

BENEDICTO PADASAS, PETITIONER, VS. THE HONORABLE COURT OF APPEALS AND AVELINA M. BENTAJADO, RESPONDENTS.

G.R. No. L-35927. March 31, 1978

Ponente: GUERRERO, J.

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GUERRERO, J.:

This is a petition for review of the decision of the Court of Appeals[1] in CA-G.R. No. 47296-R, entitled "Benedicto Padasas, Plaintiff-Appellee, versus Avelina M. Bentajado, Defendant-Appellant" reversing the decision of the Court of Agrarian Relations, 11th Regional District, Branch I, Bacolod City, in CAR Case No. 3621 rendered in favor of plaintiff.

The facts of the case are as follows:

On June 19, 1968, plaintiff, petitioner herein, as leasehold tenant of Lot 598-B-6 of the Valladolid Cadastre, Negros Occidental, filed an action for redemption against respondent Avelina M. Bentajado, pursuant to Section 12 of the Agricultural Land Reform Code, otherwise known as Republic Act No. 3844[2] which provides as follows:

"Section 12. Lessee's Right of Redemption. In case the landholding is sold to a third person without the knowledge of the agricultural lessee, the latter shall have the right to redeem the same, at a reasonable price and consideration, Provided, that the entire landholding sold must be redeemed; Provided, further, that where there are two or more agricultural lessees, each shall be entitled to said right of redemption only to the extent of the area cultivated by him. The right of redemption under this Section may be exercised within two years from the registration of the sale, and shall have priority over any other right of legal redemption."

The aforementioned lot 598-B-6, which was tenanted by petitioner since the Japanese occupation, originally belonged to Soledad Delgado Vda. de Gestano. Upon her death, her estate was administered by Gliceria Gestano who tried to eject him but his tenure was upheld by the Court of Agrarian Relations in a decision rendered in Civil Case No. 1474 dated March 29, 1962. But only half of lot 598-B-6 containing 5.5 hectares in all, was ordered returned to him. Later, the said lot was mortgaged by Gliceria Gestano to the Development Bank of the Philippines (DBP), formerly the Rehabilitation Finance Corporation, as security for a loan of P1,700.00. For failure to pay the debt, the DBP foreclosed the mortgage and at the auction sale of the land held on July 31, 1959, DBP acquired the same as the only bidder. A year thereafter, or on August 1, 1960, DBP obtained Transfer Certificate of Title No. T-30467 from the Register of Deeds of Negros Occidental. Subsequently, DBP sold the land by virtue of a deed of conditional sale to respondent Avelina Bentajado on September 28, 1965 for P3,800.00 in installment for five years. Until the full purchase price was paid by the vendee, however, it retained the title to the lot and the improvements. Thus, the sale became absolute and culminated in the issuance of the Register of Deeds of Quezon City of a Transfer Certificate of Title No. T-58491 in the name of respondent Bentajado only on May 4, 1970.

Petitioner alleged in his complaint before the Court of Agrarian Relations that the sale by the DBP to respondent Avelina M. Bentajado was without his knowledge and consent in gross violation of Republic Act No. 3844 and that had he been duly notified of the sale thereof, he would have purchased the land himself since he was ready and in a position to do so.

Although respondent Bentajado was served a copy of the summons on September 10, 1968, it was only on December 13, 1968 that she filed a motion to dismiss the complaint against her on the ground of *res judicata*, alleging therein that an identical case for redemption of the lot and for rescission of the contract of conditional sale was filed against her and the DBP, docketed as Civil Case No. 3231, entitled "Benedicto Padasas vs. The Development Bank of the Philippines and Avelina Bentajado" and attaching thereto a copy of the order dated July 26, 1966 dismissing said case. A pertinent portion of the aforesaid order states thus:

"From the foregoing references, we have noted and so hold that herein plaintiff failed to avail of his opportunity to repurchase herein subject landholding for quite a long period already; that is, from August 1, 1960 after the DBP became the absolute owner until August 27, 1965 when it was sold publicly (Annex "A" and "B" answer of defendant DBP) or before the property passed to a fourth (4th) person. Plaintiff's letter dated January 10, 1966 is already out of time since the right of the tenant under Sec. 12, Act 3844 is only limited to 2 years after the document of sale is registered which in this instance refers to the transfer of title in favor of the defendant DBP in August 1960. Our law on the matter took effect August 8, 1963; so plaintiff between 1963 and 1965 could have redeemed the property but failed until said property passed to a 4th person."[3]

