

LUIS PICHEL, PETITIONER, VS. PRUDENCIO ALONZO, RESPONDENT.

G.R. No. L-36902. January 30, 1982

Ponente: GUERRERO, J.

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GUERRERO, J.:

This is a petition to review on certiorari the decision of the Court of First Instance of Basilan City dated January 5, 1973 in Civil Case No. 820 entitled "Prudencio Alonzo, plaintiff, vs. Luis Pichel, defendant."

This case originated in the lower Court as an action for the annulment of a "Deed of Sale" dated August 14, 1968 and executed by Prudencio Alonzo, as vendor, in favor of Luis Pichel, as vendee, involving property awarded to the former by the Philippine Government under Republic Act No. 477. Pertinent portions of the document sued upon read as follows:

"That the VENDOR for and in consideration of the sum of FOUR THOUSAND TWO HUNDRED PESOS (P4,200.00), Philippine Currency, in hand paid by the VENDEE to the entire satisfaction of the VENDOR, the VENDOR hereby sells, transfers, and conveys, by way of absolute sale, all the coconut fruits of his coconut land, designated as Lot No. 21-Subdivision Plan No. Psd-32465, situated at Balactasan Plantation, Lamitan, Basilan City, Philippines;

"That for the herein sale of the coconut fruits are for all the fruits on the aforementioned parcel of land presently found therein as well as for future fruits to be produced on the said parcel of land during the years period; which shall commence to run as of SEPTEMBER 15, 1968; up to JANUARY 1, 1976 (sic);

"That the delivery of the subject matter of the Deed of Sale shall be from time to time and at the expense of the VENDEE who shall do the harvesting and gathering of the fruits;

"That the Vendor's right, title, interest and participation herein conveyed is of his own exclusive and absolute property, free from any liens and encumbrances and he warrants to the Vendee good title thereto and to defend the same against any and all claims of all persons whomsoever."[1]

After the pre-trial conference, the Court a quo issued an Order dated November 9, 1972 which in part reads thus:

"The following facts are admitted by the parties:

"Plaintiff Prudencio Alonzo was awarded by the Government that parcel of land designated as Lot No. 21 of Subdivision Plan Psd-32465 of Balactasan, Lamitan, Basilan City in accordance with Republic Act No. 477. The award was cancelled by the Board of Liquidators on January 27, 1965 on the ground that, previous thereto, plaintiff was proved to have alienated the land to another, in violation of law. In 1972, plaintiff's, rights to the land were reinstated.

"On August 14, 1968, plaintiff and his wife sold to defendant all the fruits of the coconut trees which may be harvested in the land in question for the period, September 15, 1968 to January 1, 1976, in consideration of P4,200.00. Even as of the date of sale, however, the land was still under lease to one, Ramon Sua, and it was the agreement that part of the consideration of the sale, in the sum of P3,650.00, was to be paid by defendant directly to Ramon Sua so as to release the land from the clutches of the latter. Pending said payment plaintiff

refused to allow the defendant to make any harvest.

"In July 1972, defendant for the first time since the execution of the deed of sale in his favor, caused the harvest of the fruit of the coconut trees in the land.

x x x x x x x x

"Considering the foregoing, two issues appear posed by the complaint and the answer which must needs be tested in the crucible of a trial on the merits, and they are:

"First. - Whether or not defendant actually paid to plaintiff the full sum of P4,200.00 upon execution of the deed of sale.

"Second. - Is the deed of sale, Exhibit 'A', the prohibited encumbrance contemplated in Section 8 of Republic Act No. 477?"[2]

Anent the first issue, counsel for plaintiff Alonzo subsequently "stipulated and agreed that his client x x x admits full payment thereof by defendant." [3] The remaining issue being one of law, the Court below considered the case submitted for summary judgment on the basis of the pleadings of the parties, and the admission of facts and documentary evidence presented at the pre-trial conference.

