

**MARGARITA MANZANO, ROMANA MANZANO, FRANCISCA
MANZANO AND CRISTINA MANZANO, PETITIONERS, VS. RUFINO
OCAMPO, LEONARDA ERNA AND THE COURT OF APPEALS,
RESPONDENTS.**

G.R. No. L-14778. February 28, 1961

Ponente: REYES, J.B.L., J.

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REYES, J.B.L., J.:

Appeal from the decision of the Court of Appeals affirming the dismissal by the trial court of petitioners' complaint against respondents for the annulment of a sale of a homestead.

The basic facts appear to be as follows:

Victoriano Manzano, now deceased, was granted a homestead patent on June 25, 1934, and the land was registered in his name on July 25, 1934 under Original Certificate of Title No. 4590. On January 4, 1938, he and respondent Rufino Ocampo agreed on the sale of said homestead for the amount of P1,900.00, P1,100.00 of which paid by Ocampo to Manzano on the same day, and for the balance, he executed a promissory note, to wit:

Alangalang sa paglilipat sa akin ng lupang homestead ni Victoriano Manzano, sa pamamagitan nito ay aking ipinangangakong babayaran kay nabanggit na Victoriano Manzano o sa kaniyang taga pagmana ang halagang Walong Daan Piso (P800.00), Kualtang Pilipino, sa mga sumusunod na fecha:

P500.00

—sa o bago dumating ng Enero 15, 1939.

300.00

—sa o bago dumating ng Enero 15, 1940.

P800.00

—Total

Ang nabanggit na halagang babayaran ko ay aking eentrega sa kanila dito sa Cabanatuan, Nueva Ecija.

Sa Katunayan, ako'y naglagda ngayon ika 4 ng Enero, 1938 dito sa bayang Cabanatuan, Nueva Ecija."

(Exh. "A")

Knowing, however, that any sale of the homestead at that time was prohibited and void, the parties likewise agreed that the deed of sale was to be made only after the lapse of five years from the date of Manzano's patent. And to protect the buyer Ocampo's rights in the agreed sale, Manzano executed in his favor a "Mortgage of

Improvements" over the homestead to secure the amount of P1,100.00 already received as down payment on the price (Exh. "1").

Three months later, Manzano informed Ocampo that someone was offering to buy his homestead for P3,000.00, and Ocampo agreed to pay that same price therefor after Manzano's title would have ripened into absolute ownership.

On October 17, 1939, the Undersecretary of Agriculture and Natural Resources approved the proposed sale of Manzano's homestead to Ocampo (Exh. "2"). Accordingly, the parties executed the formal deed of sale on October 19, 1939 for the price of P3,000.00, (Exh. "3"), of which Ocampo paid only P1,900.00, because the amount of P1,100.00 had already been delivered to Manzano on January 4, 1938. On the same day, the mortgage Exhibit "1" was released and, a transfer certificate of title over the homestead issued in Ocampo's name (Exh. "4"). Ocampo did not, however, immediately take possession of the land because Manzano requested that he be permitted to harvest its standing palay crop. Ocampo demanded from Manzano the return of his promissory note Exhibit "A", but the latter informed him that the same was misplaced or lost. Two years later, in 1940, the tax declaration over the homestead in question was transferred to Ocampo's name (Exh. 7).

On June 22, 1954, Manzano commenced this action in the Court of First Instance of Nueva Ecija for the annulment of the sale of his homestead to Ocampo, on the theory that the same was executed on the same date as the promissory note Exhibit "A" and, therefore, within the prohibitory period of five years from the issuance of his patent. During the pendency of the case, Manzano died and was substituted by his heirs.

After trial, the court a quo found that the sale in question was in fact made after the expiration of five years from the date of Manzano's patent, and dismissed the complaint. Manzano's heirs appealed to the Court of Appeals which, as already stated, affirmed the lower court's judgment. Whereupon, Manzano's heirs resorted to this Court, urging that the sale of the homestead in question was made before, and not after, the expiration of five years from the date of Manzano's patent and is, therefore, void.

