases Conversion and Development Act of 1992).
- **BCDA Creation**: The BCDA was a product of post-Cold War realignment, aiming to foster economic development in converted base lands, positioning such lands for commercial use while retaining governmental oversight.