

LEONILA LAUREL ALMEDA AND VENANCIO ALMEDA, PETITIONERS, VS. THE HONORABLE COURT OF APPEALS AND EULOGIO GONZALES, RESPONDENTS.

G.R. No. L-43800. July 29, 1977

Ponente: MARTIN, J.

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MARTIN, J.:

This is an agrarian case. Three questions of consequential effects are raised: first, is there a tenant's right of redemption in sugar and coconut lands; second, is prior tender or judicial consignation of the redemption price a condition precedent for the valid exercise of the right of redemption; and third, does the Court of Agrarian Relations have jurisdiction over complaints for redemption of sugar and coconut lands.

Respondent Eulogio Gonzales is an agricultural share tenant of Glicerio, Sinfroso, Susana, Maria, Sebastian, Rufina, Bienvenido, Besmark and Cesar, all surnamed Angeles, on their 46,529-square land situated in Tanauan, Batangas, and devoted to sugar cane and coconuts. On September 30, 1968, the landowners sold the property to petitioners-spouses Leonila Laurel Almeda and Venancio Almeda without notifying respondent-tenant in writing of the sale. The document of sale was registered with the Register of Deeds of Tanauan, Batangas on March 27, 1969. Respondent-tenant thus seeks the redemption of the land in a complaint filed on March 27, 1971, pursuant to the provisions of Sections 11 and 12 of the Code of Agrarian Reforms, with the Court of Agrarian Relations at Lipa City.

Answering the complaint, petitioners-spouses state, among other things, that long before the execution of the deed of sale, Glicerio Angeles and his nephew Cesar Angeles first offered the sale of the land to respondent Gonzales, but the latter said that he had no money; that respondent-tenant, instead, went personally to the house of petitioners-spouses and implored them to buy the land for fear that if someone else would buy the land, he may not be taken in as tenant; that respondent-tenant is a mere dummy of someone deeply interested in buying the land; that respondent-tenant made no tender of payment or any valid consignation in court at the time he filed the complaint for redemption.

At the hearing of May 29, 1973, the parties waived their right to present evidence and, instead, agreed to file simultaneous memoranda upon which the decision of the court would be based.

On October 10, 1973, the Agrarian Court rendered judgment authorizing the respondent-tenant, Eulogio Gonzales, to redeem the tenanted land for P24,000.00, the said amount to be deposited by him with the Clerk of Court within fifteen (15) days from receipt of the decision.

Petitioners-spouses excepted to the ruling of the Agrarian Court and appealed the case to the Court of Appeals. On January 30, 1976, the Appellate Court, however, affirmed the decision of the Agrarian Court. Denied of their motions for reconsideration, petitioners-spouses instituted the present petition for review.

We find the appeal to be impressed with merits.

