

MATEO DE RAMAS, PETITIONER, VS. THE COURT OF AGRARIAN RELATIONS AND GERONIMO B. RAMOS, RESPONDENTS.

G.R. No. L-19555. May 29, 1964

Ponente: LABRADOR, J.

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LABRADOR, J.:

This is a petition for a writ of certiorari with prohibition to review and set aside a decision of the Court of Agrarian Relations, Hon. Guillermo S. Santos, presiding, approving a petition of Geronimo B. Ramos, tenant, against his landlord, Mateo de Ramos, for the change of their tenancy contract from share to leasehold tenancy.

Respondent Geronimo B. Ramos is the tenant of herein petitioner Mateo de Ramos on a 2-1/2 hectare land at Muzon, Naic, Cavite, under a verbal share tenancy contract at 70-30. On June 22, 1960, or one month before the beginning of the agricultural year 1960-1961, Ramos informed petitioner of his desire to change their contract from that of share tenancy to leasehold tenancy. Petitioner refused to grant the request insisting on the former 70-30 sharing basis, so on May 23, 1961 Ramos filed a petition with the Court of Agrarian Relations praying that he be allowed to change their tenancy contract from share to leasehold, in accordance with the provisions of Section 14 of Republic Act No. 1199, as amended. Petitioner opposed the petition as groundless and violating their gentleman's agreement.

During the pendency of the case respondent Ramos moved to suspend the proceedings on the ground that the constitutionality of Section 14 of Republic Act No. 1199 has been raised, among other issues, before the Supreme Court in the case of *Juliano vs. CAR, et al.*, G.R. No. L-117627, and that to continue with the case would only result in loss of time, money, etc., if the Supreme Court declare Sec. 14 of Republic Act No. 1199 unconstitutional. This motion was denied in an order dated September 22, 1961. On December 14, 1961 Ramos presented his evidence; but Ramos waived the presentation of his evidence; manifesting that he would appeal whatever decision the agrarian court might render. On March 1, 1962, respondent 1 court rendered judgment upholding the constitutionality of Sec. 14 of Republic Act No. 1199, citing Our ruling in *Pineda, et al. vs. Pingul and CIR*, 92 Phil., 89, where We upheld the constitutionality or validity of Act No. 4054, as amended by Com. Act 178 and Republic Act 34.

Against the above judgment the present petition is brought before Us, petitioner praying that after proper hearing, Sec. 14 of Republic Act No. 1199 be declared unconstitutional and that the writ of prohibition prayed for be granted.

Petitioner first questions the agrarian court's action in proceeding with the hearing of CAR Case No. 246 Cavite '61, deciding the same, and ordering execution of its decision despite the pendency before Us of a similar case raising the constitutionality of Sec. 14 of Republic Act No. 1199. We find no error or irregularity in the court's proceeding with the case. The mere fact that the constitutionality of a law is raised in another case pending in the Supreme Court is not a valid reason for suspending the proceedings in this case. Laws are considered valid until declared unconstitutional, and until then courts are in duty bound to enforce them. (*Magtibay vs. Alikpala*, G.R.

No. L-17590 and Juliano vs. CAR, G.R. No. L-17627, both promulgated on November 29, 1962)

The present suit, specifically concerns the validity of Section 14 of the said Act which is as follows:

"SEC. 14. Change of System. - The tenant shall have the right to change the tenancy contract from one of share tenancy to leasehold tenancy and vice versa and from one crop sharing arrangement to another of the share tenancy. If the share tenancy contract is in writing and is duly registered, the right to change from one crop sharing arrangement to another may be exercised at least one month before the beginning of the next agricultural year after the expiration of the period of the contract. In the absence of any registered written contract, the right may be exercised at least one month before the agricultural year when the change shall be effected." (As amended by Section 4, R.A. 2263.)

The above provision is attacked on the ground of unconstitutionality in that it impairs the obligation of contracts, because after a contract of share tenancy has been adopted between the landlord and the tenant, the latter is empowered, notwithstanding said contract, to change it into leasehold tenancy. The question presented makes a review of tenancy laws useful in order to secure a correct perspective of the issue.

The promotion of social justice and of the well-being and economic security of all the people is a primary aim of the Constitution (Sec. 5, Art. II). In line with this, goal, the State encourages small landholdings as against large estates (Article XIII of the Constitution) and has taken upon itself the duty to protect the agricultural laborer and to regulate the relations between him and the landowner. (Sec. 6, Art. XIV, Id.)

