

**GERONIMO DEATO, ET AL., PETITIONERS AND APPELLANTS VS.
RURAL PROGRESS ADMINISTRATION, RESPONDENT AND APPELLEE.***G. R. No. L-3414. April 13, 1951*

Ponente: MONTEMAYOR, J.

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This case was commenced in the Court of First Instance of Tarlac where a petition for prohibition with preliminary injunction was filed by the petitioners-appellants Geronimo Deato et al., against the Rural Progress Administration. After hearing, Judge Magno S. Gatmaitan in a well-reasoned decision, dismissed the petition and dissolved the receivership, a receiver having been appointed pending hearing. Petitioners appealed from that decision directly to this Court assigning three errors said to have been committed by the trial court. The facts in this case, not disputed by the parties, to be gleaned from their pleadings as well as from the findings of the trial court, in brief may be stated as follows.

By authority of Commonwealth Act No. 378 which authorized the Chief Executive to enter into negotiation with owners of landed estates for the purpose of acquiring such estates or parts thereof through lease with option to purchase, the lands so leased to be sublet to bona fide occupants of said lands, either individually or to corporations organized by them, through such department, bureau or office, or instrumentality that the President may designate or thru such office or agency as he may create, the President of the Philippines created the respondent-appellee, the Rural Progress Administration which was later duly incorporated. Executive Order 191 creating the Rural Progress Administration among other things states that:

"The purpose of the Administration shall be to promote small land owners and to improve the living condition and the general welfare of the rural population. To attain these ends the Administration shall have power for and in behalf of the government to enter into negotiations with the owners of the large estates for the purpose of acquiring such estates or parts thereof, * * * with the option to purchase the same within the same period under such terms and conditions as may be advantageous to the public interest."

Subsequently, the Rural Progress Administration which in this decision we shall later call the Administration, after negotiation with the Compania General de Tabacos de Filipinas called "Tabacalera" for short, purchased from said company several parcels of land with a total area of 3,309.82 hectares included in the Luisita Estate, province of Tarlac, covered by Transfer Certificates of Title Nos. 4176, 4177, 4178 and 4849 of the Office of the Register of Deeds for the province of Tarlac, for the sum of P1,601,020. The purchase price was borrowed from the Rehabilitation Finance Corporation (RFC) and to secure said loan, these parcels were mortgaged to said RFC. Petitioners-appellants numbering about seven hundred are the legitimate occupant farmers of parts of the parcels involved and were tenants of the former owner (Tabacalera) and had been paying rents or canon for the lots or portions they cultivated and occupied before the purchase. After the sale, which was consummated in November, 1947, the Administration regarding itself the owner and landlord, and considering the petitioners as its tenants, collected from them as canon or rent, 30 per cent of their crop harvest for the year 1947-1948, said 30 per cent being voluntarily given and delivered by said petitioners. Of this 30 per cent of the crop harvest, the

Administration kept 2/3 or 20 per cent, and out of consideration either returned the 1/3 or 10 per cent to the petitioners for their use or kept it and considered it as a deposit to be credited to said petitioners as part payment for their landholdings if and when said holdings are later sold to them.

For the crop year 1948-1949 the Administration tried to collect not 30 per cent of the crop harvest as was done the previous year but only 20 per cent, as its share as landlord. The petitioners refused to give or deliver even this 20 per cent of their crop harvest and instead petitioned the Administration to refrain from making¹ the collection but that said petitioners were willing to give said 20 per cent of their crop harvest as part payment for their landholdings, preferably in cash. The Administration by resolution of its Board of Directors rejected the petition saying that the 20 per cent sought to be collected, was in the form of rent from the petitioners who are tenants; and that it could not be considered as part payment because said petitioners have not entered into, much less, signed a contract of purchase of their landholdings. In view of this controversy, the petitioners as already stated, filed a petition to restrain the Administration from collecting the 20 per cent from the crop harvest of agricultural year 1948-1949.

The theory of petitioners-appellants is that having signed no contract of tenancy with the Administration they may not be considered as tenants and consequently they are under no obligation to pay any rent; and that they (petitioners) are really the owners of the land because the said land was purchased by the Government for them, and that the Administration is a mere trustee, they being the cestui que trust. The trial court dismissed and rejected this theory as untenable and unfounded and we fully agree with the said trial court. That the petitioners are not the owners of the land, is too clear and evident to merit much discussion. The sale was made by the former owner (Tabacalera) to the Administration and the transfer certificates of title are in the name of the Administration. It may be that although the sale was made to the Administration and the transfer certificates of title are in its name, it being a mere instrumentality of the Government, said Administration is acting as a mere trustee; but as the trial court correctly observes, the cestui que trust can be no other than the Government, and obviously, it cannot be the petitioners.