1. Prior to the enactment of the Agricultural Land Reform Code (RA 3844), no right of preference in the sale of the land under cultivation was enjoyed by the tenant-farmer. The absence of this right freely opened the way to the landlords to ease out their tenants from the land by ostensible conveyance of said land to another tenant who, in turn, sues for the ejectment of the first tenant on ground of personal cultivation. While many of these sales were simulated, the tenant is oftenly evicted from the land because of the formal transfer of ownership in the land.[1] On August 8, 1963, the Agricultural Land Reform Code was passed, impressed with the policy of the State, among other things, "(t)o establish owner-cultivatorship and the economic family-size farm as the basis of Philippine agriculture; to achieve a dignified existence for the small farmers free from pernicious institutional restraints and practices; to make the small farmers more independent, self-reliant and responsible citizens, and a source of genuine strength in our democratic society." [2] More importantly, a new right was given to the tenants-farmers: the right of pre-emption and redemption. It bolsters their security of tenure and further encourages them to become owner-cultivators.[3] Thus, Section 11 provides: "In case the agricultural lessor decides to sell the landholding, the agricultural lessee shall have the preferential right to buy the same under reasonable terms and conditions. * * * *. The right of pre-emption under this Section may be exercised within one hundred eighty days from notice in writing, which shall be served by the owner on all lessees affected and the Department of Agrarian Reform. If the agricultural lessee agrees with the terms and conditions of the sale, he must give notice in writing to the agricultural lessor of his intention to exercise his right of pre-emption within the balance of one hundred eighty days' period still available to him, but in any case not less than thirty days. He must either tender payment of, or present a certificate from the land bank that it shall make payment pursuant to section eighty of this Code on the price of the landholding to the agricultural lessor. If the latter refuses to accept such tender or presentment, he may consign it with the court." As protection of this right, Section 12 was inserted: "In case the landholding is sold to a third person without the knowledge of the agricultural lessee, the latter shall have the right to redeem the same at a reasonable price and consideration. * * * *. The right of redemption under this section may be exercised within one hundred eighty days from notice in writing which shall be served by the vendee on all lessees affected and the Department of Agrarian Reform upon the registration of the sale, and shall have priority over any other right of legal redemption. The redemption price shall be the reasonable price of the land at the time of the sale." [4] In the precedential case of *Hidalgo v. Hidalgo*, [5] this right was held applicable to both leasehold tenants and share tenants.

Presently, We are faced with an intricate question: is this right of redemption available to tenants in sugar and coconut lands? We answer yes. Among those exempted from the automatic conversion to agricultural leasehold upon the effectivity of the Agricultural Land Reform Code in 1963 or even after its amendments (Code of Agrarian Reforms) are sugar lands. Section 4 thereof states: "Agricultural share tenancy throughout the country, as herein defined, is hereby declared contrary to public policy and shall be automatically converted to agricultural leasehold upon the effectivity of this section. * * * *. Provided, That in order not to jeopardize international commitments, lands devoted to crops covered by marketing allotments shall be made the subject of a separate proclamation by the President upon recommendation of the department head that adequate provisions, such as the organization of cooperatives marketing agreement, or similar other workable arrangements, have been made to insure efficient management on all matters requiring synchronization of the agricultural with the processing phases of such crops * * * *." Sugar is, of course, one crop covered by marketing allotments. In other words, this section recognizes share tenancy in sugar lands until after a special proclamation is made, which proclamation shall have the same effect of an executive proclamation of the operation of the Department of Agrarian Reform in any region or locality: the share tenants in the lands affected will become agricultural lessees at the beginning of the agricultural year next succeeding the year in which the proclamation is made.[6] But, there is nothing readable or even discernible in the law denying to tenants in sugar lands the right of pre-emption and redemption under the Code. The exemption is purely limited to the tenancy system; it does not exclude the other rights conferred by the

Code, such as the right of pre-emption and redemption. In the same manner, coconut lands are exempted from the Code only with respect to the consideration and tenancy system prevailing, implying that in other matters – the right of pre-emption and redemption which does not refer to the consideration of the tenancy – the provisions of the Code apply. Thus, Section 35 states: "Notwithstanding the provisions of the preceding Sections, in the case of fishponds, saltbeds and lands principally planted to citrus, coconuts, cacao, coffee, durian, and other similar permanent trees at the time of the approval of this Code, the consideration, as well as the tenancy system prevailing, shall be governed by the provisions of Republic Act Numbered Eleven Hundred and Ninety-Nine, as amended."

