

PRUDENTIAL BANK, PETITIONER, VS. HONORABLE FILOMENO GAPULTOS, PRESIDING JUDGE, BRANCH I, COURT OF AGRARIAN RELATIONS, DAVAO CITY AND RAMON E. SAURA, RESPONDENTS.

G.R. No. L-41835. January 19, 1990

Ponente: PARAS, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/5fe14a2d374f/>

PARAS, J.:

These are petitions for certiorari and prohibition with preliminary injunction which seek to set aside and annul in: (1) G.R. No. L-41835, the orders of the respondent judge dated September 16, 1975, denying petitioner's motion to dismiss and October 15, 1975, denying the motion for reconsideration, in CAR Case No. 2023 entitled "Ramon E. Saura v. Prudential Bank"; and (2) G.R. No. L-49293, the orders of the hearing officer dated October 11, 1978, denying petitioner's motion to dismiss and November 9, 1978, denying the motion for reconsideration, in Re: Petition of Ramon E. Saura for an OLT on the five (5) hectares unirrigated portion of TCT No. T-37179 entitled "Atty. Ramon E. Saura v. Prudential Bank".

As gathered from the records, the facts of these cases are as follows:

In G.R. No. L-41835 - Petitioner is a general banking corporation, duly organized and existing under the laws of the Philippines with principal office at Prudential Bank Bldg., Ayala Avenue, Makati while respondent Ramon E. Saura is a member of the bar and a resident of 966 Gov. Forbes, Manila (Rollo, G.R. No. L-41835, Petition, p. 1).

Lot with TCT No. 5049 was registered in the name of Saura Import & Export Co., Inc. of the Register of Deeds of Davao City (Ibid.)

The aforesaid property was the site of a jutemill factory erected by Saura Import & Export Co., Inc. (Ibid., Petition, p. 2).

In 1954 Lot with TCT No. 5049 was the subject of an unregistered Real Estate Mortgage between petitioner Prudential Bank and private respondent Ramon E. Saura, authorized president of Saura Import & Export Co., Inc. (Ibid., pp. 35-40).

Mortgagor Saura Import & Export Co., Inc. applied for a letter of credit and mortgagee Prudential Bank issued a Letter of Credit No. 2261 and caused the shipment of eighty five (85) cases of jutemill machinery from Hongkong to Davao for which the mortgagor on August 6, 1953, executed a trust receipt in favor of the mortgagee (Ibid., p. 35).

On account of the said trust receipt, an unpaid balance of Two Hundred Fifty Three Thousand Five Hundred Twenty Eight and Sixty Nine Centavos (P253,528.69) remains in favor of the mortgagee and against the mortgagor as of August 2, 1954 (Ibid.)

For and in consideration of the premises and as a security for the payment of said balance including the interest and other obligations arising therefrom, the mortgagor thereby transfers and conveys, by way of mortgage unto

the mortgagee, its successors and assigns, the real property (TCT No. 5049) together with all the buildings and improvements now existing or which may thereafter be constructed on the said property of which the mortgagor is the absolute owner, with the exception of the jutemill machineries, equipment, accessories and movable properties which are installed or placed therein (Ibid., pp. 35-36).

It was stipulated in the mortgage among others that:

"This Mortgage and the sale of the property mortgaged in the event of foreclosure shall not be impaired or affected by contracts of lease now in force or hereto after entered into by the Mortgagor even if the lease contracts be registered in the office of the Register of Deeds unless they are executed with the consent of the Mortgagee expressly set forth therein."

On December 8, 1964, a suit for foreclosure of mortgage was instituted in Civil Case No. 59246 in the Court of First Instance of Manila entitled "Prudential Bank v. Saura Import & Export Co., Inc." (Ibid., Petition, p. 2).

On February 27, 1970 after judgment was rendered therein, the property was the subject of an execution sale foreclosing the mortgage pending appeal on October 15, 1970 after the Court of Appeals in CA-G.R. No. 45832-R denied the private respondent's petition for certiorari with preliminary injunction (Ibid.).

The main appeal of Saura Import & Export Co., Inc. from the decision in Civil Case No. 59246 was dismissed by the Court of Appeals on October 25, 1971 in CA-G.R. No. 47138-R and Saura Import & Export Co., Inc. elevated the matter to the Supreme Court on petition for review on certiorari in Case No. L-34770 entitled "Saura Import & Export Co., Inc. v. Court of Appeals" (Ibid.).