Even before the approval of the Constitution the Legislature had already passed Act No. 4054, known as the "Philippine Rice Share Tenancy Act", approved February 27, 1933. The Act's aim is primarily to regulate the relations between landlords and tenants. Freedom of tenancy contract is allowed so long as it is not contrary to existing laws, customs, morals and public policy (Sec. 7). In the absence of contract the crop is divided equally between the landlord and the tenant, a system known as the share tenancy (Sec. 8). The contract is to last according to the stipulation of the parties, and in its absence it shall be in force only during one agricultural year. The landlord may not dismiss a tenant while a tenancy contract is in force, except for any just and reasonable cause as enumerated in Section 19 of Act No.4054.

On June 9, 1939, Commonwealth Act No. 461 was passed. This law further protects the security of tenure of the tenant, and provides that the tenant may not be dispossessed of the land except for any of the causes mentioned in Section 19 of Act No. 4054 and subject to the approval of a representative of the Department of Justice (Sec. 1).

On September 30, 1946, Republic Act No. 34 was approved, amending certain sections of Act No. 4054 and providing for a sharing ratio between the landlord and the tenant, depending on which of them furnishes the necessary implements and work animals and defrays all the , expenses for planting and cultivation (Sec. 3 Rep. Act No. 34, amending Sec. 8, Act No. 4054).

In the case of Tapang vs. Court of Industrial Relations, 72 Phil. 79, the validity of Section 19 of Act No. 4054 (Sec. 19 provides that landlord may not dismiss tenant except for good cause) and of Commonwealth Act No. 461 was questioned on the ground that they violate the constitutional guarantee against impairment of contracts. Overruling this argument, the Supreme Court said:

"El argumento de que la Ley No. 461 del Commonwealth es contraria a la Constitucion porque altera obligaciones contractuales, no tiene ninguna fuerza, porque, x x x la misma Constitucion manda que se debe 'promover la justicia social a fin de asegurar el bienestar y la estabilidad economica de todo el pueblo', y que se debe proteger al mismo tiempo 'a todos los trabajadores, especialmente a las mujeres' y no hay duda de que las dos mencionadas leyes tienden a dicho fin, protegiendo al aparcerio y al propietario por igual, y estableciendo

reglas que han de determinar las relaciones que deben existir entre los dos, para su propio beneficio." (Per Pablo, J., *Tapang vs. CIR*, supra)

The argument that the tenancy relationship had ceased after the expiration of the agricultural year was declared by the Court to be without any validity because Section 25 of Act No. 4054, the basis of said argument, must be understood to have been annulled or at least subject to the provisions of Commonwealth Act No. 461 (ante). Said this Court:

" 'No obstante todo contrato o disposicion en contrario de cualquier ley vigente, en todos los casos en que un terreno es ocupado bajo un sistema cualquiera de aparceria, no se ha de desposeer al aparcero del terreno cultivado por el mismo, sin la aprobacion de un representante del Departamento de Justicia debidamente autorizado al efecto y como no sea por alguna de las causas expresadas en el articulo diecinueve de la Ley Numero Cuatro mil cincuenta y cuatro o por alguno otro motivo justificado.' " (Ibid.)

After the passage of the above laws the need was felt for an agency familiar with landlord-tenant problems and capable of effectively enforcing existing laws. So, a special division of the Department of Justice to act as compulsory arbiter was first set up; later the arbitration and litigation aspects of tenancy cases were transferred to the Court of Industrial Relations whose docket was already clogged with cases involving other labor legislation. Act No. 4054 left much to be desired. It is not of universal application. Its principles were not in force throughout the Philippines, but only in localities where it was adopted or where it was put into effect by presidential proclamation. (C.A. 178, Sec. 4; *Iburan vs. Labes*, 87 Phil. 234) In other places, the standard of conduct laid down by Act No. 4054 was inapplicable. (*De la Cruz vs. Asociacion Zanjera Casilian*, 83 Phil. 214) Even under the law the oppressive conditions under which tenants theretofore found themselves were practically left unremedied; they still remained at the mercy of their landlords.