It is to be noted that under the new Constitution, property ownership is impressed with social function. Property use must not only be for the benefit of the owner but of society as well. The State, in the promotion of social justice, may "regulate the acquisition, ownership, use, enjoyment and disposition of private property, and equitably diffuse property ownership and profits." [7] One governmental policy of recent date projects the emancipation of tenants from the bondage of the soil and the transfer to them of the ownership of the land they till. This is Presidential Decree No. 27 of October 21, 1972, ordaining that all tenant farmers "of private agricultural lands devoted to rice and corn under a system of share-crop or lease-tenancy, whether classified as landed estates or not" shall be deemed "owner of a portion constituting a family-size farm of five (5) hectares if not irrigated and three (3) hectares if irrigated." [8]

2. Nevertheless, while the Code secures to the tenant-farmer this right of redemption, in particular, the exercise thereof must be in accordance with law in order to be valid. "The timely exercise of the right of legal redemption," said the Court in *Basbas v. Entena*, [9] "requires either tender of the price or valid consignment thereof." The statutory periods within which the right must be exercised "would be rendered meaningless and of easy evasion unless the redemptioner is required to make an actual tender in good faith of what he believed to be reasonable price of the land sought to be redeemed." "The existence of the right of redemption operates to depress the market value of the land until the period expires, and to render that period indefinite by permitting the tenant to file a suit for redemption, with either party unable to foresee when final judgment will terminate the action, would render nugatory the period of two years (180 days under the new law) fixed by the statute for making the redemption and virtually paralyze any efforts of the landowner to realize the value of his land. No buyer can be expected to acquire it without any certainty as to the amount for which it may be redeemed, so that he can recover at least his investment in case of redemption. In the meantime, the landowner's needs and obligations cannot be met. It is doubtful if any such result was intended by the statute, absent clear wording to that effect." [10] Bona-fide redemption necessarily imports a seasonable and valid tender of the entire repurchase price. The right of a redemptioner to pay a "reasonable price" does not excuse him from the duty to make proper tender of the price that can be honestly deemed reasonable under the circumstances, without prejudice to final arbitration by the courts. "It is not difficult to discern why the redemption price should either be fully offered in legal tender or else validly consigned in court. Only by such means can the buyer become certain that the offer to redeem is one made seriously and in good faith. A buyer cannot be expected to entertain an offer of redemption without attendant evidence that the redemptioner can, and is willing to accomplish the repurchase immediately. A different rule would leave the buyer open to harassment by speculators or crackpots, as well as to unnecessary prolongation of the redemption period, contrary to the policy of the law. While consignment of the tendered price is not always necessary because legal redemption is not made to discharge a pre-existing debt (*Asturias Sugar Central v. Cane Molasses Co.*, 60 Phil. 253), a valid tender is indispensable, for the reasons already stated. Of course, consignment of the price would remove all controversy as to the redemptioner's ability to pay at the proper time." [11]

In the case before Us, neither prior tender nor judicial consignment of the redemption price accompanied the filing of the redemption suit. In fact, the Agrarian Court had yet to order, when it rendered its decision on October

10, 1973 (complaint was filed on March 27, 1971), respondent-tenant to deposit the amount of P24,000.00 as redemption price with the Clerk of Court within fifteen (15) days from receipt of the decision. The absence of such tender or consignment leaves Us, therefore, with no alternative but to declare that respondent-tenant had failed to exercise his right of redemption in accordance with law.

