

DOMINGO T. LAO, PETITIONER, VS. HON. JOSE MOYA, JUDGE OF THE COURT OF FIRST INSTANCE OF MANILA AND LAO KANG SUY, RESPONDENTS.*G.R. No. L-24528. July 31, 1970*

Ponente: MAKALINTAL, J.

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In its decision promulgated January 31, 1968 this Court dismissed the petition for certiorari to set aside the pre-trial order of respondent Court of First Instance dated April 13, 1964 and its subsequent orders of January 25, 1965; April 21, 1965; and May 3, 1965. The pre-trial order, issued upon agreement of the parties, bound the petitioner herein, Domingo T. Lao, defendant in Civil Case No. 54689 of said Court, to sell his hacienda Mapaya in Occidental Mindoro within a period of four (4) months at a price of not less than P1,000,000, failing which the plaintiff therein, now respondent Lao Kang Suy, was authorized to offer it for sale at the same minimum price. Out of the proceeds of the sale an amount to cover the plaintiff's claim would be deposited in Court to await the result of the action, which was for the collection of certain sums for which the plaintiff might be held liable as indemnitor on a number of obligations incurred by the defendant in favor of several creditors.

The defendant failed to sell the property within the four months mentioned in the pre-trial order, nor within the extension of four months subsequently granted to him by the trial court, by reason of which failure the plaintiff was authorized to offer the property to the Independent Investment Co., Inc. for P1,000,000, and such offer having been made and accepted, the defendant was ordered to execute the corresponding deed of sale within 10 days, otherwise the same would be executed by the Clerk of Court. These are the orders which the petitioner here asked us to set aside in this proceeding. We denied the petition as aforestated, and we now take up the matter anew on the petitioner's motion for reconsideration.

A perusal of our decision reveals that it turned upon one important factual question whether or not when the pre-trial order of April 13, 1964 was issued by the trial court, the hacienda Mapaya had already been sold by the petitioner, as he alleged, to the Republic of the Philippines. The pivotal character of this question is implicit in the decision, as the following excerpts therefrom show:

"... In the course of the discussion+ respondent learned of a supposed sale made by petitioner of the Hacienda to the Land Authority for P3,503,162.57 on August 2, 1963. The court then ordered the parties to go together to the Land Authority Office to check the status of the alleged sale.

"The parties were never able to check the alleged sale as directed by the Court. . . "

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"Petitioner submits, in support of the petition, that the pre-trial order is invalid and does not bind him because it did not faithfully and truthfully reflect what actually transpired in the pre-trial conference. According to petitioner, contrary to all that is stated in the pre-trial order, what he actually did was to disclose to Judge Moya, the trial judge, in the strictest confidence, that he had already sold Hacienda Mapaya to the Land

Authority for P3,303,162.57 on August 2, 1963 and was just awaiting payment of said amount."

The foregoing submission of the petitioner was not accorded credence in our decision for the reason that if it were true he would have assailed before the trial court itself the veracity of the pre-trial order instead of not only acquiescing to it but even asking for an extension of time within which to carry out the mandate therein given to him, namely, to sell the hacienda for the price of not less than P1,000,000. Under the factual setting as it then appeared to us, we ruled that the respondent Court committed no such grave abuse of discretion as to justify the issuance of the writ of certiorari prayed for.

Since then and during the pendency of the present motion for reconsideration, however, a number of developments have been brought to the attention of this Court by the petitioner, tending to confirm the truth of the sale of the hacienda Mapaya to the Republic on August 2, 1963.

1. On December 15, 1965, upon recommendation of the then Governor of the Land Authority, President Macapagal approved the negotiated purchase of the hacienda as afore-said; and on December 27, 1965, Assistant Executive Secretary Froilan R. Montalban authorized the Budget Commissioner to release the sum necessary for the payment of the purchase price.

