

**AVELINO CABATAN AND ANTONIO ASPIRAS, PETITIONERS, VS.
COURT OF APPEALS, CARMEN VDA. DE VILLAREAL SUBSTITUTED
BY LUIS VILLAREAL, RESPONDENTS.***G.R. Nos. L-44875-76. January 22, 1980*

Ponente: SANTOS, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/4403aae32eca/>**SANTOS, J.:****I. The Petitions for Review**

The above-entitled five (5) petitions for review on certiorari of the decisions of the Court of Appeals in CA-G.R. Nos. SP-04774 and SP-04779; CA-G.R. No. SP-04766-R and CA-G.R. Nos. SP-05825-26, all involving agricultural tenancy cases,[*] are jointly determined in this consolidated decision because they raise a common issue, i.e., whether the Court of Agrarian Relations (CAR) under Sec. 34, R.A. 3844 (August 8, 1963) as amended by R.A. 6389 (Sept. 10, 1971) — and in the light of current Presidential Directives and issuances under martial rule — can determine anew and fix the rentals of tenanted palay/corn and tobacco landholdings. The cases involving a common party landholder — formerly Carmen G. de Villareal, now Luis A. Villarea! — and his fifteen (15) agri-tenants on holdings in Tayug, Pangasinan, were decided by the CAR in Pangasinan per Hon. Arturo V. Malazo, who held consistently the affirmative view. Appealed to the Court of Appeals, the said court thru its two divisions designated to handle all appealed agrarian cases (pursuant to Sec. 18, Appeals, PD 946 effective June 17, 1976) — the Sixth and Seventh — arrived at divergent or contrary resolutions on the common issue of law. Thus —

A. In G.R. Nos. L-44875-76, the Court of Appeals — in CA G.R. Nos. SP-04774; 04779 —on August 20, 1976 —thru the 7th Division, Justices Gaviola, Jr., Serrano and Reiova — affirmed in toto (Rollo, pp. 39-47, at p. 47 per Hon. Ramon G. Gaviola, Jr.) the judgment of the CAR, 3rd Regional District Branch II, Tayug, Pangasinan, in CARNos. 1409-TP '71 and 1457-TP '71, entitled "Carmen G. de Villareal, deceased, as substituted by Luis A. Villareal, Special Administrator, plaintiff, versus Avelino Cabatan, defendant, and Carmen G. de Villareal, deceased, as substituted by Luis A. Villareal, Special Administrator, plaintiff versus Ambrocio Aspiras, defendant, " respectively, thru CAR Judge Arturo V. Malazo, as follows:

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"WHEREFORE, judgment is hereby rendered:

- (1) denying plaintiffs petition for the ejectment of defendants from their respective landholdings;
- (2) fixing a provisional rental for the use of the landholdings in question and ordering the defendants to pay the plaintiff;
 - (a) For palay, beginning the agricultural year 1975-1976 and for a period of three agricultural palay harvest, the amount of 25 per centum of the net harvest remaining after deducting the seed used and the amount of 15% of the gross for reaping and threshing expenses:

(b) For tobacco, beginning the agricultural year 1975-1976 and for a period of three agricultural tobacco harvest thereafter, the amount of 25 per centum of the net harvest remaining after deducting the amount of 10% of the gross, for the harvesting and processing expenses;

(c) For crops other than tobacco and palay the same amount of rental for tobacco;

(3) ordering the parties to come to Court after those agricultural harvest for the fixing of the final and fixed rental:

(4) dismissing all other claims and counterclaims of the opposing parties for insufficiency of evidence.

Without pronouncement as to costs."

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Petitioners-tenants herein allege, in support of these petitions, that the respondent Court of Appeals seriously erred —

1. ... IN NOT DISMISSING THE INSTANT CASE FOR LACK OF JURISDICTION, IT APPEARING FROM THE DECISION OF THE TRIAL COURT THAT THERE IS NO SUFFICIENT GROUND FOR EJECTING THE PETITIONERS AND EJECTMENT OF TENANTS IS NOT ALLOWED UNDER PD NOS. 27,316 and 583.

2. ... IN AFFIRMING THE DECISION OF THE TRIAL COURT ORDERING THE PARTIES THAT THE CROPS BE LIQUIDATED 75-25 OF THE NET IN FAVOR OF THE PETITIONERS FOR THREE (3) AGRICULTURAL YEARS EFFECTIVE THE AGRICULTURAL YEAR 1975-76 AND AFTER WHICH TO COME TO COURT FOR THE FIXING OF PERMANENT LEASE RENTALS OF THE BASIS OF SAID THREE (3) HARVESTS. (Rollo, pp. 15-17, italics supplied).

B. In G.R. No. L-45160, the Court of Appeals in CA G.R. No. SP-04766 on November 4, 1976, this time thru the 6th Division, Justices Reyes, L.B., De Castro and Erica took a different position, and, instead of affirming, as the 7th Division did, modified the Judgment (Rollo, pp. 27-38 at p. 38, per Justice Luis B. Reyes) of the CAR in Cases Nos. 1312-TP ;71 and 1666-TP '72 entitled Carmen G.deVillareal verms Pablo Ualan, to wit —

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"WHEREFORE, judgment is hereby rendered:

1. Declaring that the rental prescribed and fixed by Section 34, of Republic Act 3844, as amended shall govern the agricultural leasehold relationship of the parties-litigants herein;

2. Ordering the defendant to pay the plaintiff, for the use of the two (2) landholdings:

(a) for every palay harvest therefrom beginning this agricultural year 1975-1976 and for a period of three (3) agricultural palay harvest, the amount of FIVE (5) cavans at 48 kilos a cavan, as provisional rental therefor until the fixed . and final rental shall have been computed from the three palay harvests herein mentioned if the same are normal harvests;

(b) for every harvest of tobacco and/or other crops, beginning this agricultural year 1975-1976 and for a period of three agricultural harvest of the same crops, the amount of twenty-five per centum (25%) of the net produce thereof, likewise, as provisional rental until the final and fixed rental computed from three agricultural harvests herein mentioned;

3. Ordering the Municipal Treasurer of Sta. Maria, Pangasinan to release and deliver to the plaintiff the amount of-P47.50;

4. Dismissing the plaintiffs prayer for dispossession of the defendant;

5. Dismissing all other claims and counterclaims of the opposing parties herein for insufficiency of evidence. Without pronouncement as to costs"

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The foregoing judgment of the CAR was modified ... in the sense that defendant-appellant (agri-tenant Ulaian) should pay the same annual lease rental agreed upon by him and the landowner (Carmen G. de Villareal) in the amount of 12.5 manos batec of tobacco and P22.50, and plaintiff-appellee (Villareal) should reimburse whatever payments (were) made by defendant-appellant (Ulaian) in excess of the said annual rentals. The (CAR) decision is reversed insofar as it fixes the provisional rental for the use of the two landholdings and orders the Municipal Treasurer of Sta. Maria, Pangasinan, to release and deliver to plaintiff-appellee the amount of P47.50. The decision was AFFIRMED in all other respects." (Italics supplied; Rollo, p. 38).

Petitioner-landholder in this instance seeks review and reversal of the foregoing and now alleges that a question of law is being raised and that it is very substantial, which is: "On the basis of the facts conceded on all sides and undisputed, did the Court of Appeals correctly construe and interpret Sec. 34 of the Agrarian Reform Code (R.A. 3844, as amended) when it reversed the decision of the CAR insofar as the latter court granted the petitioner-landholders' petition to fix the lease rental pursuant to the leasehold (not share) tenancy between petitioner and respondent"? (Rollo, pp. 16-17).