The lower court rendered its decision now under review, holding that although the agreement in question is denominated by the parties as a deed of sale of fruits of the coconut trees found in the vendor's land, it actually is, for all legal intents and purposes, a contract of lease of the land itself. According to the Court:

"x x x the sale aforesaid has given defendant complete control and enjoyment of the improvements of the land. That the contract is consensual; that its purpose is to allow the enjoyment or use of a thing; that it is onerous because rent or price certain is stipulated; and that the enjoyment or use of the thing certain is stipulated to be for a certain and definite period of time, are characteristics which admit of no other conclusion. x x x The provisions of the contract itself and its characteristics govern its nature." [4]

The Court, therefore, concluded that the deed of sale in question is an encumbrance prohibited by Republic Act No. 477 which provides thus:

"Sec. 8. Except in favor of the Government or any of its branches, units, or institutions, land acquired under the provisions of this Act or any permanent improvements thereon shall not be subject to encumbrance or alienation from the date of the award of the land or the improvements thereon and for a term of ten years from and after the date of issuance of the certificate of title, nor shall they become liable to the satisfaction of any debt contracted prior to the expiration of such period.

"Any occupant or applicant of lands under this Act who transfers whatever rights he has acquired on said lands and/or on the improvements thereon before the date of the award or signature of the contract of sale, shall not be entitled to apply for another piece of agricultural land or urban, homesite or residential lot, as the case may be, from the National Abaca and Other Fibers Corporation; and such transfer shall be considered null and void." [5]

The dispositive portion of the lower Court's decision states:

"WHEREFORE, it is the judgment of this Court that the deed of sale, Exhibit 'A', should be, as it is, hereby declared null and void; that plaintiff be, as he is, ordered to pay back to defendant the consideration of the sale in the sum of P4,200.00 the same to bear legal interest from the date of the filing of the complaint until paid; that defendant shall pay to the plaintiff the sum of P500.00 as attorney's fees.

Costs against the defendant." [6]

Before going into the issues raised by the instant Petition, the matter of whether, under the admitted facts of this case, the respondent had the right or authority to execute the "Deed of Sale" in 1968, his award over Lot No. 21 having been cancelled previously by the Board of Liquidators on January 27, 1965, must be clarified. The case in point is *Ras vs. Sua*[7] wherein it was categorically stated by this Court that a cancellation of an award granted pursuant to the provisions of Republic Act No. 477 does not automatically divest the awardee of his rights to the land. Such cancellation does not result in the immediate reversion of the property subject of the award, to the State. Speaking through Mr. Justice J.B.L. Reyes, this Court ruled that "until and unless an appropriate proceeding for reversion is instituted by the State, and its reacquisition of the ownership and possession of the land decreed by a competent court, the grantee cannot be said to have been divested of whatever right that he may have over the same property." [8]

There is nothing in the record to show that at any time after the supposed cancellation of herein respondent's award on January 27, 1965, reversion proceedings against Lot No. 21 were instituted by the State. Instead, the admitted fact is that the award was reinstated in 1972. Applying the doctrine announced in the above-cited *Ras* case, therefore, herein respondent is not deemed to have lost any of his rights as grantee of Lot No. 21 under Republic Act No. 477 during the period material to the case at bar, i.e., from the cancellation of the award in 1965 to its reinstatement in 1972. Within said period, respondent could exercise all the rights pertaining to a grantee with respect to Lot No. 21.

This brings Us to the issues raised by the instant Petition. In his Brief, petitioner contends that the lower Court erred:

1. In resorting to construction and interpretation of the deed of sale in question where the terms thereof are clear and unambiguous and leave no doubt as to the intention of the parties;
2. In declaring - granting without admitting that an interpretation is necessary - the deed of sale in question to be a contract of lease over the land itself where the respondent himself waived and abandoned his claim that said deed did not express the true agreement of the parties, and on the contrary, respondent admitted at the pre-trial that his agreement with petitioner was one of sale of the fruits of the coconut trees on the land;
3. In deciding a question which was not in issue when it declared the deed of sale in question to be a contract of lease over Lot 21;
4. In declaring furthermore the deed of sale in question to be a contract of lease over the land itself on the basis of facts which were not proved in evidence;
5. In not holding that the deed of sale, Exhibit "A" and "2", expresses a valid contract of sale;
6. In not deciding squarely and to the point the issue as to whether or not the deed of sale in question is an encumbrance on the land and its improvements prohibited by Section 8 of Republic Act 477; and
7. In awarding respondent attorney's fees even granting, without admitting, that the deed of sale in question is violative of Section 8 of Republic Act 477.

