

Title: Heirs of Jose De Lara, Sr. vs. Rural Bank of Jaen, Inc.

Facts:

1. **Award of Land**: Jose E. De Lara, a farmer-beneficiary under Presidential Decree No. 27 (PD 27), was awarded a parcel of land in Vicente, Jaen, Nueva Ecija, measuring 2,257 square meters.
2. **Issuance of Title**: On November 20, 1998, Transfer Certificate of Title (TCT) No. EP-86727 under DAR Emancipation Patent (EP) No. 00735825 was issued in favor of Jose.
3. **Loan and Mortgage**: Jose obtained a loan from the Rural Bank of Jaen, Inc. (respondent), securing this loan with a mortgage over the subject land.
4. **Foreclosure**: Jose failed to repay the loan, leading to a foreclosure. The bank emerged as the highest bidder in a public auction held on February 27, 2003.
5. **Registration of Purchase**: The Regional Trial Court (RTC) of Gapan, Nueva Ecija issued a Certificate of Sale to the bank on July 3, 2003, and the sale was registered with the Register of Deeds on August 19, 2003.
6. **No Redemption**: Neither Jose nor his heirs redeemed the land within the prescribed period. The bank executed an Affidavit of Consolidation of Ownership on October 4, 2004.
7. **Legal Challenge**: On December 16, 2004, the bank filed a petition with the Provincial Agrarian Reform Adjudicator (PARAD) to cancel TCT No. EP-86727. Jose's heirs (petitioners) opposed this, arguing jurisdictional issues and the invalidity of the mortgage.

Procedural Posture:

1. **PARAD Decision**: On January 4, 2006, the PARAD ruled in favor of the bank, ordering the cancellation of TCT No. EP-86727.
2. **Appeal to DARAB**: Petitioners appealed to the Department of Agrarian Reform Adjudication Board (DARAB), which on July 4, 2012, reversed the PARAD decision, ruling that foreclosing banks could not transfer ownership of land covered by EPs or CLOAs.
3. **Appeal to CA**: The bank appealed to the Court of Appeals (CA). On December 10, 2013, the CA reversed the DARAB decision and reinstated the PARAD's ruling. A motion for reconsideration by the petitioners was denied on March 13, 2014.
4. **Petition to the Supreme Court**: The petitioners then filed for a review on certiorari before the Supreme Court.

Issues:

1. Whether the Provincial Agrarian Reform Adjudicator (PARAD) had jurisdiction to cancel an EP under these circumstances.
2. Whether the subject land, covered by an EP, could be properly foreclosed upon, and its

title cancelled in favor of a rural bank.

Court's Decision:

1. **Jurisdiction**: The Supreme Court ruled that DARAB did not have jurisdiction as the case did not involve an agrarian dispute. Jurisdiction lies with disputes relating to tenurial arrangements, and no tenancy relationship existed between the parties.

- **Darab Rules Interpretation**: The material allegations did not establish a tenancy relationship, disqualifying the case from DARAB's jurisdiction. Jurisdiction cannot be conferred by consent or waiver.

2. **Foreclosure and Transferability**: The Court held the land awarded to Jose under PD 27 and RA 6657 could not be transferred except by hereditary succession or to the Government, Land Bank, or other qualified beneficiaries for 10 years. Jose's failure to meet the loan obligations arose within this 10-year prohibitory period, making the mortgage and subsequent foreclosure void ab initio.

- **Legal Provisions**: Section 63 of PD 1529 and Section 27 of RA 6657, as amended by RA 9700, prohibit the transfer of agricultural land awarded under agrarian reform laws within a 10-year holding period, applicable to the land involved in this case.

Doctrine:

- **Prohibitory Period of Transfer**: Agricultural land acquired through agrarian reform programs under PD 27 and RA 6657 cannot be transferred other than by hereditary succession or to government entities within a 10-year holding period.

- **Jurisdiction over Agrarian Disputes**: The DARAB's jurisdiction requires an actual agrarian dispute, defined by tenurial relationship parameters.

Class Notes:

1. **Elements of Agrarian Dispute**:

- Dispute must involve tenurial arrangements over agricultural land.

- Involves specific relations between farmer-beneficiaries and landowners/tenants.

- Legal foundation in Section 3(d) of RA 6657.

2. **Prohibitions on Land Transfer**:

- **Verbatim**: "Lands acquired by beneficiaries under this Act or other agrarian reform laws shall not be sold, transferred or conveyed except through hereditary succession, or to the Government, or to the LBP, or to other qualified beneficiaries through the DAR for a period of ten (10) years" (RA 6657, SEC 27, as amended by RA 9700).

3. **Effect of Defective Contracts**:

- **Relevant Civil Code Provision**: Article 1409 - Inexistent and void contracts cannot be ratified. Contracts contrary to law and public policy are void ab initio.

Historical Background:

- **Agrarian Reform in the Philippines**: The case falls within the context of the agrarian reform laws beginning with PD 27 in 1972, which aimed to emancipate tenant-farmers by providing land tenure, continuing with the Comprehensive Agrarian Reform Program (CARP) under RA 6657 in 1988. RA 9700 in 2009 strengthened these programs by extending reforms, ensuring agricultural lands were retained by beneficiaries for productive purposes and circumscribing premature transfers to secure agrarian objectives.