C. In G.R. Nos. 1-46211-12, the Court of Appeals in CA G.R. Nos. SP-05825-26 on March 31, 1977 affirmed in toto thru the 6th Division, now composed of Justices Gaviola, Jr., De la Fuente and Sison (Rollo, pp. 52-65, at p. 65, per Hon. Ramon G. Gaviola, Jr.) as it did in the first cases, now L-44875-76, above, in a decision promulgated on March 31, 1977. the judgment in CAR Cases Nos. 1579-TP '72 and 1581-TP '72, entitled "Carmen G. de Villareal, substituted by Luis A. Villareal, plaintiff, versus (1) Domingo S. Aguna, (2) Donato Camacho, (3) Martina Daclan, (4) Pedro Difunturom, Jr., (5) Ricardo Castillo, and (6) Amado Tamayo, defendants" and "Carmen G. de Villareal, substituted by Luis A. Villareal, plaintiff, versus (7) Dionisio Herreria, (8) Bonifacio Pabelo, (9) Francisco Sugu'ttan, (10) Joventino Jaravata, (11) Anastacio Melana, and (12) Vicente Marquez, defendants" as follows:

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"WHEREFORE, judgment is hereby rendered:

1. Ordering the revision of the old lease rentals for the landholdings in question to an amount prescribed and fixed by Section 34, Republic Act No. 3844, as amended;

2. Ordering the defendants to pay the plaintiff, for the use of the landholdings a PROVISIONAL RENTAL to wit:

(a) for every palay harvest therefore, beginning this agricultural palay harvest for 1976, and for a period of three (3) agricultural years thereafter, the amount of twenty-five per centum (25%) of the net palay harvest remaining after deducting the seeds used and the expenses for reaping and threshing, until a FINAL RENTAL shall have been computed from "x x x abovementioned three (3) agricultural palay harvests, if the same are normal;

(b) for every tobacco and/or other agricultural crops harvested therefrom, beginning this agricultural year 1976-1977 and for a period of three agricultural years thereafter, the amount of twenty-five per centum (25%) of the net tobacco or other crops produced, remaining after deducting the legally deductible expenses, which ever applicable thereto, until the FINAL RENTAL shall have been computed from the three (3) agricultural tobacco or other crops harvested; if the same are normal.

3. Ordering the Municipal Treasurer of Sta. Maria, Pangasinan to release unto the plaintiff the amount deposited

therewith by the defendants;

4. Dismissing all other claims and counterclaims of the opposing parties for lack of merit and insufficiency of evidence.

Without pronouncement as to costs."

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Petitioners-tenants in this instance seek review and reversal of the Court of Appeals decision alleging that:

1. The respondent Court of Appeals seriously erred in affirming the decision of the trial court with regards to six (6) petitioners in CA-G.R. No. 05825-R (or CAR Case No. 1579-TP '72) of the trial court ordering the liquidation of the palay and tobacco crops in a sharing basis of 75-25 effective the agricultural year 1976-77, and lease rentals be computed after three (3) normal harvests starting 1976-77, despite of the fact that the said six (6) petitioners have already fixed lease rentals which they have been paying prior to the agricultural years 1971-72, thus reversing and increasing said lease rentals, without the private respondent introducing capital improvement over the land in question.

2. The respondent Court of Appeals seriously erred in not resolving the appeal interposed by the other six (6) petitioners in CA-G.R. No. 05826-R, or CAR No. 1581-TP :72 of the trial court.

3. The trial court and the respondent Court of Appeals seriously erred in not ordering the private respondent to reimburse the petitioners which (sic) they have paid in excess of their respective lease rentals effective the agricultural year 1971-72 (Rollo, pp. 10 and 16).

II. Proceedings on the Petitions

A. In G.R. Nos. 1-44875-76 — On October 25, 1976 petitioners-tenants were permitted to litigate as pauper, and granted pursuant to par. 10. Sec. 18, PD No. 946, a non-extendible period of thirty (30) days to file their petition which they did on November 6, 1976. The same was, however, denied in a resolution dated November 12, 1976 for having been filed late, due date being October 6, 1976 (Rollo, p. 50). Petitioners-tenants moved to reconsider on January 6, 1977, (Rollo, p. 59) which was opposed by the private respondent, landholder (Rollo, p. 24). On January 19, 1977, We reconsidered the order of November 12, 1976 but, after considering the allegations, issues and arguments adduced in the petition, resolved also to deny the same for lack of merit (Rollo, p. 78).

On March 14, 1977 petitioners moved to reconsider the resolution of January 19, and to consolidate the instant cases with G.R. No. L-45160 — Luis A. Villareal versus Pablo Vialan and the Court of Appeals (Rollo, p. 82). On March 25, 1977 We granted the consolidation of Cases Nos. L-44875-76 and L-45160 but denied the motion for reconsideration of the dismissal of L-44875-76 and the petition for review in L-45160 (below following) for lack of merit (Rollo, p. 101). Upon a subsequent motion for reconsideration (Rollo, p. 104) however of the resolution dated March 25, 1977 dismissing both petitions for review, this Court on June 17, 1977 resolved to reconsider and gave due course to both petitions for review (Rollo, p. 115), which were considered submitted after briefs were filed by the parties on June 2, 1978 (Rollo, p. 186).

B. In G.R. No. L-45160 — On December 6, 1976 petitioner- landholder filed the Petition For Review of the decision of the Court of Appeals in CA-G.R. SP-04766 (Rollo, p. 1). On December 10, 1976 We required the private respondent-tenants to comment within ten (10) days from notice (Rollo, p. 51). Respondents filed their comment to the petition on January 22, 1977 (Rollo, p. 61) to which petitioner filed his reply on February 28, following (Rollo, p. 74). After several extensions petitioner finally filed his brief on October 15, 1977 (Rollo, p. 116). On January 5, 1978 respondents filed their brief (Rollo, p. 123), to which petitioner filed a reply brief on

June 17, 1978 (Rollo, p. 157). The case was submitted for decision in a resolution of this Court dated June 26, 1978.

C. In G.R. Nos. L-46211-12 — On May 20, 1977 petitioners-tenants filed their petition for review of the decision of the Court of Appeals in CA-G.R. Nos. SP-05825-26 and a motion to litigate as pauper (Rollo, pp. 1, 3). On May 30 following We resolved to admit the petition and to grant the motion to litigate as pauper, but after considering the allegations, issues and arguments adduced in the petition We resolved to deny the same for lack of merit (Rol/o. p. 68). Petitioners-tenants moved to reconsider and filed an omnibus motion inviting the attention of this Court to the petitions for review in G. R. Nos. L-44875-76 and L-45160 (above) which were given due course, and since the issues involved therein are the same as in the instant cases, moved that the same be given due course and be consolidated and decided jointly with the former cases (Rollp, pp. 75, 78). In a resolution dated September 7, 1977 We resolved to: (a) reconsider the resolution of May 30, 1977; (b) give due course to the petition; and (c) consolidate the instant cases with G.R. Nos. L-44875-76 and L-45160 (Rollo, p. 86). On January 17, and June 16, 1978 petitioners and respondents filed their briefs, respectively (Rollo, pp. 97, 163).

By way then of resume of the proceedings, these petitions which were previously denied due course were later entertained due mainly to the fact that the Court of Appeals thru its two Divisions, entertained contradictory interpretations of Sec. 34, R.A. 3844 or the Code of Agrarian Reforms of 1963 as amended by R.A. 6389 of September 10, 1971 a situation which calls for a definitive and authoritative interpretation of the question of law thus raised and resolved in conflicting ways by the two divisions of the Court of Appeals to which agrarian cases were, referred and by which the same were resolved pursuant to Section 18 on Appeals of PD 946, which reorganized the CAR and streamlined their procedures, etc.