3. Reliance cannot be placed upon the case of *Hidalgo v. Hidalgo*[12] as excuse for the failure to make the requisite tender or consignment in court, because the Court did not rule therein that prior tender or judicial consignment of the redemption price is not required for the valid exercise of the right of redemption. In that case, the spouses Igmidio Hidalgo and Martina Rosales were the share tenants of Policarpio Hidalgo on his 22,876-square meter agricultural land in Lumil, San Jose, Batangas, while the spouses Hilario Aguila and Adela Hidalgo were his tenants on a 7,638-square meter land. Policarpio Hidalgo sold these lands without notifying his tenants; and so, the tenants filed petitions before the Court of Agrarian Relations seeking the redemption of the lands under Section 12 of the Code. The Agrarian Court dismissed the petitions for the reason that the right of redemption is available to leasehold tenants only but not to share tenants. On review, the Court ruled that while the Agrarian Court "correctly focused on the sole issue of law" - whether the right of redemption granted by Section 12 of Republic Act No. 3844 is applicable to share tenants - it (Agrarian Court) "arrived at its erroneous conclusion that the right of redemption granted by Section 12 of the Land Reform Code is available to leasehold tenants only but not to share tenants." The Court said that "(t)he Code intended * * * to afford the farmers who transitionally continued to be share tenants after its enactment but who inexorably would be agricultural lessees by virtue of the Code's proclaimed abolition of tenancy, the same priority and preferential right as those other share tenants, who upon the enactment of the Code or soon thereafter were earlier converted by fortuitous circumstance into agricultural lessees, to acquire the lands under their cultivation in the event of their voluntary sale by the owner or of their acquisition, by expropriation or otherwise, by the Land Authority." But, the Court did not rule that tender of payment or consignment of the redemption price in court is not a requisite in the valid exercise of the right of redemption. In fact, it said that "(i)n the absence of any provision in the Code as to the manner of and amounts payable on redemption, the pertinent provisions of the Civil Code apply in a suppletory character" which, of course, imposes tender of payment or judicial consignment of the repurchase price as condition for valid redemption. Besides, it is noteworthy that in that case petitioners-tenants' possession of funds and compliance with the requirements of redemption were not questioned, the case having been submitted and decided on the sole legal issue of the right of redemption being available to them as share tenants.

4. As a consequence, the Court of Agrarian Relations has jurisdiction over suits for redemption, like the present case, of sugar and coconut lands. Section 154 of the Agricultural Land Reform Code, as amended, states: "The Court of Agrarian Relations shall have original and exclusive jurisdiction over (1) all cases or actions involving matters, controversies, disputes, or money claims arising from agrarian relations * * * *." Since this case involves a matter, controversy or dispute "arising from agrarian relations" - whether respondent-tenant on sugar and coconut lands has the right of redemption - it is definite that the Agrarian Court has jurisdiction to hear and decide the same.[13] The Court of Agrarian Relations came into being for the enforcement of all laws and regulations governing the relations between capital and labor on all agricultural lands under any system of cultivation with original and exclusive jurisdiction over the entire Philippines, to consider, investigate, decide and settle all questions, matters, controversies, or disputes involving or arising from such relationship.[14]

ACCORDINGLY, the appealed decision of the Court of Appeals is hereby reversed and set aside. Respondent Eulogio Gonzales is hereby held not to have validly exercised his right of redemption over his tenanted agricultural land. No costs.

SO ORDERED.

Teehankee, (Chairman), Muñoz Palma, Fernandez, and Guerrero, JJ., concur.
Makasiar, J., reserves his vote.

[1] Montemayor, Labor, Agrarian and Social Legis-lation, Vol. 3, 1967 ed., at 246.

[2] Sec. 2, Agricultural Land Reform Code, as amended.

[3] Op. Cit.

[4] Agricultural Land Reform Code, as amended, now known as "Code of Agrarian Reforms."

[5] L-25327-28, May 29, 1970, 33 SCRA 105.

[6] See Montemayor, Labor, Agrarian and Social Legislation, Vol. 3, 1967 ed., at 230.

[7] Art. II, Sec. 6, 1973 Constitution; Alfanta v. Noe, L-32362, September 19, 1973, 53 SCRA 84.

[8] Villanueva v. Court of Appeals, L-37653, June 28, 1974, 57 SCRA 724.

[9] L-26255, June 30, 1969, 28 SCRA 669-672.

[10] Idem.

[11] Conejero v. Court of Appeals, L-21812, April 29, 1966, 16 SCRA 775.

[12] L-25327-28, May 29, 1970, 33 SCRA 105.

[13] Lacson v. Pineda, L-28523, July 16, 1971, 40 SCRA 30; Ferrer v. Villamor, L-33293, Sept. 30, 1974, 60 SCRA 106.

[14] Salandanan v. Tizon, L-30290, February 24, 1975, 62 SCRA 388.

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