The first five assigned errors are interrelated, hence, We shall consider them together. To begin with, We agree with petitioner that construction or interpretation of the document in question is not called for. A perusal of the deed fails to disclose any ambiguity or obscurity in its provisions, nor is there doubt as to the real intention of the contracting parties. The terms of the agreement are clear and unequivocal, hence the literal and plain meaning thereof should be observed. Such is the mandate of the Civil Code of the Philippines which provides that:

"Art. 1370. If the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulation shall control. x x x."

Pursuant to the afore-quoted legal provision, the first and fundamental duty of the courts is the application of the contract according to its express terms, interpretation being resorted to only when such literal application is impossible.[9]

Simply and directly stated, the "Deed of Sale" dated August 14, 1968 is precisely what it purports to be. It is a document evidencing the agreement of herein parties for the sale of coconut fruits of Lot No. 21, and not for the lease of the land itself as found by the lower Court. In clear and express terms, the document defines the object of the contract thus: "the herein sale of the coconut fruits are for all the fruits on the aforementioned parcel of land during the years x x x (from) SEPTEMBER 15, 1968; up to JANUARY 1, 1976." Moreover, as petitioner correctly asserts, the document in question expresses a valid contract of sale. It has the essential elements of a contract of sale as defined under Article 1458 of the New Civil Code which provides thus:

"Art. 1458. By the contract of sale one of the contracting parties obligates himself to transfer the ownership of and to deliver a determinate thing, and the other to pay therefor a price certain in money or its equivalent.

A contract of sale may be absolute or conditional."

The subject matter of the contract of sale in question are the fruits of the coconut trees on the land during the years from September 15, 1968 up to January 1, 1976, which subject matter is a determinate thing. Under Article 1461 of the New Civil Code, things having a potential existence may be the object of the contract of sale. And in *Sibal vs. Valdez*, 50 Phil. 512, pending crops which have potential existence may be the subject matter of sale. Here, the Supreme Court, citing *Mechem on Sales* and American cases said:

"Mr. Mechem says that a valid sale may be made of a thing, which though not yet actually in existence, is reasonably certain to come into existence as the natural increment or usual incident of something already in existence, and then belonging to the vendor, and the title will vest in the buyer the moment the thing comes into existence. (*Emerson vs. European Railway Co.*, 67 Me., 387; *Cutting vs. Packers Exchange*, 21 Am. St. Rep., 63) Things of this nature are said to have a potential existence. A man may sell property of which he is potentially and not actually possessed. He may make a valid sale of the wine that a vineyard is expected to produce; or the grain a field may grow in a given time; or the milk a cow may yield during the coming year; or the wool that shall thereafter grow upon sheep; or what may be taken at the next case of a fisherman's, net; or fruits to grow; or young animals not yet in existence; or the good will of a trade and the like. The thing sold, however, must be specific and identified. They must be also owned at the time by the vendor. (*Hull vs. Hull*, 48 Conn., 250 (40 Am. Rep., 165)" (pp. 522-523).

We do not agree with the trial court that the contract executed by and between the parties is "actually a contract of lease of the land and the coconut trees there." (CFI Decision, p. 62, Records). The Court's holding that the contract in question fits the definition of a lease of things wherein one of the parties binds himself to give to another the enjoyment or use of a thing for a price certain and for a period which may be definite or indefinite (Art. 1643, Civil Code of the Philippines) is erroneous. The essential difference between a contract of sale and a lease of things is that the delivery of the thing sold transfers ownership, while in lease no such transfer of ownership results as the rights of the lessee are limited to the use and enjoyment of the thing leased.