However, upon motion of plaintiff, petitioner herein, the lower court issued an order dated January 7, 1969 denying the motion to dismiss of respondent Bentajado declaring her in default and allowing petitioner to present his evidence *ex-parte*. Thus, on April 16, 1969, petitioner presented his evidence *ex-parte* before CAR Commissioner Virgilio S. Patricio who filed a report recommending a decision in favor of petitioner.

Subsequently, on November 3, 1970, after the denial of the petition to lift order of default and the motion for reconsideration of respondent Bentajado, as well as the dismissal of her appeal from said orders of denial to the Court of Appeals, the lower court directed petitioner to deposit the rental of the landholding with the Aguirre Rice Mill at Bacolod City, as well as the sum of P3,800.00 with the clerk of court, both subject to the disposition of the court, it appearing that the decision of the case had been long delayed. Accordingly, petitioner paid the redemption price of P3,800.00 thru the Court of Agrarian Relations as evidenced by Official Receipt No. 9688816 dated November 3, 1970. Finally, on January 7, 1971, the lower court rendered a decision, the dispositive portion of which is herein quoted below:

"WHEREFORE, IN VIEW OF ALL THE FOREGOING CONSIDERATIONS, judgment is hereby rendered:

1. Declaring and/or recognizing that plaintiff Benedicto Padasas, has the right to redeem the controverted landholding, Lot No. 598-B-6 of the Valladolid Cadastre, situated in the Barrio of Alijis, Municipality of Valladolid, Province of Negros Occidental, under Section 12, of Republic Act No. 3844 from defendant Avelina M. Bentajado, the redemption price therefore being hereby fixed at P3,800.00, which is the consideration of the sale of the same between the Development Bank of the Philippines – vendor and the said defendant - vendee; and

2. Ordering the defendant Avelina M. Bentajado to pay to plaintiff Benedicto Padasas the amount of P300.00 as attorney's fees.

No pronouncement as to costs.

SO ORDERED."[4]

On appeal by respondent Bentajado from the aforesaid decision, the Court of Appeals reversed the decision of the Court of Agrarian Relations on the ground of res adjudicata. It decreed that the right of redemption of plaintiff-appellee, petitioner herein, of lot 598-B-6 had been lost, pursuant to the order of the Court of Agrarian Relations, dated July 26, 1966 in Civil Case No. 3231 as the issue in this case was necessarily included in Civil Case No. 3231 which had become final for failure of petitioner to appeal and that the findings of facts and conclusions of the CAR contained in the said order constitute the law of the case and are no longer open to reexamination.

Aggrieved by the appellate court's reversal of the decision of the Court of Agrarian Relations, petitioner now comes to this Court and raises the following issues:

"1. Whether the law applicable in this case is Section 12, Act 3844, which grants redemption of landholdings by tenants within the two (2) year period from the time of the registration of the sale.

"2. Whether there is res judicata or loss of right of petitioner to redeem the lot in question inasmuch as the period referred to by respondent Court of Appeals in its decision now sought to be reviewed was before the registration of the sale in favor of respondent Avelina M. Bentajado, or there arose a right to redeem after the registration of the sale under Sec. 12, Act 3844.

"3. Whether the non-registration of the "Conditional Sale" in favor of Avelina M. Bentajado constituted a bar for the petitioner to redeem the property in question after the final sale was ultimately registered."[5]

On November 16, 1976 petitioner filed a "Manifestation and Motion for Final Disposition of the Case", stating therein that he is already the owner in fee simple of the landholding in question as evidenced by Transfer Certificate of Title No. T-103509 issued by the Register of Deeds of Negros Occidental on October 26, 1976; that he had acquired the same for P21,200.00 at an auction sale conducted on April 30, 1976 by the provincial sheriff of Negros Occidental for failure of respondent Bentajado herein, together with her spouse, to pay the judgment in Civil Case No. 11643 of the Court of First Instance of Negros Occidental, entitled "Lourdes Flores, plaintiff, versus Avelina M. Bentajado and Donato Bentajado." The aforesaid sale having been confirmed in an order dated October 22, 1976 of the said Court of First Instance of Negros Occidental, petitioner herein advanced the view that the contention of respondent Bentajado to the effect that petitioner cannot redeem the land in question has become moot and academic. Accordingly, he prayed for the final disposition of this case.