In upholding the validity of the sale in question, the Court of Appeals drew the following conclusions from the facts found to have been established:

"It was satisfactorily explained by appellee Ocampo that the agreement of the parties was that Manzano would sell the homestead for the price of P1,900.00 after the expiration of the prohibitory period prescribed by law. The P800.00 stated in the promissory note was the balance of the price to be paid. As correctly observed by the lower court the phrase in tagalog "alangalang sa paglilipat sa akin ang lupang homestead" appearing in the promissory note, is futuristic in character meaning that the payment of P800.00 was in consideration of the transfer of the homestead to be made later. It should be noted that at the time the parties knew of said period of inhibition and were fully aware that the said period of five years had not yet transpired so that Manzano could not validly sell or mortgage the homestead. It was so explained clearly to them by Atty. Pacis. Owing to such knowledge the loan of P1,100.00 was only guaranteed by the mortgage of the improvements of the land (Exh. 1) and not by the homestead itself.

"It appears that the said intended sale for only P1,900.00 after the lapse of five-year period was later on abandoned by the parties. Manzano himself, knowing perhaps that he could not be bound thereby, backed out of it claiming that there was another offer of P3,000.00 for the same property. Appellee Ocampo agreed to pay this same amount. It was at this new price of P3,000.00 that the land was actually sold to appellees on October 19, 1939. This sale, evidenced by Exhibit 3, was a complete abandonment of that original arrangement and is a totally distinct transaction from the promissory note and the deed of mortgage (Exh. 1). The payment of P1,900.00 to Manzano on October 19, 1939 as complement of the price of P3,000.00 is evidenced not only by said deed of sale Exhibit 3, the genuineness and due execution of which was admitted by the plaintiffs, but also by the uncontradicted testimony of appellee Ocampo and his witnesses Primo Lopez and Agustin Eugenio. It

goes without saying that the deed of sale, Exhibit 3, having been executed after the period of five years from the date of the issuance of the patent and previously approved by the corresponding Head of Department, pursuant to Section 118 of the Commonwealth Act No. 141, as amended by Commonwealth Act No. 456, is perfectly valid. It was only after the execution of said deed of sale (Exh. 3) that the vendee took possession of the land and had it declared in his name for taxation purposes."

We are constrained to disagree with the above conclusions.

From the findings of the Court of Appeals, it is clear that a perfected contract of sale over the homestead in question had already been entered into by the parties on January 4, 1938 (i. e., within the period of prohibition) for the price of P1,900.00. There was nothing "futuristic" in this agreement, except that, being fully aware that any sale or conveyance of the homestead in question at the time was prohibited by law, the parties agreed that the execution of the deed of sale should be postponed to a future date, after Manzano's title had ripened into absolute ownership. That a sale existed before the statutory five years had expired is shown by the fact that Ocampo had advanced to Manzano the amount of P1,100.00 as part of the price, and had signed for the balance of the promissory note Exhibit "A", undertaking to pay P500 on or before January 15, 1939 (a date also within the period of prohibition), and the remaining P300.00, on or before January 15, 1940. If no perfected sale had existed in January, 1938, there would have been no obligation on the part of Ocampo to pay part of the price, nor any reason or occasion for his executing a promissory note (an express acknowledgement of indebtedness) for the balance.

Knowing as they did, however, that any sale of the homestead in question was prohibited by law in 1938, the parties had to devise means and ways to circumvent the prohibition and at the same time still protect themselves from non-compliance of the agreement after the prohibitory period should have elapsed. Thus, the downpayment of P1,100.00 on the price already made to Manzano by Ocampo was made to appear as a loan secured by a "Mortgage of Improvements" signed by Manzano on the same day of the agreement of sale, January 4, 1938 (Exh. "1"), which mortgage is patently a simulated contract, because although entitled "Mortgage of Improvements", the subject-matter thereof was not any, improvements on the homestead but "my land more particularly described as follows * * *, which is the homestead itself. Indeed, appellees openly admitted in their brief (pp. 12) that the amount of P1,100.00 received by Manzano from Ocampo on January 4, 1938 was not really a loan but an advance on the agreed price of P1,900.00, and that it was only to protect the rights of the buyer Ocampo in the "intended sale" that the mortgage Exhibit "1" was executed. Upon the other hand the protection furnished the vendor Manzano, who had yet to receive P800.00 on the price, was the promissory note Exhibit "A" signed by Ocampo for such unpaid balance. Even if not simulated, the mortgage would have been void anyway, since section 118 of the Public Land Law prohibited encumbrance of homestead land within five years from issuance of the patent, unless the encumbrance should be in favor of Government entities.