III. Statement of Facts

A, In G.R. Nos, L-44875-76, the relevant facts as found by the Court of Appeals are as follows:

"As alleged in the complaints, the landholdings in question, known as Lots Nos. 29-Q, P-27 and R-28, each lot consisting of 5,000 square meters, located at Bo. Samon, Sta. Maria, Pangasinan, are planted to palay and tobacco alternately in one calendar year. As testified by the administrator of deceased plaintiffs lands, Luis A. Villareal, the principal crop of the landholdings is tobacco and the planting of palay depends on the rain (T.S.N., hearing of Feb. 28, 1973, pp. 9-10, CAR Case No. 1457-TP '11) and that defendant Aveiino Cabatan has been paying an annual rental of P25.00 for palay and 20 mctnos of batek tobacco while defendant Ambrosio Aspiras pays an annual rental of P109.80 for palay and 1 16 kilos lisa for tobacco (T.S.N., hearing of Feb. 28, 1973, pp. 12-14, both cases). Defendant confirmed these allegations and testimony (See allegations in defendants' Answer t.s.n., hearing of August 1, 1973, pp. 5, 21-2, both cases). In fact defendant Ambrosio Aspiras testified that in 1971, he was not able to plant this whole landholding with palay but only a portion thereof because it is sloping and could not be reached by water (T.S.N., hearing of Feb. 28, 1973, pp. 23-24, 31-32, CAR Case No. 1457-TP'71).

"According to Luis A. Villareal, after the fruitless conferences he had with the tenants of the hacienda, among whom were defendants, he had in Aprii and June, ! 97 1, regarding fixing of rental pursuant to the provisions of Rep. Act No. 2844, he wrote letters to the tenants inviting their attention to the provisions of the law regarding their obligations to notify the hacienda at least three days before they harvest any of their crops (T.S.N., hearing of Feb. 28, 1 973, pp. 5-8. CAR Case No. 1409-TP '71; pp. 3-7, CAR Case No. 1457-TP '71) that despite these notifications, defendants did not inform the hacienda or its representatives of the reaping and threshing of their 1971 crop and also refused to devulge their harvests (Id., pp. 9-10, CAR Case No. 1409-TP '71)." (id., pp. 7-8, CAR Case 1457-TP (71))." (Decision, Orig. Rec, pp. 218-219).'7 (Roth, pp. 4 1 -42).

B. In G.R. No. L-45160, "(O)n April 30, 1971, plaintiff-appellee Carmen G. de Villareai filed in the lower court a petition docketed therein as CAR Case No. 1312-TP '71, alleging, inter alia, that defendant Pablo

Ulanan is an agricultural lessee of a certain portion of Hacienda Esperanza, owned by her, situated in Barrio Samon, Sta. Maria, Pangasinan, with an area and agreed rate of lease rental indicated as follows:

"Bancag No. Area Yearly rental

19-P 5,000 sq.m. Cash: P25.00

Tobacco:

15 Kls. Burley

18-P 5,000 sq.m. Cash: P25.00

Tobacco:

12.5 Ms. Morada";

that for many years up to the present, defendant, without valid and justifiable cause, despite the fact that in one calendar year he had been continuously planting and producing palay and tobacco alternately, neglected, failed and refused to pay his lease rentals, in spite of repeated demands, and consequently, he is now in arrears including interests as follows:

"For BancagNo. 19-P:

768 manos Burley (Converted from:

P25.00

494.5 kilos Liso

9 kilos Burley)

"For Bancag No. 18-P:

1 5 1 manos Morada (Converted from:

309 " Liso P247.78

12.5 manos Morada

154.5 kilos Liso)."

She prayed that the lower court order defendant to pay her, among others, his arrears in lease rentals in the amount of 768 Manos Burley, 151 Manos Morada and 309 Manos Liso (tobacco), plus interest at the legal rate until the full amounts are finally paid by defendant.

"On March 14, 1972, same plaintiff filed a complaint with motion for an interlocutory order of provisional rental against same defendant, involving the same landholdings, docketed in the same court as CAR Case No. 1666-TP '72, alleging inter alia, that the landholdings leased by defendant are planted to tobacco, palay and/or corn alternately every calendar year; that sometime during the last palay harvest of 1971-1972, plaintiff desired

that the rentals of the landholdings be fixed in accordance with Sec. 34, Republic Act No. 3844, as amended, but defendant refused without just and valid cause; that aside from his unwarranted refusal aforementioned, defendant deliberately refused to share plaintiff in the palay produce in the harvest season of 1971; and that plaintiff desired to avail of the maximum 25% of the average normal harvest less the deductible items applicable, as lease rentals on the landholdings in the manner fixed by the law.

"On May 31, 1971, defendant filed his answer to the first complaint, alleging, by way of special and affirmative defenses, that as regards Bancag No. 18-P he and the landowner have an agreed rental of ₱22.50, instead of 25% of the average normal net harvest which he had been paying religiously together with the rental for Bancag No. 19-P; and that the rentals in arrears due to the landholdings being the obligations of the former lessees, he should not be made liable therefor.

"On March 28, 1972, defendant filed his answer to the second complaint, likewise denying all the material allegations thereof, and alleging that since he became the agricultural lessee of the landholdings in 1966, he had been religiously paying plaintiff the rentals; and that to require him to share the produce of the landholdings on a 75-25 basis would force him to go back to share tenancy which is against public policy and declared so by law.

"On August 13, 1971, a pre-trial hearing was conducted on CAR Case No. 1312-TP '71, but the same was terminated, the parties having failed to agree on any issue they raised.

"With respect to CAR Case No. 1666-TP '72, the following partial stipulation of facts was submitted by the parties:

'1. That defendant is a lessee of plaintiff over specific landholdings as alleged in paragraph 2, of the complaint:

'2. "That the landholdings are devoted to the planting of palay and tobacco alternately in a period of one year, or 12 months specifically to wit:

a. palay is planted in May-June and harvested in September-October;

b. Tobacco is planted in November-December and harvested in February-March of the succeeding year:

'3. That sometime in March of 1971 and before the palay planting season of that year 1971, plaintiff through her son and farm administrator, Gen. Luis A. Villa-Real, demanded from the defendant that thenceforth he shall pay a fix rental in kind equivalent to 25% of the average normal net harvest of each crop (palay & tobacco) of the past three agricultural years;

'4. That defendant rejected the demand of plaintiff aforementioned but defendant offered to pay the same annual rentals as alleged in paragraph 4 of the answer, which he has been paying prior to 1971-72;

'5. That plaintiff through her son and administrator afore-named refused to accept defendant's offer to pay the same rate of annual rental aforementioned for the reason that plaintiff desires to be paid net harvests of the past three agricultural years;

'6. That defendant reserves the right to prove that he has made certain payment of tobacco in 1972;

'7. That the rate of lease rentals which defendant used to pay is not equivalent to 25% of the average normal net harvests (from the landholdings) of the past three agricultural years immediately prior to 1971-72; (Roth, pp. 28-32).

'xxx xxx xxx.

C. In G.R. No. L-46211-12, "(I)n her almost identical complaints, the plaintiff, substituted by Luis A. Villareal, alleges that the defendants are their lessees over certain parcels of land devoted to the planting of tobacco, palay and corn alternately every calendar year; that because the lease rentals thereof are not in accordance with

Section 34 of Republic Act No. 3844, amended, the plaintiff desires to have the rentals fixed in accordance therewith; that when the plaintiff notified the latter deliberately refused to accede thereto as shown by defendants' acts of appropriating the whole palay harvest for the agricultural year 1971; she, therefore, prays that pending hearing of the two cases, an interlocutory order be issued fixing a provisional rental for the landholdings in question at 25% of the net harvests of each crop and after hearing a final rental thereof be fixed in accordance with Section 34 of Republic Act No. 3844, as amended, and that she be reimbursed litigation expenses and attorney's fees.