The petitioner became the owner of the said parcel of land by virtue of foreclosure proceedings and TCT No. T-37179 of the Land Records of Davao City was issued in its favor on January 2, 1973 (Ibid., Petition, p. 2).

Meanwhile, on January 3, 1963 and January 2, 1968, private respondent Ramon E. Saura and his Company Saura Import & Export entered into a lease contract over subject property covered by TCT No. 5049 (Ibid., pp. 12-13) with the Saura Company as lessor and private respondent Saura as agricultural lessee of subject parcels of land, the ownership of which, as aforesated, was later transferred to the petitioner bank. (Ibid., p. 15).

Private respondent Ramon E. Saura claims that by operation of law, petitioner was subrogated to the rights and substituted to the obligations of Saura Import & Export Co., Inc. as agricultural lessor of the said parcel of land in relation to him (Ibid., p. 9) but petitioner has, however, allegedly refused to recognize private respondent as agricultural lessee of the parcel of land, as shown in the letter dated May 8, 1973 (Ibid., p. 14) and unreasonably refused to accept the rentals tendered by private respondent, as shown in letters dated May 8, 1973, May 10, 1974 and March 12, 1975 (Ibid., pp. 20-22). For this reason, private respondent notified the petitioner that in view of his refusal to accept private respondent's tender of payments, private respondent will make a consignment of the said rentals in court (Ibid., p. 23).

Accordingly, in view of petitioner's refusal to recognize private respondent as agricultural lessee and to accept the latter's tender of payments, private respondent (Ibid., p. 10), on May 21, 1975, filed a complaint against petitioner bank with the Court of Agrarian Relations docketed as CAR Case No. 2023 seeking to compel petitioner bank to accept supposed agricultural leasehold rentals and to recognize him as agricultural lessee of aforesaid two parcels of land covered by petitioner's TCT No. 37179 of the Davao City Register of Deeds (Rollo, G.R. No. L-41835, Annex "A", pp. 8-11).

On July 17, 1975, petitioner bank simultaneously filed in CAR Case No. 2023 its answer to the complaint and a Motion to Dismiss (Ibid., Annexes "B" and "C", pp. 24-30; 31-34).

In the meantime on July 23, 1975, petitioner filed in Case No. 59246 of the Court of First Instance of Manila a Motion for a Writ of Possession against Saura Import & Export Co., Inc. and/or Ramon E. Saura addressed to the Sheriff of Davao City to put petitioner in actual physical possession of the premises now titled in the bank's name under TCT No. 37179 of the Register of Deeds of Davao City (Ibid., Petition, p. 3).

On July 28, 1975 private respondent filed his reply and answer to counterclaim and his opposition to the motion to dismiss in CAR Case No. 2023 (Ibid., Annexes "D" and "E", pp. 43-45; 46-53). On August 21, 1975, respondent Saura filed in CAR Case No. 2023 a Motion for Preliminary Injunction to stop the petitioner bank or any person acting in its behalf from dispossessing respondent Saura from the land subject matter of the case by virtue of any writ of possession that the petitioner bank may obtain from the Court of First Instance of Manila in Case No. 59246 (Ibid., Annexes "F" and "G", pp. 54-56; 58-63).

On September 16, 1975, the respondent judge issued an order denying the Motion to Dismiss for lack of merit (Ibid., Annex "H", pp. 64-65). On September 26, 1975, petitioner bank filed a Motion for Reconsideration of the order of September 16, 1975 (Ibid., Annex "I", pp. 66-72). On the same date petitioner bank obtained an order from the Court of First Instance of Manila in Case No. 59246 ordering the issuance of a writ of possession of the property covered by TCT No. 37179 which is the same landholding involved in CAR Case No. 2023 subject of the motion for preliminary injunction (Ibid., Annexes "J" and "K", pp. 73-75; 76).

The respondent judge of the Agrarian Court on October 15, 1975 issued an order denying petitioner's Motion for Reconsideration and on October 18, 1975 respondent judge issued another order granting respondent Saura's Motion for Preliminary Injunction and then issued the writ of injunction itself (Ibid., Annexes "L", "M" and "N", pp. 77-79; 80-84; 85-86).

In G.R. No. L-49293, the petition for certiorari and prohibition with preliminary injunction was brought about by the filing of a petition on April 11, 1978 for Operation Land Transfer (OLT) by Atty. Ramon E. Saura on the landholding covered by TCT T-37179 registered in the name of petitioner bank notwithstanding the pendency of CAR Case No. 2023 and G.R. No. L-41835 in the Supreme Court.

