

**THE DIRECTOR OF LANDS, MATIAS NAREDO, VALENTIN NAKEDO,
AND JUANA DE LEON, PETITIONERS, VS. RICARDO RIZAL,
POTENCIANA RLZAL, ELENA RIZAL, BENJAMIN RIZAL, AND
SATURNINA RIZAL, RES...**

G.R. No. L-2925. December 29, 1950

Ponente: MONTEMAYOR, J.

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MONTEMAYOR, J.:

There is no dispute as to the following facts. Lot No. 454 of the Calamba Friar Lands Estate Subdivision located in Calamba, Province of Laguna was sold to Santos Alcaraz in 1910 under a certificate of sale, the sales price to be paid in fifteen (15) annual installments. On August 16, 1916, after paying some installments, Alcaraz assigned all his rights to the certificate of sale to Severino Rizal, and this assignment was approved by the Bureau of Lands on October 20, 1916. Severino Rizal continued the payment of the installments as they fell due, until 1930 when he paid the last installment. The corresponding final deed of conveyance was executed in his favor by the Bureau of Lands, and the corresponding certificate of title No. 18803 was issued, tho later it was lost during the Pacific war. Severino Rizal died in 1934 and his heirs', the appellees and respondents herein, succeeded him in the ownership of the lot. The findings of fact made by the Court of Appeals which according to law are made, binding upon parties in any appeal to the Supreme Court, and a statement of the issues are contained in that part of the decision of the Court of Appeals which we reproduce below:

"The lot in question is bounded on the south, by San Juan River and for a period of about twenty years subsequent to 1916, when Severino Rizal acquired said lot from the Bureau of Lands, there had been a gradual and steady accumulation by alluvium which, with the passing of time, reached an area of two (2) hectares.

"Severino Rizal and his heirs, the plaintiffs herein, had been cultivating lot No. 454 and the additional two (2) hectares resulting from the above-mentioned accretion by alluvium. From 1938 to 1942, Severino Rizal's heirs, the plaintiffs herein, had tenants working on the accretion land of two (2) hectares. Those tenants were the Naredos, the herein defendants, who were cultivating said land as such, but subsequently changed their attitude and challenged the right of ownership of the owners of lot No. 454 over the accretion of two (2) Hectares severed their relationship as tenants of the plaintiffs and finally refused to return the possession of these two (2) hectares by alleging that they have submitted the corresponding application to the Bureau of Lands. In fact since 1943, notwithstanding demands made on them by the plaintiffs, the defendants refused to turn over to said plaintiffs their share of the products of the land in question which amounts to about P500 a year. Moreover, they drove the plaintiffs away from the land, by chasing them with bolos. This situation had been going on from 1943 to 1947 when the plaintiffs were again placed in possession by an order issued by the lower court and affirmed by the Supreme Court."

The present case had its origin in the Court of First Instance of Laguna where the heirs of Severino Rizal, the respondents herein filed an action to recover title and possession of the lot in question or rather the portion added by the river, from the petitioners who since 1938 cultivated said portion, as their tenants. In the course of the

hearing in the Court of First Instance of Laguna, the Director of Lands intervened and claimed that portion as belonging to the Government. After hearing, the Laguna court rendered a decision finding that the addition by accretion to lot No. 454 of about two (2) hectares in area belongs to the plaintiffs as owners of the lot; that the defendants had no interest at all in the land and ordered them to vacate the same and to pay damages in the sum of P500 a year from 1943 until they finally surrendered the property to the plaintiffs, with costs. On appeal to the Court of Appeals, the latter tribunal affirmed the decision of the Laguna court in toto with costs. This is now a petition by the defendant-appellants to review the decision of the Court of Appeals.

Petitioners maintain that the sale to the predecessor in interest of the respondents is governed by Act 1120, otherwise known as the Friar Lands Act; that under section 15 of said Act, the Government reserves title to any lot sold under it until the sales price is fully paid, that inasmuch as the accretion to lot No. 454 in the form of alluvium was formed before the sales price was fully paid in 1930, after which the corresponding final deed of conveyance was issued, the Government became the owner of said addition or accretion, and consequently, the respondents herein have no right to said property.

We realize that the question involved in the present case is one of first impression and that any doctrine laid down by us would have far-reaching consequences and would affect and govern all sales of Friar Lands lots of parcels bordering on rivers. For this reason, we have made a very careful study of the case, ever bearing in mind the origin and nature of the Friar Land Estates, of which the lot in question was a part as well as Act No. 1120, known as the Friar Lands Act, which was promulgated to govern the disposition of said lands.

We agree with the Court of Appeals and the Court of First Instance of Laguna that the accretion or addition to lot No. 454 having taken place after the sale or disposition of the lot in favor of Severino Rizal in 1916, said accretion or addition belongs not to the Government but to Severino and his heirs. It is true that the Government under section 15 of Act 1120 reserves title to any parcel sold under said Act until the full payment of all installments of the sales price. But this must refer to the bare, naked title. The equitable and beneficial title really went to the purchaser the moment he paid the first installment and was given a certificate of sale. The reservation of the title in favor of the Government is made merely to protect the interest of the Government so as to preclude or prevent the purchaser from encumbering or disposing of the lot purchased before the payment in full of the purchase price. Outside of this protection the Government retains no right as an owner. For instance, after issuance of the sales certificate and pending payment in full of the purchase price, the Government may not sell the lot to another. It may not even encumber it. It may not occupy the land to use or cultivate; neither may it lease it or even participate or share in its fruits. In other words, the Government does not and cannot exercise the rights and prerogatives of the owner. And when said purchaser finally pays the final installment on the purchase price and is given a deed of conveyance and a certificate of title, the title, at least in equity, retroacts to the time he first occupied the land, paid the first installment and was issued the corresponding certificate of sale. In other words, pending the completion of the payment of the purchase price, the purchaser is entitled to all the benefits and advantages which may accrue to the land as well as suffer the losses that may befall it.