2. On March 25, 1968 the new Governor of the Land Authority (Conrado F. Estrella) sent a 1st Indorsement to the Executive Secretary wherein he stated, inter alia:

"In 1963, when R.A. 1400, otherwise known as the Land Reform Act of 1955, was in vigor a DEED OF ABSOLUTE SALE was executed by and between the owners (of the Hacienda Mapaya) and the Chairman-Administrator of the Land Tenure Administration containing terms and conditions conformably to the aforesaid governing statute. This Deed of Sale was later CONFIRMED OR RATIFIED ON DECEMBER 27, 1965 BY THE FORMER GOVERNOR OF THE LAND AUTHORITY AND FORMER PRESIDENT DIOSDADO MACAPAGAL.

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"From the report and recommendation herein submitted, it appears conclusively that there was a perfected contract of conveyance between the Government and the landowners regarding the subject land. This ratification made by former Governor Gozon and the former President purges the contract of all defects to which it may have been subjected."

1. After a number of communications on the matter among the officials concerned the petitioner agreed, in a letter addressed to the Governor of the Land Authority on January 24, 1969, to accept payment of the purchase price in negotiable land certificates. Such manner of payment was favorably endorsed by the Land Authority and was approved by the office of the President on February 26, 1969, subject to the condition that the negotiable land certificates would be presented to the Central Bank for encashment in staggered amounts as follows: P1,000,000 for the fiscal year 1970; P1,000,000 for the fiscal year 1971; and P842,000 for the fiscal year 1972.

2. On June 9, 1969 a formal contract embodying the aforesaid conditions was executed by the petitioner and Governor Estrella of the Land Authority "amending and supplementing the deed of absolute sale (of August 2, 1963) over the Mapaya Estate."

3. On August 14, 1969 the sum of P1,000,000 in negotiable land certificates was personally handed by the President to the petitioner, the rest to be delivered later.

4. In the meantime the Development Bank, of the Philippines had foreclosed the mortgage it was holding over the hacienda Mapaya and purchased the same at the ensuing public sale. In view thereof the petitioner assigned his right of redemption to the Land Authority, and agreed that the amount to be paid for that purpose be taken

from the negotiable land certificates due and payable to him in the fiscal year 1970.

The one overriding and inescapable fact which appears to have been established by these supervening developments is that the orders of the trial court complained of by the petitioner cannot now be legally carried out. The hacienda Mapaya has been acquired by the Republic, such acquisition being on the basis of the original sale executed way back in 1963, before the said orders were issued. From the manifestations submitted by the petitioner it also appears that the respondent himself has accepted this fact and indeed acted upon it to protect his claims in the action below by filing a motion in the trial court on May 15, 1969 for the issuance of an alias writ of attachment specifically against the amounts due to the petitioner from the Land Authority. The issuance of the writ prayed for was ordered by the Court on June 2, 1969.

While the writer of this resolution, with the concurrence of Mr. Justice Enrique M. Fernando, personally believes that in the light of the subsequent developments hereinabove set forth, supported as they are by copies of official documents and records the truth or authenticity of which is not disputed, the instant petition for certiorari may here be finally decided on the motion for reconsideration filed by the petitioner, the majority of the members of this Court are of the opinion that since the primordial issue before us is whether or not respondent Court acted in excess of jurisdiction or with grave abuse of discretion in issuing the orders complained of, the new matters raised in connection with the motion for reconsideration should be submitted to said Court so that it may properly pass upon them and render a ruling thereon.

WHEREFORE, the motion for reconsideration is denied, without prejudice to the petitioner's asking the trial court to reconsider the orders complained of and submitting for that purpose the new matters aforesaid. No pronouncement as to costs.

Dizon, Fernando, and Barredo, JJ., concur.

Concepcion, C.J., Reyes, J.B.L., Zaldivar, Castro, and Villamor, JJ., concurs with the separate opinion of J. Teehankee.

Teehankee, J., concurs in a separate opinion.

+ In connection with the second extension sought by the petitioner within which to sell the property.