Respondent officials set the case for hearing for August 25, 1978 but petitioner's counsel was unable to attend because the Philippine Air Lines plane he took early that morning for Davao to attend the hearing was delayed in departing from 5:40 to 8:40 a.m. and petitioner's counsel did not make it to Davao City (Rollo, G.R. No. L-49293, Petition, p. 5).

In said hearing, Atty. Saura was allowed to present his evidence which consisted of documentary evidence, mainly affidavits and certifications of third parties attesting to his de facto tillage of the soil (Rollo, G.R. No. L-49293, Petition, pp. 5-6).

Petitioner Prudential Bank filed a Motion to Reset Hearing and to Set Aside Atty. Saura's Formal Offer of Evidence bringing to the attention of the hearing officer, respondent Regional Trial Attorney Fuentes, the unfortunate circumstances that prevented petitioner bank's counsel from attending the hearing of August 25, 1978. Simultaneously Prudential Bank filed a formal Motion to Dismiss on the ground that: (1) Atty. Saura is not bona fide tenant-farmer and (2) that the pendency of CAR Case No. 2023 and G.R. No. L-41835 preempts the jurisdiction of the Ministry of Agrarian Reform (Ibid., Annex "B", pp. 17-25).

In an order dated October 11, 1978 respondent Hearing Officer ruled that:

"(a)

Atty. Ramon Saura's offer of evidence was admitted subject to the cross-examination and presentation of counter-evidence of Prudential Bank;

"(b)

The administrative functions of the Dept. of Agrarian Reform provided for in Sec. 12 (b) (1-12) of Presidential Decree No. 946 would not divest the civil court of its acquired jurisdiction. The DAR's jurisdiction is administrative and is appealable to the President of the Phil.; while the other is judicial which is appealable to the Court of Appeals or the Supreme Court. Each of these is independent from each other and could co-exist. Wherefore, the Motion to Dismiss is denied for lack of merit." (Rollo, Annex "C", pp. 28-29)

A Motion for Reconsideration was filed by petitioner Prudential Bank on the order issued by the respondent hearing officer dated October 11, 1978 denying petitioner's Motion to Dismiss (Rollo, Annex "D", pp. 30-33). Reconsideration was denied in an order dated November 9, 1978 by respondent hearing officer Atty. Fuentes stating that in the Ministry's Guidelines on Operation Land Transfer Coverage:

"Landholdings which are the subject of court litigation are not exempted unless there is an injunction issued by the Court against the Department of Agrarian Reform, the same shall be covered by Operation Land Transfer." (Rollo, Annex "E", pp. 34-35).

Hence, these petitions which involve the same property and the same parties. Consequently, in the resolution of the Second Division of this Court dated February 28, 1979, L-49293 was consolidated with L-41835.

A temporary restraining order was issued by this Court in L-49293, enjoining respondents Regional Director and Regional Trial Attorney and their representatives from further entertaining the petition of Atty. Ramon E. Saura (Rollo, L-49293, pp. 52-53) and in L-41835, respondent Judge, his agents and assigns from further proceeding with CAR Case No. 2023 (Rollo, L-41835, pp. 104-105).

The pivotal issue in both cases is the applicability of P.D. 27 and P.D. 946 to the land in question.

Respondents commonly contend that the present petition is premature for non-exhaustion of administrative remedies. In other words, respondents would have the petitioner appeal first to the Office of the President before resort to the filing of the instant petition for certiorari and prohibition in the Supreme Court.

Aside from the fact that the courts have already acquired jurisdiction over the issue of whether or not Atty. Saura is an agricultural lessee, long before the institution of the present administrative proceedings in May, 1978 as Atty. Saura himself sought judicial remedies on July 17, 1975 in Davao CAR Case No. 2023 and Prudential Bank filed a petition for certiorari and prohibition on November 12, 1975 in G.R. No. 41835 before this Court, it is a settled rule that on purely legal question the aggrieved party need not exhaust administrative remedies (*Malabanan v. Ramento*, 129 SCRA 359 [1984]; *Linorco v. Board of Administrators, Philippine Veterans Affairs Office*, 133 SCRA 43 [1984]; *National Housing Authority v. C.A.*, 121 SCRA 777 [1983]). This is because "nothing of an administrative nature is to be done or can be done" (*Dauan v. Secretary of Agriculture and Natural Resources*, 18 SCRA 223 [1967] in the administrative forum. Although, administrative determination of questions of laws is persuasive on courts and carries with it a strong presumption of correctness (42 Am. Jur., p. 626), nonetheless, the interpretation and application of laws is the court's prerogative (*Cadwallader et al. v. Abedela*, 98 SCRA 123 [1980]; *Philex Mining Corp. v. Zaldivia*, 43 SCRA 479 [1972]). In fact, a judicial review even on findings of facts of an administrative agency may be made when there is fraud, imposition or mistake other than errors of judgment in estimating the value or effect of evidence (*Ortua v. Singson Encarnacion*, 59 Phil. 440) or there is error in the appreciation of pleadings and in the interpretation of the documentary evidence presented by