"Answering, the defendants alleged that the complaints states no cause of action because they state- that the defendants are agricultural lessees, but ask the parties to divide the crops at 75-25 in favor of the defendants which is share tenancy long abolished by Law; that the defendants have long been agricultural lessees over the landholdings described in the complaints even before the effectivity of Republic Act No. 3844, and that the rentals they have been paying were mutually and voluntarily agreed upon by the parties; that the lease rentals being legal and valid, the defendants shall continue to pay the same until modified by the parties or by the court and to facilitate the collection thereof, the defendants are willing to pay in cash. Defendants pray (1) for the dismissal of the complaints with costs against the plaintiff; (2) that the defendants be allowed to pay their respective rentals at their option; and (3) for payment of moral damages, litigation expenses and attorney's fees.

"On the motion for the issuance of an interlocutory order, the agrarian court, on September 5, 1972. ordered a provisional rental of 25% of each harvest, with the defendants to continue paying the plaintiff the usual amount of annual rental as agreed upon by the parties and the difference to complete the 25% ordered provisional rental shall be deposited with the court in cash, provided however, that in the event the plaintiff posted a bond for the difference, the 25% rental referred to shall be paid to the plaintiff.

"On July 12, 1972, the parties through their respective counsel, submitted to the agrarian court the following partial stipulation of facts:

"PARTIAL STIPULATION OF FACTS

'COME NOW the plaintiff and defendants through their respective counsel and respectfully submit the following partial stipulation of facts, for the purpose of resolving plaintiffs motion for the issuance of an interlocutory order fixing the provisional rentals of the defendants commencing from the agricultural year 1971-72 pending final disposition of this case on the merits:

'1. That defendants are lessees of the plaintiff over specific landholdings as alleged in paragraph 2 of the complaint;

'2. That the landholdings are devoted to the planting of palay and tobacco alternately in a period of one year or 12 months specifically to wit:

"a. palay is planted in May-June and harvested in September-October;

'b. Tobacco is planted in November-December and harvested in February-March of the succeeding year;

'3. That sometime in March of 1971 and before the palay planting season of that year 1971, plaintiff through her son and farm administrator, Gen. Luis A. Villa-Real demanded from the defendants that thenceforth they shall pay a fixed rental in kind equivalent to 25% of the average normal net harvest of each crop {palay and tobacco) of the past three agricultural years;

'4. That defendants rejected, the demand of plaintiff aforementioned but defendants offered to pay the same annual rentals, as alleged in paragraph 3 of the amended answer, which they have been paying prior to 1971-72;

'5. That plaintiff through her son and administrator aforementioned refused to accept defendants' offer to pay the same rate of annual rentals aforementioned for the reason that plaintiff desires to be paid the maximum ceiling

of 25% of the average normal harvests of the past three agricultural years, without prejudice on the part of the defendants to prove that they have made certain payments in tobacco in 1972;

'6. That the rate of lease rentals which defendants used to pay is not equivalent to 25% of the average normal net harvests (from the landholdings) of the past three agricultural years immediately prior to 1971-72;

'7. That this partial stipulation of facts is submitted without prejudice to the evidence, testimonial as well as documentary, already adduced and that the parties herein hereby reserved their right to submit in writing within live days from date thereof additional documentary evidence subject to the objection of each other, and the rulings of the Honorable Court. (Rollo, pp. 52-56).

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A consolidated resume of the material and relevant facts culled from the findings of the CAR, the stipulations of facts submitted by the parties and the foregoing findings of the Court of Appeals, follow.

Carmen G. Vda. de Viilareal was the owner of a vast tract of land known as Hacienda Esperanza situated at Barrio Saman, Sta. Maria, Pangasinan. The hacienda is divided into several farm lots which are being tilled by several tenants as early as 1920's and long before the effectivity of the first rice-share Tenancy Act (Act No. 4054) enacted in 1933.

The respective holdings by lot number, area, and rentals paid, held in tenancy and involved in these cases are:

A. In G.R. Nos. L-44875-76 (Rollo, p. 29)

Names Lots Nos, Area Rentals in Tobacco In Cash

1. Avelino Cabatan 29-Q 5,000 sq.m 20 manos batec P25.00

2. Ambrosio Aspiras P-27 5,000 sq.m. 116 kilos P109.80

R-27 5,000 " " liso

R-28 5,000 " "

B. In G.R. No. L-45160 (Rollo, pp. 28-29)

3. Pablo Ulalan 19-P 5,000sq.m. 15 kilos burley P25.00

18-P 5,000 " "

C. In G.R. Nos. L-4621UI2 (Rollo, pp. 32-33)

Names Lots Nos Area Rentals in Tobacco In Cash

4. Domingo S. Agunias 8-0 4,700 " " 22 manos P66.15

14-N 5,000 " " batec &

13-N 5,000 " " 2 sticks (todo)

5. Donato Camacho 17-N 5,000 sq.m 30 kilos P122.50

10-F 5,000 " barley &

30 manos batek

9-1 5,000 "

10-M 5,000 "

16-G 5.000 "

6. Martina Daclan 13-1 10:000 " " 60 todok P47.50

or 20 manos

batec

7. Pedro Defunturum, Jr. 17-0 10.000 " 60 todok P50.00

18-D-7 10,000 "

8. Ricardo Castillo 20-O 5.000 " " 10 manos batek P42.50

9. Amado Tamayo 10-P 5.000 " " 12 manos batek P25.00

10. Dionisia Herreria 14-N 10.000 " " 30 manos batek P75.00

17-G 5.000 " "

11. Bonifacio Pabelo 19-J 1.000 " " 36.6 manos batek P97.00

20-J 10,000 " "

13-M 5.000 " "

9-H 5.000 " "

8-H 600 " "

12. Francisco Suguitan 10-G 10,000 " " 30 manos batek P75.00

10-N 5,000 " "

13. Joventino Jaravata 14-J 5,000 " " 20 manos P50.00

15-J batek

14. Anastacio Melana 10-M 5,000 " " 10 manos P25.00

batek

15. Vicente Marquez 16-C 7,000 " " 143 manos batek P375.00

16-D 10,000 " "

17-D 5,000 " "

16-E 10,000 " "

15-F 4,000 " "

16-F 10,000

21-H 2,800 " "

9-L 10,000 " "

24-L 5,000 " "

24-M 3,000 " "

27-M 5,950

The foregoing rentals in tobacco and/or cash for palay harvest were arrived at or mutually agreed upon by the land owner and/or her predecessors and the respective tenants and/or their predecessors, before the enactment of the Tenancy Act fixing rentals on agri-tenanted holdings. The holdings are devoted to the planting of palay, sometimes corn, and tobacco alternately within the calendar year. palay is planted in May-June and harvested in September-October; while tobacco is planted in November-December and harvested in February-March of the following year. The tenancy agreements were renewable each calendar year (Rollo, p. 35, G.R. L-44875-76).

The hacienda, devoted mainly to production of native tobacco, is for the most part not irrigated but is dependent mainly on rainfall for water (Rollo, G.R. Nos. L-44875-76. p. 41). However, the landholdings of petitioner tenants in G.R. Nos. L-4621 1-12, CAMACHO, DACLAN, HERRERIA, PANELO, MELANA and MARQUEZ were benefited by the construction of the canals by the National Irrigation Administration (NIA) sometime in January 1975 (Rollo, p. 34).

Sometime in March, 1971, before the palay planting season, plaintiff Carmen G. de Villareal, through her son and farm administrator, Gen. Luis Villareal demanded from the defendant tenants in a series of conferences that thenceforth, they shall pay a fixed rental in kind equivalent to the normal harvest of each crop of palay or tobacco for the three agri-years in accordance with Sec. 34. The defendants-tenants rejected the plaintiffs demand and

instead offered to pay the same annual rentals or that which they have been paying prior to 1971-72. The landholder in turn refused to accept the tenants' counter offer. The lease rentals which the tenants were paying are not equivalent to or less than 25% of the average normal net harvest from the landholdings of the past three agri-years immediately prior to 1971-72 and therefore were found by the CAR to be unfair/unjust to the landholder. (See Decision in CA G.R. No. SP-04766 per Reyes, L.B., presiding, Rollo, G.R. No. L-45760 at p. 33; Partial Stipulation of Facts, G.R. No. L-46211-12).