In the answer dated December 8, 1976 by way of comment to the aforesaid "Manifestation and Motion for Final Disposition of the Case", respondent Bentajado requested for the resolution of the question of whether petitioner may legally redeem the landholding in question in order to determine who should be entitled to the rentals prior to

the issuance of Transfer Certificate of Title No. 103509 as it is clear that prior to such date she was the registered owner.

Indeed, the necessity to resolve the issues presented in this petition has not been brought to naught by the merger of petitioner's tenancy rights and ownership over the landholding involved in this case. As correctly pointed out by respondent Bentajado, the merger came about only on October 26, 1976 when the Transfer Certificate of Title No. 103509 was issued in the name of petitioner by the Register of Deeds of Negros Occidental. Hence, prior to the said date, the question as to who shall be entitled to the fruits of the property involved in this case remains unanswered.

The resolution of the said question depends on whether or not petitioner has a right to redeem. In the affirmative, petitioner would no longer be bound to pay rentals for the property in question from November 3, 1970, the date when petitioner deposited the amount of P3,800.00 with the Court of Agrarian Relations. Said amount having been consigned by virtue of the order dated November 3, 1970 of the Court of Agrarian Relations, it was equivalent to payment of the redemption price. However, in the negative, the consignment did not produce any effects and respondent Bentajado continued to be the owner of the landholding in question including the fruits thereof until April 30, 1976 when petitioner acquired the same at an auction sale.

After a careful consideration of the facts of this case, as well as the law and jurisprudence applicable thereto, We are constrained to uphold the position of petitioner that Sec. 12, Rep. Act 3844 is applicable here-in by virtue of which he can exercise the right of redemption.

The Agricultural Land Reform Code (Rep. Act 3844) was enacted and took effect on August 8, 1963. This law must be enforced prospectively and not retroactively and, therefore, whatever rights created, granted or recognized therein such as the right of redemption accrued upon the enactment of this legislation and may be exercised thereafter in appropriate cases.

Accordingly, We must look into the tenancy relation of the landholding in question as of August 8, 1963. Whoever was the previous owner of the land is of no moment and consequence. There is no dispute that on August 8, 1963, the owner of the land was the Development Bank of the Philippines, its title thereto having been consolidated when it became the owner of the lot on August 1, 1960 after the lapse of the one-year period of redemption following the foreclosure sale on July 31, 1959 and Transfer Certificate of Title No. 30467 was issued in the Bank's name by the Register of Deeds of Negros Occidental. There is no dispute likewise that the tenant-lessee of the land was the petitioner, Benedicto Padasas. After August 8, 1963, if DBP as owner should sell the land, petitioner as tenant could exercise either the right of pre-emption or the right of redemption granted to tenants by the Code under Sec. 11 and Sec. 12 of the Code in appropriate cases.

In the case before Us, respondent contends that petitioner's right to redeem should be legally interpreted as having been born from the time he received formal notice which is equivalent to registration. Respondent also points out that petitioner was informed that "the land was already foreclosed and that she was already the owner" (Brief of Respondent, p. 4), hence he had already knowledge of the sale as of June 19, 1968 and that petitioner was also informed by DBP that it had sold the lot to respondent in its letter dated January 21, 1966 (Brief of Respondent, pp. 6-7). These facts notwithstanding, We do not agree. We rule that neither of the dates of such knowledge and notice given to petitioner had commenced the two-year period to redeem the land.