the parties (*Tan Tiang Teek v. Commission*, 40 O.G. 6th Supp. 125).

As to the merits of these cases, it will be recalled that the property in question is the subject of an unregistered mortgage executed on August 6, 1954 between the Prudential Bank and Trust Co. as mortgagee and Saura Import and Export Co., Inc. as mortgagor, signed for the latter by Ramon E. Saura, a Board Chairman, president and controlling stockholder, as representative of said mortgagor (Rollo, L-41835, pp. 35-39). As such, respondent Saura is not only charged with notice of the terms of the mortgage contract which provides among others that the mortgage and the sale of the property mortgaged in the event of foreclosure shall not be affected by contracts of lease executed without the consent of the Mortgagee, but is also stopped from questioning said terms or disregarding them. Thus, it was held that an estoppel may arise from the making of a promise even though without consideration, if it was intended that the promise should be relied upon and in fact it was relied upon and if a refusal to enforce it would be virtually to sanction the perpetration of fraud or would result in other injustice (*Roxas v. Court of Appeals*, 154 SCRA 277-278 [1987]; *Gonzalo Sy Trading v. Central Bank*, 70 SCRA 570 [1976]).

But Atty. Saura did not deny the existence of such commitments in the mortgage contract nor question the validity thereof under laws existing at the time of the mortgage.

Instead, after petitioner became the owner of the said parcel of land by virtue of judicial foreclosure proceedings and the issuance of TCT No. T-37179, Atty. Saura sought refuge under the Land Reform Law as amended by P.D. No. 27 otherwise known as the Emancipation Decree promulgated on October 21, 1972. Supposedly, as a tenant-lessee of Saura Import and Export Co., the former owner of the subject land which is now owned by Prudential Bank, he claims that the latter is subrogated to the obligations of the former, by virtue of contracts of lease entered into between him and his company. However, as aforesaid, said lease is without the consent of the mortgagee. Later, despite the pendency of CAR Case No. 2023 wherein Atty. Saura sought to be declared as agricultural lessee, he then filed with the Minister of Agrarian Reforms a letter-petition for OLT (Operation Land Transfer) and be deemed the owner of five (5) hectares of the same land.

The essential requisites of a tenancy relationship are: (1) the parties are the landowner and the tenant; (2) the subject is agricultural land; (3) there is consent; (4) the purpose is agricultural production; (5) there is personal cultivation; and (6) there is sharing of harvests. All these requisites must concur in order to create a tenancy relationship between the parties. The absence of one does not make an occupant of a parcel of land, or a cultivator thereof, or a planter thereon, a de jure tenant. Unless a person has established his status as a de jure tenant, he is not entitled to security of tenure nor is he covered by the Land Reform Program of the government under existing tenancy laws (*Caballes v. DAR et al.*, G.R. No. 78214, Dec. 5, 1988).

A careful study of the records shows that:

The property was not originally agricultural land but rather one devoted to industrial pursuits. As indicated in the mortgage deed, the land was the site of the jute mill factory set up by Saura Import & Export Co., in 1953. The mortgage covers the real property described together with all the buildings and improvements existing thereon or shall thereafter be constructed with the exception of the machineries and other movable properties.

The purpose is evidently not agricultural but as above indicated industrial. Even assuming that it was later reverted to agricultural purposes, it is apparent that there is no consent. On the contrary, the consequent executions of lease contracts were without the knowledge much less the consent of the mortgagee, now the present owner; and therefore clear violations of the terms of the mortgage which was binding on all the parties herein. Thereafter, petitioner has consistently refused to recognize private respondent as agricultural lessee and to accept the rentals tendered by private respondent.