In view of the failure to agree as to the rental rates, the landholder filed the Petitions with the Court of Agrarian Relations (CAR), Third Regional District, Branch II at Tayug, Pangasinan. CAR Cases Nos. 1312, 1409 and 1457 were filed in 1971. CAR Cases No. 1579-TP '72 and 1581-TP '72 were filed the following year.

The CAR, per Judge Arturo V. Malazo, denied the landholders' petition for ejectment but consistently upheld her right to have the rental rates fixed in accordance with the provisions of RA 3844, as amended by RA 6389, that is, a rental rate equivalent to the average of the normal net harvest of the past three agri-years. On appeal, as adverted to earlier, the Court of Appeals thru the 6th Division affirmed the CAR's judgment fixing the rental rates in G.R. Nos. L-44875-76 and G.R. Nos. L-4621 1-12 but the 7th Division reversed the lower court's decision in G.R. No. L-45160 in so far as it authorized the fixing of the rentals pursuant to Sec. 34 of RA 3844. Hence these petitions by the petitioners-tenants in G.R. Nos. L-44875-76 and L-46211-12 and the petitioner-landholder, in turn, in G.R. No. L-45160.

A. In G.R. Nos. L-44875-76, petitioners-tenants seek review and reversal of the Court of Appeals decision alleging —

1. That the cases should have been dismissed for lack of jurisdiction, it appearing in the decision of the CAR that there is no sufficient ground for ejecting them and that the ejectment of tenants is not allowed under PDs 27, 316 and 583; and,
2. That the Court of Appeals should not have affirmed the decision of the CAR which ordered the parties to liquidate the crops on the basis of 75-25 of the net harvests in favor of the tenants for three agri-years effective the agri-year 1975- 76 and thereafter ordering the parties to come to court for the fixing of the permanent rentals on the basis of the average of the three normal harvests.

B. In G.R. No. L-45916, the petitioner landholder, in turn, seeks review and reversal of the Court of Appeals decision on the lone ground that on the basis of the facts considered and undisputed, the Court of Appeals should have sustained the CAR's holding that the rentals be determined and fixed pursuant to Sec. 34 of the Agrarian Reform Code, R.A. 3844 in an amount not to exceed 25% of the average normal net harvest of the past three agri-years.

C. In G.R. Nos. L-46211-12, petitioner-tenants allege as grounds for their petitions that the Court of Appeals seriously erred —

1. In affirming the decision of the CAR with regards to six petitioners only and ordering them to liquidate the pa lay and tobacco crops on a sharing basis of 75-25 effective the agri-year 1976-77 and that these rentals be computed after three normal harvests, in spite of the fact that the said six petitioners have fixed leased rentals and without respondent- landholder introducing capital improvements in the land in question.
2. That the respondent Court of Appeals seriously erred in not resolving the appeal interposed by the six other petitioners in CA-G.R. No. 05825-R or CAR Case No. 1581-TP '72 of the trial court; and,
3. That the respondent Court of Appeals seriously erred in not ordering the private respondent landholder to

reimburse petitioner-tenants (the amount) they have paid in excess of their lease rentals effective the agri-year 1972-73.

From the foregoing statement of the errors alleged, the grounds relied upon by the petitioners-tenants and petitioner-landholder and the arguments they adduced in support thereof, the following issues emerge for Our resolution —

1. Did the Court of Appeals err in not ordering the CAR to dismiss the petition in G.R. Nos. L-44875-76 on the ground of lack of jurisdiction over the petition upon its finding that there was no ground to eject the petitioner-tenants and on the further ground that their ejectment is proscribed by PDs 27, 316 and 583?
2. May the CAR determine and fix the rentals to be paid by the tenants to the landholder in accordance with Sec. 34, RA 3844, as amended in an amount not to exceed 25% of the net average normal harvest of three preceeding agri-years? This is the core and common issue in these petitions, its resolution will settle the conflicting holdings of the two Divisions of the Court of Appeals and resolve this issue finally.
3. Did the Court of Appeals err in affirming the decision of the CAR with regard to six petitioners only in CA G.R. No. 05825-R and ordering them to liquidate the pa/ay and tobacco crops in an amount not to exceed 25% of the average net harvest effective the agri-year 1976-77, in spite of the fact that the tenants have fixed lease rentals, and without the landholder introducing capital improvements on the landholdings? And,
4. Did the respondent Court of Appeals err in not ordering the landholder to reimburse petitioner tenants in G.R. Nos. L- 46211-12 the amount they have paid as lease rentals effective the agri-year 1972-73?

V. RESOLUTIONS

We shall, for convenience and in the interest of clarity treat/ resolve the foregoing in the following order — Nos. 1, 3 and 4 and finally, the core or common issue raised in all the petitions, that is. No. 2 involving the interpretation and application of Section 34, RA 3844 as amended by RA 6389 on the proper rental rate.

FIRST ISSUE. This is resolved in the negative. Petitioners-tenants herein contend that because the CAR found ". . . that there is no sufficient ground for ejectment" the two case's — CARNos. 1409 and 1457 both Tayug, Pangasinan (TP)'71 — should have been dismissed and that it was an error on the part of the Court of Appeals, not to have ordered the CAR to dismiss the same.

It appears, however, that while the original actions were for ejectment on the ground of non-payment of rentals, the CAR dismissed the petitions for ejectment, ordered the payment of a provisional rental by petitioners-tenants based on 25% of the harvest, and thereafter, directed the parties to come before it for the fixing of the final rentals based on 25% of the average normal harvest of three (3) agri-years. These actuations of the CAR — providing for a provisional and fixing the final rental on the basis of the average normal harvests for 3 agri-years — is not a reversible error. The cause of action for the fixing of the proper rental was raised in the course of the hearings and the CAR was — at the time of the hearings and indeed even up to the present, under the presidential decree "Reorganizing the CAR, streamlining their Procedures and for other Purposes,"[1] not "... bound by the technical rules of evidence and procedure."[2]

Further, on petitioner's contention that the cases should have been dismissed for lack of jurisdiction — on the ground of the absence of a certification of triability by the Ministry of Agrarian Reform — the records show that the cases were initiated in the CAR in 1971. Pres. Decrees Nos. 316 and 583 invoked by the petitioners in assailing the CAR's exercise of jurisdiction over the cases and deciding the same were promulgated only on October 21, 1972 and October 22, 1973, respectively. It is a fundamental postulate that once a court has taken

jurisdiction over a case, its authority can not be affected adversely by a subsequent statute prescribing a precondition before the Court may take cognizance of the case.[3]

THIRD ISSUE. This issue is also resolved in the negative. The claim that the Court of Appeals affirmed the decision of the CAR with regard to six (6) petitioners only — namely (1) D. Agunias, (2) D. Camacho, (3) M. Daclan, (4) P. Difuntorum, Jr., (5) R. Castillo, and (6) A. Tamayo; Rec. G.R. No. L-46211 -12, p. 52 — is incorrect and irresponsible.

While the names of only six (6) of the original twelve (12) defendants-tenants in CAR Cases Nos. 1579 IP '71 and 1581 TP '71 (six defendants in each case) appear in the caption of CA G.R. Nos. SP-05825-26, this omission of the names of the six defendants-appellants in CAR Case No. 1581 -TP '72 in the caption of CA G.R. Nos. SP-05825-26 was simply a case of clerical oversight or typographical error only. The records show indubitably that both CAR cases were elevated to the Court of Appeals as evidenced by the notice of appeal of the petitioners. The two CAR cases were assigned two (2) docket numbers in the Court of Appeals in observance of the rule on the numbering of multiple cases and the decision of the Court of Appeals dated March 31, 1977 shows that the said Court took cognizance of, considered and decided the issues in the two cases appealed to it from the CAR. This may be gleaned from the following:

(1) The first paragraph of the decision of the Court of Appeals, reads thus:

"Being interrelated, the above-numbered cases were jointly tried and decided by the Court of Agrarian Relations, Branch II-A, Urdaneta, Pangasinan."