It is clear that the petitioners are not the owners of the land. There has been as yet no contract of sale in their favor. As far as the records of this case are concerned, they are not even applicants-purchasers. Conceding² that these parcels involved in this case will eventually be sold by the Government to the bona fide occupants and tenants thereof, before sale could be effected, the Administration must first investigate and determine who the real bona fide occupants and tenants are, and the extent of their holdings. Then the entire property must be subdivided into small lots to correspond to the holdings and areas occupied by each tenant or family and the price will have to be fixed for each landholding, taking into consideration the value of the land, its fertility, etc., and the price paid by the Government for the whole area plus the interest paid to the RFC, including the conditions of the sale, especially if the sales price is to be paid in installments. All these things will have to be done before a sale could be made to the petitioners and before they could consider themselves owners of the land. As to the claim that the petitioners are not tenants just because they have not signed any contract of tenancy with the Administration, if we follow their line of reasoning, it would lead to absurd results. Since they are not owners of the lands, neither are they lessees or tenants (according to them), then they are mere squatters or intruders in the property. They want to exercise, acts of ownership without being owners themselves. They want to appropriate all the products of the land and enjoy all the benefits and attributes of ownership without assuming any of the obligations of said ownership such as payment of taxes and the payment of interests on the loan from the RFC used to purchase the land from the Tabacalera, amounting to P1,601,020. Such theory is wholly unmeritorious.

It is not necessary that the petitioners should here signed contracts of tenancy in order that they may be considered tenants of the Administration. They were tenants of the former owner (Tabacalera). Being¹ a purchaser, the

Administration stepped into the shoes of the former owner. Instead of dismissing said tenants and replacing them with tenants of its own choice, the Administration was willing to continue and in fact continued with the petitioners as tenants, and was merely seeking to collect its share as landlord for the year 1948-1949, not 30 per cent as provided by Republic Act 34 but only 20 per cent, but even this, the petitioners refused to pay or give. That the petitioners have not shown a proper appreciation of the consideration and attention accorded them by the Government and the Administration, is not hard to see. Said petitioners evidently were misinformed or ill-advised about their rights and obligations. The trial court correctly said that the law on implied contracts may govern the relation between the petitioners and the Administration. Even if we disregard the continuity of the status of the petitioners and their relation to the Tabacalera as regards the land they are cultivating before the sale, that is to say, that being tenants of the former owner, through tolerance of the new owner they continued their old status, it is a fact that by continuing to cultivate the land (rice) not as owners but as farmers for their benefit and for the benefit of the owner, an implied contract of tenancy is created to be governed by the law, particularly the Rice Share Tenancy Act No. 4054 as amended. Said contract is defined by the Tenancy Act as a partnership between a landlord and a tenant entered into for a joint pursuit of rice agricultural work with common interest in which both parties divide between them the resulting profits as well as the losses. The Act further defines "landlord" as a natural or juridical person who is the real owner of the land which is the subject-matter of the contract and the "tenant" to mean a farmer or farm-laborer who undertakes to work and cultivate land for another. Section 8 of said Rice Share Tenancy Law as amended by Republic Act 34 provides that in the absence of any written agreement to the contrary and when the tenant furnishes the necessary farm implements and the work animals and defrays all expenses of cultivation of the land, as it seems to be in the present case, the tenant shall receive 70 per cent of the net produce and the landlord 30 per cent.

That is exactly the situation here where no written contract was entered into between the petitioners and the Administration. Said petitioners played the role of tenants and should therefore give 30 per cent of the produce of their holdings to the Administration which is the owner or trustee for the Government. Said Administration had reduced its share to only 20 per cent and as the trial court well observed, petitioners should be thankful for the 10 per cent that has been remitted. Unfortunately, instead of showing due appreciation of the favor, petitioners refuse to pay or give any rent at all. Their stand is absolutely untenable.

We find no reversible error in the decision appealed from and the same is hereby affirmed. Appellants will pay costs in both instances. So ordered.

Paras, C. J., Pablo, Bengzon and Padilla, Tuason, Jugo and Bautista Angelo, JJ., concur.

MONTEMAYOR, J.:

I hereby certify that Mr. Justice Alex. Reyes voted for the affirmance of the decision appealed from.

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