It is well to bear in mind that these Friar Lands lots are surveyed before they are sold. The purchaser buys a definite parcel with fixed boundaries, at an agreed price, not a parcel yet to be surveyed when he pays the final installment and whose price is to be ascertained and fixed according to the area then found by the survey. In other words, the purchaser buys the land as it was at the time he applied for the purchase, with definite boundaries and a fixed price. If the parcel increases in value pending the payment of the installments or gains in area by natural causes, or on the other hand, it suffers a loss in value or in area, the purchaser must receive the increase or suffer the loss or decrease.

The petitioners contend that the contract between the Government and the purchaser of a Friar Lands lot involves

a mere promise to sell on the part of the Director of Lands and a promise to buy and to pay the purchase price in installments, on the part of the purchaser, and that the Government continues to be the real owner until the purchase price is completed. If this were true, then in case of default of the purchaser to pay any installment the Director of Lands could merely cancel the certificate of sale, cancel its promise to sell and, considering the installments already paid as mere rentals for the occupation of the land, eject the purchaser, and the relation between the Government and the said purchaser is ended. But this theory runs counter to the very law governing the disposition of Friar Lands.

Act No. 1120 itself, despite the reservation of title in the Government pending the payment of the full purchase price under section 15 thereof, really considers the purchaser as the owner of the lot or parcel purchased even before the payment of the last installment. We reproduce section 17 of said Act:

"SEC. 17. In the event that any lessee or purchaser of land under the provisions of this Act should fail to pay his rent or any installment of purchase money and interest thereon, or accrued interest on any installment not due, when and as the same matures, it shall be the duty of the Chief of the Bureau of Public Lands at once to protect the Government from loss. * * *; in the case of a delinquent purchaser, the Chief of the Bureau of Public Lands may enforce payment of any past-due installment and interest by bringing suit to recover the same with interest thereon, and also to enforce the lien of the Government against the land by selling the same in the manner provided by Act Numbered One hundred and ninety for the foreclosure of mortgages. In the event of such sale the purchaser at such sale shall acquire a good and indefeasible title. The proceeds of the sale shall be applied to the payment of the cost of court and of all installments due or to become due on such land. If the proceeds of the sale are sufficient to pay all delinquent installments as well as all future installments and all costs of the litigation, there shall be no further claim or liability against the original purchaser. If the proceeds of the sale of said lands should amount to more than sufficient to pay all purchase money and interest due the Government and costs of suit, the surplus thereof shall be returned to the original purchaser, or to the person entitled thereto."

In case of a delinquent purchaser, section 17, above reproduced, speaks of the enforcement of the lien of the Government on the land, and the sale of the same in accordance with the law on foreclosure of mortgages. And what is more important, in case the proceeds of the sale is insufficient to pay all the delinquency as well as future installments, including costs of the litigation, then the purchaser remains liable for the deficit or balance; but if the proceeds exceed the full purchase price including interest and costs of suit then the excess will be given to the purchaser. All this clearly and inevitably leads to the conclusion that the purchaser, even before the payment of the full price and before the execution of the final deed of conveyance, is considered by the law as the actual owner of the lot purchased, under obligation to pay in full the purchase price, the role or position of the Government being that of a mere lien holder or mortgagee.

There are other considerations which weigh heavily in favor of the purchaser being regarded as owner of the lot purchased even before the full payment of the price, at least for the purpose of making said purchaser the beneficiary of any addition by accretion to the lot purchased or the sufferer of any loss in area. If the rule were otherwise, then as regards Friar Lands lots bordering on rivers, upon the payment of the final installment, the Government would find itself under the obligation of making a new survey of every such lot so that the purchaser may be held to pay for any increase or to be reimbursed for any decrease in area. This will involve considerable work and expense to the Government and to the purchasers and may even result in court litigation as where the Government agents and the purchasers cannot agree as to the valuation of the area involved for purposes of additional payment or reimbursement, or even the area gained or lost. Moreover, if a purchaser of a lot bordering on a river knew that the Government would reimburse him for any loss suffered by the action of the streams, it is not likely that he would bother, or have the incentive, to protect the property by constructing protective works to neutralize the adverse action of the stream.

Furthermore, why should the Government insist in claiming any accretion to lots sold by it to the tenants or occupants of the land? The spirit behind the Friar Lands Act was to resell the land to the actual tenants or occupants at cost. The Government did not intend to make any profit. Besides, when a lot like No. 454 involved in the present case bordering on a public stream is sold, said stream is made the boundary. It is unfortunate that the deed of conveyance and the certificate of title covering the lot in question are not now available. But there is no reason to doubt that those documents in describing the lot in question mentioned the river as a boundary. At least the tax declaration in the name of Severino Rizal, mentions the river as the boundary on the east, south and west. The stream may advance or recede but it will always constitute the boundary or boundaries of the lot, and the purchaser has the right to insist that the original boundaries be preserved, and all the area inside said boundaries be considered as included in the sale. In conclusion, we find and hold that in the sale of a Friar Lands lot or parcel under Act 1120, pending payment in full of the purchase price, although the Government reserves title thereto, merely for its protection, the beneficial and equitable title is in the purchaser, and that any accretion received by the lot even before payment of the last installment belongs to the purchaser thereof.

The decision of the Court of Appeals is hereby affirmed, with costs.

Moran, C.J., Pablo, Bengzon, Padilla, Tuason, Reyes, Jugo, and Bautista Angelo, JJ., concur.

Judgment affirmed.

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