In *Rodriguez vs. Borromeo*, 43 Phil. 479, 490, the Supreme Court held:

"Since according to article 1543 of the same Code the contract of lease is defined as the giving or the concession of the enjoyment or use of a thing for a specified time and fixed price, and since such contract is a form of enjoyment of the property, it is evident that it must be regarded as one of the means of enjoyment referred to in said article 398, inasmuch as the terms enjoyment, use, and benefit involve the same and analogous meaning relative to the general utility of which a given thing is capable." (104 *Jurisprudencia Civil*, 443)

In concluding that the possession and enjoyment of the coconut trees can therefore be said to be the possession and enjoyment of the land itself because the defendant-lessee in order to enjoy his right under the contract, he actually takes possession of the land, at least during harvest time, gather all of the fruits of the coconut trees in the land, and gain exclusive use thereof without the interference or intervention of the plaintiff-lessor such that said plaintiff-lessor is excluded in fact from the land during the period aforesaid, the trial court erred. The contract was clearly a "sale of the coconut fruits." The vendor sold, transferred and conveyed "by way of absolute sale, all the coconut fruits of his land," thereby divesting himself of all ownership or dominion over the fruits during the seven-year period. The possession and enjoyment of the coconut trees cannot be said to be the possession and enjoyment of the land itself because these rights are distinct and separate from each other, the first pertaining to the accessory or improvements (coconut trees) while the second, to the principal (the land). A transfer of the accessory or improvement is not a transfer of the principal. It is the other way around, the accessory follows the principal. Hence, the sale of the nuts cannot be interpreted nor construed to be a lease of the trees, much less extended further to include the lease of the land itself.

The real and pivotal issue of this case which is taken up in petitioner's sixth assignment of error and as already stated above, refers to the validity of the "Deed of Sale", as such contract of sale, vis-a-vis the provisions of Sec. 8, R.A. No. 477. The lower Court did not rule on this question, having reached the conclusion that the contract at bar was one of lease. It was from the context of a lease contract that the Court below determined the applicability of Sec. 8, R.A. No. 477, to the instant case.

Resolving now this principal issue, We find after a close and careful examination of the terms of the first paragraph of Section 8 hereinabove quoted, that the grantee of a parcel of land under R.A. No. 477 is not prohibited from alienating or disposing of the natural and/or industrial fruits of the land awarded to him. What the law expressly disallows is the encumbrance or alienation of the land itself or any of the permanent improvements thereon. Permanent improvements on a parcel of land are things incorporated or attached to the property in a fixed manner, naturally or artificially. They include whatever is built, planted or sown on the land which is characterized by fixity, immutability or immovability. Houses, buildings, machinery, animal houses, trees and plants would fall under the category of permanent improvements, the alienation or encumbrance of which is prohibited by R.A. No. 477. While coconut trees are permanent improvements of a land, their nuts are natural or industrial fruits which are meant to be gathered or severed from the trees, to be used, enjoyed, sold or otherwise disposed of by the owner of the land. Herein respondents, as the grantee of Lot No. 21 from the Government, had the right and prerogative to sell the coconut fruits of the trees growing on the property.

By virtue of R.A. No. 477, bona fide occupants, veterans, members of guerilla organization and other qualified persons were given the opportunity to acquire government lands by purchase, taking into account their limited means. It was intended for these persons to make good and productive use of the lands awarded to them, not only to enable them to improve their standard of living, but likewise to help provide for the annual payments to the Government of the purchase price of the lots awarded to them. Section 8 was included, as stated by the Court a quo to protect the grantees "from themselves and the incursions of opportunists who prey on their misery and poverty." It is there to insure that the grantees themselves benefit from their respective lots, to the exclusion of other persons.