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CONCURRING OPINION

TEEHANKEE, J.:

I concur in the disposition denying petitioner's motion for reconsideration of the Court's decision of January 31, 1968 and directing that the new matters raised in connection there-with, but which have no bearing on the outcome of the incident before us, should be properly submitted to respondent court in the case below so that it may therein properly pass upon, and render in the first instance its rulings on, the vital questions involved.

From the time that petitioner first filed on March 15, 1968 his motion for reconsideration, he has filed a plethora of "ampliatory" and supplementary motions, manifestations, addenda and memoranda and submitted copies of

documents and records, giving a running account of his negotiations and representations with the Land Authority and other government agencies in his sustained efforts to show that he had in fact sold the hacienda Mapaya to the State on August 2, 1963 contrary to respondent court's finding and tending to show that in fact that the terms and conditions of the purported sale were not agreed upon until six years thereafter in 1969.

There are many vital questions raised by respondent that would raise serious doubts not only whether as a matter of fact as well as a question of law, the purported deed of sale of August 2, 1963 could be deemed to have been validly executed as of said date. Among these fundamental questions, which respondent court should properly consider and determine in the case below are the following:

1. As a question of fact, assuming that the deed of sale was actually signed and executed on August 2, 1963 by Acting Chairman Jose B. Espino of the defunct Land Tenure Administration, could it be deemed executed as of said date when it was acknowledged as a public document before a notary public only on December 27, 1965, when Espino no longer held the position^[1] and the stated residence certificates of the executing parties were all 1963 certificates.^[2]
2. May the approval on December 27, 1965 of the said deed by then assistant executive secretary Froilan Montalban by authority of outgoing President Macapagal retroact to the purported date of execution of the deed of sale on August 2, 1963?
3. Since the deed of August 2, 1963 was concededly not then approved by the President as required by Republic Act No. 1400 (Land Reform Act of 1955), which six days later on August 8, 1963 was repealed with the enactment of Republic Act No. 3844 (Agricultural Land Reform Code), could the presidential action over two years later under the defunct law, approving the deed executed by defunct officials (since the Land Authority had replaced the abolished Land Tenure Administration by virtue of Rep. Act No. 3844) produce any valid legal effect?
4. As the Land Reform Code had come into force six days after the purported execution of the deed of sale on August 2, 1963, what is the legal effect of the failure, even now, of the parties to comply with section 53 of said Code requiring submittal to, and judicial approval by, the Court of Agrarian Relations of a negotiated purchase with the prior endorsement of the National Land Reform Council of suitability and necessity thereof and dispensing with presidential approval, subject to the objection of any qualified beneficiaries to the excessiveness of the proposed price ?
5. May payment of the price still be effected with negotiable land certificates provided in section 9 of defunct Republic Act No. 1400, to be encashed within three years (1970 to 1972) when section 80 of the governing law, Rep. Act 3844, provides for a radically different mode of payment (10% in cash and the balance in tax-free negotiable bonds of the Land Bank with a 25-year period of maturity)?
6. Considering that the contracting parties executed only as late as June 9, 1969 an amendatory and supplemental deed of sale agreeing upon new terms as to the price and mode of payment and area sold, could the deed of August 2, 1963 as thus amended and supplemented six years later have any binding legal force and effect without the judicial proceedings and approval required by section 53 of Rep. Act No. 3844?
7. Indeed, petitioner himself manifested on April 3, 1968 that "(S)erious doubts were entertained about the legality of the sale having been signed only by the Chairman Administrator of the L. T. A. and after the abolition of the L. T. A. and creation of the Land Authority, a restudy was made on the legality of the sale."^[3] The validity of the Land Authority Governor's sweeping conclusion of March 25, 1968^[4] based on his own internal committee's report and recommendation that "the ratification subsequently made by former Governor Gozon and the former President purges the contract of all defects to which it may have been subjected (sic)" has yet to be shown to respondent court.