The law is very clear and explicit that the two-year period to redeem must be counted from the date of the registration of the sale and no amount of knowledge or notice can create a legal right as against the respondent until after the title to the property has passed to her. While actual notice has been held to be equivalent to registration in some cases[6], said doctrine is inapplicable in view of the definite, decisive and positive provision

of Sec. 12, Rep. Act 3844 that the 2-year period must be counted from the registration of the sale.

The Agricultural Land Reform Code is a social legislation designed and enacted to solve the agrarian unrest, one of the country's most pernicious problems that have strangled the economic growth of the nation. The abject misery and poverty of farmers and their families are the direct results of this ancient slavery to the soil, the bonds of which the Code now seeks to unshackle. A liberal interpretation of its provisions is imperative to give full force and effect to its clear intent. To hold the tenant bound with constructive notice upon mere knowledge of the intended sale would limit and even shorten the two-year period within which he may exercise the right of redemption. It would be an interpretation that is contrary and nugatory to the clear provisions of the Code that the two-year period must be counted from the date of registration of the sale.

Section 12, Rep. Act 3844 speaks of a sale by the owner to a third person without the knowledge of the agricultural lessee and of a right of redemption to be exercised within two years from the registration of the sale. In the instant case, DBP executed a conditional sale to respondent Avelina Bentajado on Sept. 28, 1965 while the deed of absolute sale was executed five years later, on May 4, 1970 and thereupon, registered.

We hold that the sale contemplated under Sec. 12, Rep. Act 3844 must refer to a consummated sale, not a conditional sale; it must be a sale that divests the title and ownership of the owner over the land and not merely a conditional sale as in the case at bar where the title and improvements on the land remained with DBP. The reason is simple and clear and that is, in a conditional sale, the vendee may not be able to comply with the conditions imposed therein so that the contemplated sale is revoked, thereby rendering the redemption by the tenant ineffective and useless. The non-registration of the conditional sale in favor of Avelina Bentajado did not constitute a bar for petitioner to redeem the property in question after the sale was ultimately registered.

As We had adverted previously, petitioner in his "Manifestation and Motion for Final Disposition of the Case" dated November 16, 1976 has informed the Court that he is already the owner in fee simple of the land in question, the Transfer Certificate of Title No. 103509 having been issued in his name after acquiring the same for P21,200.00 at an auction sale. He contends that the question of redemption has been rendered moot and academic.

We find petitioner's contention meritorious and tenable. There is indeed now a merger of petitioner's tenancy rights and ownership over the land in controversy. Accordingly, a resolution on the issue of *res judicata* would be likewise pointless and unnecessary. The relief prayed for in the instant petition has been absorbed by the full ownership of the petitioner over the land in litigation, which fact is not denied by the respondent.

WHEREFORE, IN VIEW OF ALL THE FOREGOING, the judgment under review in this instant petition is hereby REVERSED and SET ASIDE, and another one entered:

- a) Declaring that petitioner properly exercised the right of redemption of Lot 598-B-6 of the Valladolid Cadastre, Negros Occidental when he deposited the redemption price of P3,800.00 with the Court of Agrarian Relations on November 3, 1970, and is entitled to the rentals only after said date;
- b) Ordering respondent to pay petitioner the sum of P500.00 as and for attorney's fees;
- c) Ordering the return of the amount of P5,000.00 deposited in the CAR as rentals to the petitioner; and
- d) Ordering the return of the sum of P3,800.00 deposited as redemption price to the petitioner.

No costs.

SO ORDERED.

Teehankee, (Chairman), Makasiar, Muñoz Palma, and Fernandez, JJ., concur.

[1] Eighth Division; Canonoy, J., ponente; Martin and Reyes, JJ., concurring.

[2] Took effect on August 8, 1963.

[3] Annex "B", Brief for Respondent Avelina Bentajado; Rollo, p. 63.

[4] Annex "A", Petition for Review on Writ of Certiorari; Rollo, pp. 6-12.

[5] Brief for the Petitioner, p. 4.

[6] Obras Pias vs. Devera Ignacio, 17 Phil. 45; Winkleman vs. Veluz, 43 Phil. 604; Gustilo vs. Mara-villa, 48 Phil. 442; and Southwestern University vs. Laurente, L-20075, November 27, 1968, 26 SCRA 52.

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