That the parties modified this original agreement three months later, increasing the price to P3,000.00, with the understanding that the buyer, Ocampo, would not pay the balance of the price until after Manzano's homestead title had become absolute, does not imply that their original contract was abandoned and an entirely new and independent contract was entered into by them. For a partial payment on the price had already been made, and the parties did nothing more than increase the price originally stipulated and extend the term of payment, for which reason "Ocampo did not pay the amount stated in the promissory note" (Decision of Court of Appeals, p. 6). And even granting that the parties' original agreement had been novated "three months later" by the increase in price and extension of the time to pay its balance the second transaction was still within the prohibitive period and is, therefore, as illegal and void as the first sale.

True to his promise to execute the formal deed of sale after his title would have become absolute, Manzano, on

October 19, 1939, having received the approval of the Undersecretary of Agriculture and Natural Resources of the proposed sale (Exh. "2"), executed the deed of sale Exhibit "3" in favor of Ocampo, on the strength of which Ocampo obtained for himself Transfer Certificates of Title No. 15584 over the homestead in question (Exh. "4"). This execution of the formal deed after the expiration of the prohibitory period did not and could not legalize a contract that was void from its inception. Nor was this formal deed of sale "a totally distinct transaction from the promissory note and the deed of mortgage", as found by the Court of Appeals, for it was executed only in compliance and fulfillment of the vendor's previous promise, under the perfected sale of January 4, 1938, to execute in favor of his vendee the formal act of conveyance after the lapse of the period of inhibition of five, years from the date of the homestead patent. What is more the execution of the formal deed of conveyance was postponed by the parties precisely to circumvent the legal prohibition of their sale.

The law prohibiting any transfer or alienation of homestead land within five years from the issuance of the patent does not distinguish between executory and consummated sales; and it would hardly be in keeping with the primordial aim of this prohibition to preserve and keep in the family of the homesteader the piece of land that the state had gratuitously given to them,[1] to hold valid a homestead sale actually perfected during the period of prohibition but with the execution of the formal deed of conveyance and the delivery of possession of the land sold to the buyer deferred until after the expiration of the prohibitory period, purposely to circumvent the very law that prohibits and declares invalid such transaction to protect the homesteader and his family. To hold valid such arrangements would be to throw the door wide open to all possible fraudulent subterfuges and schemes that persons interested in land given to homesteaders may devise to circumvent and defeat the legal provisions prohibiting their alienation within five years from the issuance of the homesteader's patent.

We, therefore, hold that the sale in question is illegal and void for having been made within five years from the date of Manzano's patent, in violation of section 118 of the Public Land Law. Being void from its inception, the approval thereof by the Undersecretary of Agriculture and Natural Resources after the lapse of five years from Manzano's patent did not legalize the sale (*Santander vs. Villanueva*, 103 Phil., 1; *Cadiz vs. Nicolas*, 102 Phil., 1032). The result is that the homestead in question must be returned to Manzano's heirs, petitioners herein, who are, in turn, bound to restore to appellee Ocampo the sum of P3,000.00 received by Manzano as the price thereof (*Medel vs. Eliazo*, G. R. No. L-12617, Aug. 27, 1959; *Santander vs. Villanueva*, supra; *Felices vs. Iriola*, 103 Phil., 125). The fruits of the land should equitably compensate the interest on the price.

Wherefore, the judgment appealed from is reversed and another one entered declaring null and void the sale of the homestead in question to appellee Rufino Ocampo. The Register of Deeds for the Province of Nueva Ecija is hereby ordered to cancel appellee Ocampo's Transfer Certificate of Title No. 15584, and reissue to the heirs of the deceased Victoriano Manzano the title to the homestead in question. Petitioners are, however, ordered to return to appellee Ocampo the amount of P3,000.00 received by their predecessor Victoriano Manzano as the price of said homestead. No costs.

Bengzon, Acting C. J., Padilla, Bautista Angelo, Labrador, Concepcion, Barrera, Paredes and Dizon, JJ., concur.

[1] *Pascua vs. Talens*, 80 Phil., 792; 45 Off. Gaz. (No. 9 Supp.) 413; *De los Santos vs. Roman Catholic Church of Midsayap*, 94 Phil., 405; 60 Off. Gaz., 1088.

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