The purpose of the law is not violated when a grantee sells the produce or fruits of his land. On the contrary, the aim of the law is thereby achieved, for the grantee is encouraged and induced to be more industrious and productive, thus making it possible for him and his family to be economically self-sufficient and to lead a respectable life. At the same time, the Government is assured of payment on the annual installments on the land. We agree with herein petitioner that it could not have been the intention of the legislature to prohibit the grantee

from selling the natural and industrial fruits of his land, for otherwise, it would lead to an absurd situation wherein the grantee would not be able to receive and enjoy the fruits of the property in the real and complete sense.

Respondent through counsel, in his Answer to the Petition contends that even granting *arguendo* that he executed a deed of sale of the coconut fruits, he has the "privilege to change his mind and claim it as (an) implied lease," and he has the "legitimate right" to file an action for annulment "which no law can stop." He claims it is his "sole construction of the meaning of the transaction that should prevail and not petitioner (sic)."[10] Respondent's counsel either mis-applies the law or is trying too hard and going too far to defend his client's hopeless cause. Suffice it to say that respondent-grantee, after having received the consideration for the sale of his coconut fruits, cannot be allowed to impugn the validity of the contracts he entered into, to the prejudice of petitioner who contracted in good faith and for a consideration.

The issue raised by the seventh assignment of error as to the propriety of the award of attorney's fees made by the lower Court need not be passed upon, such award having been apparently based on the erroneous finding and conclusion that the contract at bar is one of lease. We shall limit Ourselves to the question of whether or not in accordance with Our ruling in this case, respondent is entitled to an award of attorney's fees. The Civil Code provides that:

"Art. 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

- (1) When exemplary damages are awarded;
- (2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;
- (3) In criminal cases of malicious prosecution against the plaintiff;
- (4) In case of a clearly unfounded civil action or proceeding against the plaintiff;
- (5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;
- (6) In actions for legal support;
- (7) In actions for the recovery of wages of household helpers, laborers and skilled workers;
- (8) In actions for indemnity under workmen's compensation and employer's liability laws;
- (9) In a separate civil action to recover civil liability arising from a crime;
- (10) When at least double judicial costs are awarded;
- (11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.

In all cases, the attorney's fees and expenses of litigation must be reasonable."

We find that none of the legal grounds enumerated above exists to justify or warrant the grant of attorney's fees to herein respondent.

IN VIEW OF THE FOREGOING, the judgment of the lower Court is hereby set aside and another one is entered dismissing the Complaint. Without costs.

SO ORDERED.

Teehankee, (Chairman), Makasiar, Fernandez, Melencio-Herrera, and Plana, JJ., concur.

[1] Exhibit "A", Folder of Exhibits.

[2] Order of the lower Court dated November 9, 1972, Original Record on Appeal, pp. 9-10. The first issue was originally phrased thus: "Was the partial consideration of sale in the sum of P3,650.00 paid by defendant to Ramon Sua as agreed upon by the parties?," but was later changed to what appears above, in an Order dated November 21, 1972, Original Record on Appeal, p. 12.

[3] Decision of the lower Court dated January 5, 1973, Original Record on Appeal, p. 16.

[4] Ibid., pp. 17-18.

[5] This provision has been amended by Section 2 of Presidential Decree No. 967, promulgated on June 24, 1976, to read as follows:

"Sec. 8. Any provision of law, executive order, rules or regulations to the contrary notwithstanding, an applicant who has acquired land pursuant to the provisions of this Act and to whom a certificate of title has been issued covering such land may sell, cede, transfer, or convey his rights and interests therein, including the permanent improvements on the land, to any interested party."

[6] Decision of the lower Court dated January 5, 1973, Original Record on Appeal, p. 19.

[7] L-23302, September 25, 1968, 25 SCRA 153.

[8] Ibid., p. 160.

[9] See Pacific Oxygen and Acetylene Co. vs. Central Bank, L-21881, March 1, 1968, 22 SCRA 917, 921.

[10] Respondent's Answer to Petition for Review, p. 5; Rollo, p. 74.

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