(2) In the same decision the paragraph succeeding the statement of the issue mentions the names of four of the six defendants in CAR Case No. 1581-TP :72 namely: (1) B. Panelo, (2) F. Suguitan, (3) A. Melana and (4) Pedro (should he Joventino) Jarabata, unmistakably showing that the Court of Appeals was fully aware of the claim of these six (6) defendants-appellants, whose names were, however, omitted in the caption.

We, therefore, hold that the defendants-appellants (1) B. Herreria, (2) B. Panelo, (3) F. Suguitan, (4) .1. Jarabata, (5) A. Melana, and (6) V. Marquez are covered by the decision in CA-G.R. Nos. SP-05825-26 and shall also be deemed included in this decision as private respondents.

FOURTH ISSUE. This is without merit. On September 5, 1972, the CAR (in CAR Cases 1579 and 1581 - TP '72) fixed a provisional rental for the parties at the ratio of 75-25 in favor of the tenants (petitioners herein) and accordingly directed them to pay the landholder (private respondents herein) the annual rentals which they have been paying previous to the agri-year 1971-72. The difference between the old (the rental they were paying) and the provisional (the one fixed by the CAR) rental, i.e., 25% of the harvest, was ordered to be deposited with the Court in cash, "... the same to be disposed of after the above cases should have been terminated." [4] Thus, pursuant to the said Order of September 5, 1972, the net harvests, since the agri-year 1971-72, were to be partitioned on 75-25 basis—(1) the 75% was given outright to the petitioners-tenants; (2) the amount which petitioners have been previously paying was delivered to the private respondent-landholder; and (3) the difference between the former rental and the 25% was deposited with the Court in cash.

It appears, however, that the Order of the Court was followed only in the agri-year] 97 1 -72 when the petitioners effected the cash deposits which they later withdrew.[5] In the succeeding agri-years -- 1972-73; 73-74; 74-75; 75-76 until the CAR rendered judgment on May 25, 1976. when the rental of 25% of the net harvests was finally directed — the parties liquidated their harvests on the 75-25 basis in favor of the petitioners. The claim, therefore, for reimbursement of the difference between the former rental they used to pay and the 25% rental ordered by the CAR. is without merit. For, the resolution, below, of the core issue which affirms the decisions of the CAR and

the CA — except in CA G.R. No. SP-04766 — renders this alleged error academic. Since the provisional rental of 25% has been found to be correct and proper, petitioner-tenants are not entitled to any reimbursement.

SECOND ISSUE. And now to resolve issue No. 2, the core question in these petitions which, in its simplest terms, may be stated as follow: Is the landholder-petitioner in G.R. No. L-45160 and private respondent in G.R. Nos. L-44875-76 and L-4621 1-12 — entitled to an upward adjustment of rentals for the holdings of petitioners-tenants in these cases, to conform with the ceiling provided in Sec. 34. RA 3844 (1963) as amended by RA 6389 (1971)?

Both parties invoke and rely upon Sec. 34 of RA 3844, as amended. The landowner-lessor claims that since the rentals being paid by the tenants-lessees were fixed before the effectivity of RA 3844, he is entitled to demand the maximum rental allowable under Section 34, which is 25% of the average normal harvest for the preceding three (3) agri-years. The tenants-lessees, on the other hand, argue that under the said section, rentals may not be increased, unless capital improvement has been introduced on their landholdings by the landholder resulting in increased production.

The case for the landholder was put forward in the CAR judgments which the Court of Appeals quoted with approval and is premised on considerations of justice and equity. It argues that the present rentals based on pre-war rates prevailing long before the effectivity of RA 3844, as amended, have been fixed for each calendar, not agricultural, year, and is grossly inadequate; that it is the policy of the law to encourage, if not to compel, the parties to strictly comply with its provisions; and that if the tenants can ask for a re-fixing of rentals to make it conform to law, the same right should be extended to the landholder in fairness to both parties.[6]

The brief for the tenants-lessees in turn rely upon the thesis that Sec. 34 is a social justice legislation aimed "... to redeem the tenants from misery, want and oftentimes oppression arising from the onerous terms of his tenancy." That a rental agreement voluntarily entered into is presumed valid and the party who questions its validity has the burden to show it is notconformable to law or is not reasonable and just. That the rental now being paid by the tenants is beneficial or advantageous to them because the same is less than 25% of the average harvest.[7]

For an insight into the meaning and real intent of the rental provision of the Agricultural Land Reform Code of 1963 (RA 3844) a review of the historical evolution of Section 34, the rental rate on leasehold tenancy, is necessary.

In the 1920's and up to 1946 — when the rentals which the tenants-lessees herein propose to continue paying were fixed — no lease tenancy regulatory statute imposing a limit on rentals for the lease of rural agricultural lands was as yet in existence. The Spanish Civil Code, the law then relative to "shares" on leases of rural properties reads us follow:

"ART. 1579. Leases on shares of arable land, breeding cattle, and of industrial or manufacturing establishments shall be governed by the provisions relating to the contract of partnership and by the agreements of the contracting parties, or, in default thereof, by the customs of the place."

It was not until September 30, 1946 when RA 34, amending Public Act No. 4054[8] was approved, that tenancy contracts stipulating a rental "higher than twenty-five percent of the estimated normal harvest, in case of a contract providing for a fixed rental of the land" were declared to be against public policy.[9] This statute, however, applied only to agricultural lands devoted to pa/ay (or rice) production.[10]

On August 30, 1954, RA 1591, otherwise known as "The Agricultural Tenancy Act of the Philippines" was approved. On the matter of consideration in agricultural lease agreements this Act provided that it shall be contrary to law, morals and public policy "... if the tenant-lessee is to pay to the landholder-lessor, as a

consideration for the use of the land, an amount in excess of that hereinafter provided for the kind and class of land involved.'[11] The maximum imposable considerations were:

"Section 46. Consideration for the Use of Land:

"(a) The consideration/or the use of ricelands, shall not be more than thirty per centum of the gross produce for first class lands and not more than twenty-five per centum for second class lands. Classification of ricelands shall be determined by productivity: first class lands being those which yield more than forty cavans per hectare and second class lands being those which yield forty cavans or less, the same to be computed upon the normal average harvest of the three preceding years.

"(b) The consideration for agricultural land where exist fruit trees and other useful trees and plants, from which the whole or any portion of the produce of the said land is taken, shall not be more than what have been specified in the preceding section: Provided, however, That additional considerations for the enjoyment of said trees and useful plants, if the principal product is rice or other crops, shall be decided and specified by negotiation between the landholder-lessor and the tenant-lessee: Provided, further, that where the tenant-lessee, during the period of lease and/or in consideration thereof, plants and/or takes care of said trees and plants, with the consent of the landholder-lessor, the tenant-lessee shall be compensated by the latter in the manner agreed between them.

"(c) The consideration for the use of sugar lands, fishponds, saltbeds and of land devoted to the raising of livestock shall be governed by stipulation between the parties."

Under the foregoing provision, there was no prohibition against a landholder-lessor demanding an increase in consideration if the same was less than that provided by the law.

As amended by RA 2263,[12] the same provision of RA 1199 reads as follows:

"Section 46. Consideration for the Use of Land.