The resolution of the above basic questions leads yet to a more crucial issue affecting the merits of the case below

but much more importantly, the public interest and the interests of the State, the Land Authority and the intended beneficiaries of the acquisition of the Mapaya estate in particular - which is the main thrust of this opinion.

For the records show that the Development Bank of the Philippines which held a mortgage obligation over the property in the sum of P663, 289. 64 as of March 15, 1967,[5] had acquired ownership of the property as a result of a foreclosure sale held by the provincial sheriff of Occidental Mindoro on August 16, 1968, subject only to petitioner's right of redemption within one year.

This being the case, ownership over the property had then consolidated in the State through its agency, the Development Bank of the Philippines. As submitted by respondent in his motion to dismiss of October 25, 1968, petitioner thereby lost his right of ownership over the property to the Development Bank of the Philippines and petitioner's interest has become moot -- petitioner no longer owned the property to sell to the State. On the other hand, petitioner delivers the riposte in his last Memorandum of September 8, 1969 that on this premise, "respondent Lao Kang Suy would also have lost any right and interest which he might have had thereover and the case would also be moot and academic insofar as he (respondent) is concerned" -- the property would no longer be available for sale respondent to his buyer, the Independent Investment Co. Inc., for P1 million as authorized under respondent court's order, since the superior mortgage right of the Development Bank of the Philippines as foreclosed, has supervened.

Hence, the contending parties' private dispute would serve them of no avail, since the State could expeditiously accomplish its land reform objectives of acquisition and distribution of the property to the occupants by having its agencies directly deal with each other, by the Development Bank of the Philippines as rightful owner transferring the property for the price at which the Development Bank of the Philippines acquired the same at the foreclosure sale to the Land Authority. The cost to the State would be very much less than the P2,842,000.00 stipulated in the amended deed of June 9, 1969, but more importantly for the government's land reform program, the resale cost to the landless occupants (a cost plus 6% interests over a 25-year period under section 60 of the Land Reform Code) will be reduced likewise by practically two-thirds.

Petitioner has submitted copy of a deed of assignment of his right of redemption in favor of the Land Authority purportedly executed on August 26, 1969. If August 16, 1968 has been correctly submitted by respondent as the date of the foreclosure sale, then petitioner's one-year period of redemption might have legally lapsed by then and he would have assigned a non-existent right of redemption. The factors entering into the apparently unthinking agreement by the Land Authority officials upon the price of P2,842,000.00 under such circumstances would have to be determined, e. g. petitioner's willingness and agreement to sell the property for only P1 million to respondent's buyer per respondent court's orders and our decision, and the correctness of the figures used in the income-approach method employed by the Land Authority's appraisal team in evaluating the property under section 56 of the Land Reform Code. The very authority of the Land Authority officials to enter into the said amended deed of June 9, 1969[6] wherein they agreed upon the price and caused payment thereafter on August 14, 1969 of the negotiable land certificates worth P2,842,000.00, as well as the nullity of such deed in the absence of the required judicial approval would have to be looked into by respondent court and finally determined as necessarily linked to the parties' private conflict over the property in the case below.

For a resolution of the crucial issues thus enmeshed in the case below, it is believed that the State, through the Solicitor General, and the government agencies concerned, namely, the Development Bank of the Philippines and the Land Authority, should be impleaded in the case below as necessary parties, and that the Clerk of Court should furnish copies hereof to the officials mentioned for such other appropriate action as they may deem proper in the premises.

Zaldivar, J., concurs in the above concurring opinion of J. Teehankee.

[1] With the abolition of the L. T. A. on August 8, 1963, Benjamin Gozon had been appointed and acted there-after as Governor of the Land Authority.

[2] Annex A, Rollo, p. 638.

[3] Rollo, p. 664.

[4] Annex A, "Ampliatory Motion for Reconsideration" of April 2, 1968, Rollo, p. 660.

[5] Rollo, p. 768.

[6] Serra vs. Salas, L-27150, Nov. 28, 1969, 30 SCRA 541.

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