Undoubtedly, without a valid lease contract, private respondent Saura cannot be a tenant-lessee in the contemplation of P.D. 27 and P.D. 946 entitled to the benefits thereunder. In fact one cannot discount the existence of a clever maneuver to defeat the turnover of the lands in question after the ownership of the same had been transferred to the petitioner-mortgagee as a result of judicial foreclosure proceedings, and a writ of possession issued to put petitioner in actual possession of the premises. Verily, the Land Reform Laws cannot be used as a shield or a ploy to defraud creditors.

Finally, there appears to be no personal cultivation. The property in question is situated in Dalian, Davao City while Atty. Saura is a resident of 966 Governor Forbes, Manila. He is a practicing lawyer and is the senior partner of the law firm Saura, Miguel & Associates. Aside from being the concurrent board chairman, president and controlling stockholder of Saura Import & Export Co. he holds one or more positions with respect to Dalian Agro Industrial Dev. Co., Inc., the Rural Bank of Davao City as well as the Southern Philippine Timber and Plywood Co., Inc. With such varied business interests, it is highly improbable that he can still personally cultivate the land. Verily, it is more reasonable to believe that he hires people to work for him and the palay he allegedly produces is actually for commercial purposes (Rollo, G.R. No. L-41835, p. 26). There is no leasehold tenancy where alleged lessee never intended to cultivate the land personally (Novesteras v. Court of Appeals, 149 SCRA 47 [1987]).

Under the circumstances, private respondent cannot avail of the benefits afforded by the Tenancy Law.

As to whether or not the Court of Agrarian Relations may issue a writ of preliminary injunction to enjoin the execution of the writ of possession issued by the Court of First Instance of Manila, the answer is in the negative.

The doctrine is undisputed that no court has the power to interfere by injunction with the judgment or orders of another court of concurrent or coordinate jurisdiction having the power to grant the relief sought by injunction (Investors' Finance Corp. v. Ebarle, 163 SCRA 61 [1988]). In fact, the doctrine is applied by analogy even to a body statutorily at par with the Regional Trial Court (Municipality of Malolos vs. Libangang Malolos, Inc., 164 SCRA 290 [1988]).

More importantly, as the purchaser of the property in the foreclosure sale and to which the respective title has already been issued, petitioner's right over the property has become absolute, vesting upon it the right of possession over and enjoyment of the property which the Court must aid in effecting its delivery. Indeed, it has been held that it would be a gross error for the judge to suspend the implementation of the writ of possession. Once the writ has been issued, the Court has no alternative but to enforce it without delay (PNB v. Adel, 118 SCRA 116 [1982]). In fact in a later case, even the Court of Appeals was not allowed to restrain the implementation of a writ of possession (GSIS v. Court of Appeals, 145 SCRA 344-345 [1986]).

Private respondent further averred that he was never a party to Civil Case No. 59246 of the Court of First Instance of Manila nor was he mentioned in the writ of possession issued by the same court as one of those to be dispossessed.

In the same breath, however, counsel for private respondent contradicted himself when he stated that the writ of possession is directed only against the defendant corporation or any other persons privy to or claiming any right or interest under it (L-41835, p. 113; underscoring supplied).

From the foregoing discussion, there appears to be no question that Atty. Saura is a privy to Saura Import & Export Co. and is claiming right or interest under it.

As to whether or not he can be dispossessed of said property under the circumstances, has been squarely answered by this Court in the affirmative, to the effect, that a mortgagee who has foreclosed upon the mortgaged real property of a delinquent debtor and has purchased the same at the foreclosure sale, can be granted a writ of

possession over the property despite the fact that the premises are in the possession of a lessee thereof and whose lease has not yet been terminated, unless the lease has been previously registered in the Registry of Property or with prior knowledge of the mortgagee (*Ibasco v. Caguioa*, 143 SCRA, 539 [1986]).

There is no dispute that subject leases executed in the case at bar were not registered and that the mortgagee had no knowledge thereof.

Under the circumstances, neither the respondent Judge of the Court of Agrarian Relations in L-41835 nor respondents Regional Director and Regional Trial Attorney of the Ministry of Agrarian Reforms in L-49293 had jurisdiction over the instant cases.

PREMISES CONSIDERED, the assailed orders of respondent Judge dated September 16 and October 15, 1975 in G.R. No. L-41835 and of the respondent officials dated October 11, 1978 and November 9, 1978 in G.R. No. L-49293, are hereby ANNULLED and SET ASIDE and the temporary restraining orders issued by this Court in these cases are considered PERMANENT.

SO ORDERED.

Melencio-Herrera, (Chairperson), Sarmiento, and Regalado, JJ., concur.
Padilla, J., no part.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.