"(a) The fixed consideration for the use of ricelands, shall not be more than the equivalent of twenty-five per centum in case of first class land and twenty per centum in case of second class land of the average gross produce, after deducting the same amount of palay used as seed and the cost of harvesting and threshing of the past three normal harvests: Provided, That if the landholder introduced improvements on the farm which will increase its productivity he may demand for an increase in production resulting from such improvements. In case of disagreement, the court shall determine reasonable increase in rental. Classification of ricelands shall be determined by productivity: first class lands being those which yield more than forty cavans or less, the same to be computed upon the normal average harvest of the three preceding years. (As amended)

"(b) The fixed consideration for agricultural land where fruit trees and other useful trees, crops and plants, from which the whole or any portion of the produce of the said land is taken, shall not be more than twenty-five percent of the average gross produce of the past three normal harvests: Provided, however, That additional considerations for the enjoyment of said trees and useful plants, if the principal product is rice or other crops, shall be decided and specified by negotiation between the landholder-lessor and the tenant-lessee during the period of the lease and/or in consideration thereof, plants and/or takes care of said trees and plants, with the consent of the landholder-lessor, the tenant-lessee shall be compensated by the latter in the manner agreed between them. (As amended)

"(c) The consideration for the use of sugarlands, fishponds, salt beds and of lands devoted to the raising of livestock governed by stipulation between the parties.

"(d) In case the landholding is planted to auxiliary crops, the landholder-lessor and tenant-lessee shall divide the same in accordance with the provision of Section thirty of this Act."

This was the first tenancy act which recognized the right of the landholder to demand an increase in rentals if he has introduced improvements on the farm which will increase its productivity. But then, this right of the landholder to demand an increase was applicable only to ricelands for it is quite clear that subsection (a) of the aforementioned section covered ricelands only.

In crops other than rice, e.g., tobacco — and except sugarlands, fishponds, saltbeds, and lands devoted to the raising of livestock — [Sub-section (c)], the maximum rental imposable was 25% of the average gross produce.

This prohibition against increase of rentals unless improvements are introduced in the land, was carried over in RA 3844[13] both in its original form and as amended by RA 6389[14]respectively, thus — in the original form —

Section 34. Consideration for the Lease of Riceland and Lands Devoted to Other Crops. —The consideration for the lease of riceland and lands devoted to other crops shall not be more than the equivalent to twenty-five per centum of the average normal harvest during the three agricultural years immediately preceding the date the leasehold was established after deducting the amount used for seeds and the cost of harvesting, threshing, loading, hauling and processing, whichever are applicable: Provided, That if the land has been cultivated for a period of less than three years, the initial consideration shall be based on the average normal harvest during the preceding years when the land was actually cultivated, or on the harvest of the first year in the case of newly-cultivated lands, if that harvest is normal: Provided, further, That after the lapse of the first three normal harvests, the final consideration shall be based on the average normal harvest during these three preceding agricultural years: Provided, furthermore, That in the absence of any agreement between the parties as to the rental, the maximum allowed herein shall apply: Provided, finally, That if capital improvements are introduced on the farm not by the lessee to increase its productivity, the rental shall be increased proportionately to the consequent increase in production due to said improvements. In case of disagreement, the Court shall determine the reasonable increase in rental."

and as amended —

xxx xxx xxx

"Section 34. Consideration for the Lease of Riceland and Lands Devoted lo Other Crops. -- The consideration for the lease of ricelands and lands devoted to other crops shall not be more than the equivalent of twenty-five per centum of the average normal harvest or if there have been no normal harvest, then the estimated normal harvest during the three agricultural years immediately preceding the date the leasehold was established after deducting the amount used for seeds and the cost of harvesting, threshing, loading, hauling and processing, whichever are applicable: Provided, That if the land has been cultivated for a period of less than three years, the initial consideration shall be based on the average normal harvest or if there have been no normal harvests, then the estimated normal harvest during the preceding years when the land was actually cultivated, or on the harvest of the first year in the case of newly cultivated lands, if that harvest is normal harvests, the final consideration shall be based on the average normal harvest during these three preceding agricultural years.

"In the absence of any agreement between the parties as to the rental, the Court of Agrarian Relations shall summarily determine a provisional rental in pursuance to existing laws, rules and regulations and production records available in the different field units of the department, taking into account the extent of the development of the land at the time of the conversion into leasehold and the participation of the lessee in the development thereof. This provisional rental shall continue in force and effect until a fixed rental is finally determined. The court shal! determine the fixed rental within thirty days after the petition is submitted for decision.

"If capital improvements are introduced on the farm not by the lessee to increase its productivity, the rental shall be increased proportionately to the consequent increase in production due to the said improvements. In case of disagreement, the Court shall determine the reasonable increase in rental."

From the foregoing, it is apparent that the legislative determination from 1954 thru 1972 was that 25% of the average normal harvest is the just and fair rental rate for leasehold — which form of tenure is preferred to the share system[15] — and for all crops is thus affirmed. But notable changes may be discerned between the above-quoted provisions of RA 1199 (as amended by RA 2263) and RA 3844 in the original form and as amended by RA 6389. Thus —

- a. The classification of ricelands into first and second classes under RA 1199 has been eliminated under RA 3844.
- b. The two-tiered lease considerations under RA 1199 for first and second class holdings have been made uniform in RA 3844 for all kinds of agri-crops at twenty-five percent of the average normal harvests.
- c. While the fixing of provisional rentals by the CAR was not provided in RA 1199, the same is allowed, under RA 3844.
- d. Under RA 1199, as amended, the improvements had to be introduced by the landholder-lessor to entitle him to an increase in rental proportionate to the increase in production. Under RA 3844, the introduction of capital improvements in order for the landholder or lessor to demand an increase in the rentals need not be necessarily introduced by the landholder/lessor, e.g., thru government irrigation systems.
- e. As stated earlier, the provision of RA 1199, as amended, on the matter was limited to ricelands only; latter legislation extended to others, e.g., tobacco, the other crop involved herein.

Prescinding from the premises that (1) the rentals which the tenants-lessees herein seek to continue paying to landholder-lessor were not fixed under any tenancy regulatory statute, and (2) that the same are less than 25% of the average normal harvest for three agri-years as found by the CAR and stipulated by the parties, the tenants' proposition that no adjustment of rentals may be demanded by the landholder Section 34, RA 3844, as amended — unless improvements have been introduced in their landholdings resulting in increased production — cannot be upheld for lack of merit and as being unfair and unjust to the landholder.

First. The contract of the parties must conform with the law in force at the time the contract was executed. Since at the time the contracts herein were entered into, there was as yet no statute fixing a ceiling on rentals and prohibiting the landholder from demanding an increase thereof, she, therefore, had the right to do so, and such right cannot be affected by subsequent statutes removing or eliminating such right. The late Carmen G. Vda. de Villareal, now represented by Luis Villareal, filed the complaints in the CAR in 1971 and 1972, invoking the provisions of RA 3844, as amended, to fix the rentals for both the tobacco and the palay crops raised in her landholdings in question. Her demand then was not contrary to law, morals or public policy; for it is an admitted fact "... that the rentals which defendants (tenants) used to pay is not equivalent to 25% of the average net normal harvests (from the landholdings) of the past three agri-years immediately prior to 1971-72. It would be otherwise if the landholder demanded for an increase in rentals which were previously fixed under the regime of a law prescribing a maximum allowable rental, for then the landholder would be estopped from questioning the rental thus fixed. Or, if the rental fixed was already in the maximum, for-then the demand would be contrary to law.

In the cases at bar, the rentals were fixed by the parties neither under the regime of Act 4054, as amended, nor under RA 1199, original and as amended, nor under RA 3844, original and as amended. There was no way for the private parties herein to know in the 1920's and up to 1946 that statutes would subsequently be enacted providing maximum allowable rentals and prohibiting the increase thereof once fixed by them. To apply the prohibition against the increase in rental which is unjust, because below the legal rate, would amount to a retrospective application of the prohibition which did not exist at the time the contracts were entered into and which the parties could not have reasonably foreseen would be enacted years later.

Second. The tenants" — petitioners in G.R. Nos. L-44875-6 and L-4621 1 -2 and respondents in L-45 160 — proposition that the rentals rate cannot be re-determined would perpetuate an unjust and unfair rental rate which is admittedly less than that authorized under RA 3844, as amended, and which legislative determination has consistently provided as the just and fair rental rate. For the uniform findings of fact by the CAR in all these cases affirmed by the three divisions of the Court of Appeals, is to the effect that the rentals agreed upon are less than 25% of the average normal harvest for three agri-years.

Third. Finally, the reliance by the tenants-lessees on "social justice" as a reason to support the continuance of an unjust and inequitable rental rate is not only improper but would countenance and perpetuate an injustice against the landholder-lessor. This, the constitutional precept of "social justice" was never meant to do.

For while it is true that RA 3844 and its amendment — as are all agricultural tenancy and agrarian reform acts — were enacted as social justice measures, "(t)he promotion of social justice, however . . .," in the very words of Justice Laurel, ". . . is to be achieved not thru a mistaken sympathy towards any given group." For "social justice means . . . the promotion of the welfare of all the people, the adoption by the Government of measures calculated to insure economic stability of all the competent elements of society, through the maintenance of a proper economic and social equilibrium in the interrelations of (all) the members of the community, constitutionally, through the adoption of measures legally justifiable, or extra-constitutionally through the exercise of powers underlying the existence of all governments on the time-honored principle of *salus populi est suprema lex*. It ". . . must be founded on the recognition of the necessity of interdependence among divers and diverse units of a society and of the protection that should be equally and evenly extended to all groups as a combined force in our social and economic life, consistent with the fundamental and paramount objective of the state of promoting the health, comfort, and quiet of all persons, and of bringing about 'the greatest good to the greatest number.'"[16]

Social justice as thus defined and in its true meaning is not meant to countenance, much less perpetuate, an injustice against any group — not even as against landholders. For the landholders as a component unit or element in our agro-industrial society are entitled to "equal justice under law" which our courts are, above everything else, under mandate of the Constitution to dispense fairly, without fear nor favor.

In our scheme of government, social justice as a fundamental principle enshrined in the 1935, reiterated and revitalized in the 1973 Constitution, is formulated and implemented by the legislative and the executive departments, respectively. It is the specific duty of the judiciary in turn to examine and determine — in appropriate cases coming before the courts — the intent and scope — or the constitutionality, where raised — of tenancy, labor and other social legislation and/or measures. This responsibility the judiciary has discharged, ever mindful and always aware in proper cases that in the words of the famous grass-roots slogan of the late President Magsaysay ". . . those who have less in life should have more in law."[17] A cursory study of the long line of decisions on social justice will readily reveal, however, that the concept has fleshed out — the principle, conceptualized — as Justice Laurel enjoined in the celebrated case of *Calalang vs. Williams* — not thru mistaken sympathy for or misplaced antipathy against any group — whether labor or capital, landlord or tenant — but even-handedly and fairly, thru the observance of the principle of "equal justice under law," for all and each and every element of the body politic.[18]

IN VIEW OF ALL THE FOREGOING, the decisions of the Court of Appeals in CA-G.R. No. SP-04777-79 and CA-G.R. No. SP-05825-26 (G.R. L-44875-76 and G.R. L-46211-12, respectively) are hereby AFFIRMED, in toto. The decision of the Court of Appeals in CA-G.R. No. SP-04766-R (G.R. L-45160) is hereby REVERSED and the CAR is hereby authorized to determine and fix the rentals on the basis of not more than 25% of the average normal harvest for three (3) agri-years for both tobacco and palay crops. The order to the landholder to make reimbursements to the tenants is SET ASIDE. The records of these cases are hereby REMANDED to the

Court of Agrarian Relations, Third Regional District, Branch III, at Urdaneta, Pangasinan, for determination and fixing of proper rental rates under Section 34. RA No. 3844, as amended. No costs.

SO ORDERED.

Barredo (Chairman), Antonio, Concepcion Jr., and Abad Santos, JJ., concur.
Aquino, J., in the result.

[1] Sec. 16. RA 946. effective June 17. 1976.

[2] Sec. 155. RA 3844.

[3] Aquisapvs, Basilio. Ci.R. No. 1,-2 1 293. Dec. 29. 1967.21 SCRA 1434.

[4] Decision, Rollo, (1,-4621 1-1 2). pp. 64-45. CA-SP 05825-26: paragraph: per Justice R. Gaviola.

[5] Cf. Decision. Rollo (1,-45760). p. 37. CA. SP-04766 per Justice L.B. Reyes.

[6] Rollo. G.R. No. L-44875-76. pp. 45-46: Id.. Ci.R. No. L-4621 1-12-pp. 62-63.

[7] Rollo. G.R. No. I.-45 160. pp. 36-37.

[8] The "Rice Share Tenancy Act" enacted February 27. 1933.

[9] Sec. 2 provides as follows:

"SEC. 2. Section seven of the same act, as amended by Commonwealth Act Numbered One hundred seventy-eight, is hereby further amended to read as follows:

xxx xxx xxx

"The following stipulations are hereby declared to be against public policy:

"(a) if the tenant shall receive less than fifty-five per cent of the net produce, in case he furnishes the work animals and the farm implements, and the expenses of planting and cultivation are borne equally by said tenant and the landlord.

"(b) If the rental stipulated to be paid by the tenant to the landlord is higher than twenty-five per cent of the estimated normal harvest, in case of a contract providing for a fixed rental of the land.

"(c) If the landlord is the owner of the work animal, and tenant of the farm implements, and the expenses are equally divided between the landlord and the tenant, for the tenant to receive less than fifty per centum of the net crop."

[10] Cf. Arciga vs. de Jesus, G.R. No. L-2003, Jan. 28, 1950. 85 Phil. 348; Villanueva vs. Tenancy Division, Dept. of Justice, G.R. No. L-4019, July 31. 1951. 89 Phil. 668; and Vidal et al., vs. Judge Roldan, CIR, et al. G.R. No. L-5178. Oct. 24. 1952. 92 Phil. 137. this Court held that the Philippine Rice Share Tenancy Act (Public Act No. 4054), approved February 27, 1933. was applicable only to ricelands. A fortiori, Rep. Act. No. 34 which was only amendatory of the provisions of Act No. 4054 also covered ricelands only.

[11] Sec. 11(B) (a).

[12] Approved June 19. 1959.

[13] The Agricultural Land Reform Code: approved August 8, 1963.

[14] The Code of Agrarian Reform; approved September. 10, 1971.

[15] The Share Tenancy System which has existed from time immemorial and which was the subject of legislation under Act 4054. RA 34 and thereafter. RA 1 199 was abolished in 1963 per Sec. 4 of RA 3544 and declared contrary to public policy.

[16] Calalang vs. Williams. No. 47000. Dec. 2. 1940: 70 Phil, at pp. 734-735: Fernando. The Const, of the Phil.. 1974 ed.. pp. 79-83.

[17] A paraphrase of Prof. Thomas Reed Powell's (of Harvard) "He who is less favored in life should be more favored in law." Tanada and Fernando, Constitution of the Philippines. 4th Ed. (1952). p. 63. et. seq,

[18] Eg.. Calalang vs. Williams, 70 Phil. 726 (1 940) cited, supra: Guide vs. Rural Progress Administration, 47 O.Ci. 1848. (1949) 84 Phil. 847, a reconciliation between conflicting claims of social justice and protection to property and rights; Militona Estate Inc. vs. De Guzman, et al.. No. L-1 1912 (1959), 105 Phil. 1296 (unreported).

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