The latest attempt to remedy the miserable plight of tenants came with the passage of Republic Act No. 1199, otherwise known as the "Agricultural Tenancy Act of the Philippines," which repeals the old Tenancy Act (Act No. 4054), Commonwealth Act No. 461, and various amendments of these laws. The purpose of this Act, according to Section 2 thereof, is "to establish agricultural tenancy relations between landholders and tenants upon the principle of social justice; to afford adequate protection to the rights of both tenants and landlords; to insure an equitable division of the produce and income derived from the land; to provide tenant-farmers with incentives to greater and more efficient agricultural production; to bolster their economic position and to encourage their participation in the development of peaceful, vigorous and democratic rural communities."

Later on, or on June 14, 1955, Republic Act No. 1267 was passed creating the "Court of Agrarian Relations", said to be a concomitant of the Agricultural Tenancy Act, and designed to provide the long-needed medium for deciding agricultural problems. (3 Philippine Annotated Laws, 72)

A study of the Agricultural Tenancy Act (Rep. Act No. 1199) discloses that it is an improvement of its predecessor Act 4054, as amended. Most of its provisions deal with the regulation of the relations of the landlord and tenant (Secs. 6, 7, 8, 9), the fixing of the share of each in the products of the land cultivated by the tenant in general (Secs. 32, 33, 34, 35), the guaranteeing of the permanency of tenure of the tenant and his heirs on the land he and his predecessors cultivate (Secs. 6, 7, 9, 49, 50, 51). Its most important provision is the protection of the tenant against exploitation by the landlord, as it proscribes the utilization by the landlord of the personal services of the tenant and the members of his household without compensation (Sec. 23). It fixes interests on loans secured by the tenant from the landlord and prescribes the payment of such loans from the share of the tenant in the harvest at the current price, and requires the keeping of books of account showing the amounts received by the tenant as loans from the landlord, etc. (Secs. 16, 18, 48)

The above provisions are clearly an improvement of, Act No. 4054. They are intended to protect tenants from abuse and exploitation by their landlords. The validity of these provisions has not been questioned as they clearly fall within the province of regulatory provisions enjoined expressly in the Constitution (Art. XIV., Sec.6). The provisions are clearly of apparent wisdom and validity, evidently not subject to question as they do not appear to have ever been questioned in the short span of life of the law (approved August 30, 1954).

The history of land tenancy, especially in Central Luzon, is a dark spot in the social life and history of the people. It was among the tenants of Central Luzon that the late Pedro Abad Santos., acting as a saviour of the tenant class, which for generations has been relegated to a life of bondage, without hope of salvation or improvement, enunciated a form of socialism as a remedy for the pitiful condition of the tenants of Central Luzon. It was in Central Luzon also that the tenants forming the PKM organization of tenants and, during the war, the Hukbalahap, rose in arms against the constituted authority as their only salvation from permanent thralldom. According to statistics, whereas at the beginning of the century we had only 19% of the people belonging to the tenant class, after 60 years the prevailing percentage has reached 39%. It is the desire to improve the condition of the peasant class that must have impelled the Legislature to adopt the provisions as a whole of the Agricultural Tenancy Act, and particularly Section 14 of said Act.

The section in question (Sec. 14, Rep. Act No. 1199) permits a tenant who has accumulated savings to free him-self from obtaining the usurious loans for expenses needed in plowing, harrowing, planting, and harvesting. The tenant who has accumulated savings that would enable him to buy implements and farm animals is allowed by the provision in question to free himself from the bondage of permanent share tenancy by a change to leasehold tenancy. The tenant who is used to cultivating riceland cannot conceive of any form or manner in which he can invest his meager savings other than by the purchase of farm implements and work animals. In other words, the only avenue left to him to improve his lot is by permitting him to change his contract of tenancy from that of share system to that of leasehold system. The increase that he receives in his share as a consequence of the change is only 5% (under the share system the landlord receives 30% and under leasehold he receives only 25% if the land is first class, and 20% if the land is second class). But by the change the tenant is released from the stranglehold of the landlord, and becomes a semi-independent farmer. The provision in question is certainly justified by the directive contained in the Constitution to do justice to labor. By the change the laborer can improve his lowly lot. And if it cannot be justified as an act of social justice enjoined in the Constitution, it may be considered as an exercise of the police power of the State which tries to improve the situation of a great percentage of the people and preserve the security of the State against possible internal upheavals that the tenant class might be forced to create to improve their lowly lot. The tenant uprisings in Central Luzon from 1946 to 1952 must certainly have been the main cause or reason for the enactment of the Agricultural Tenancy Act in 1954 and of the particular section in question. The desire to improve the tenant class certainly has been impelled by the necessity of insuring the internal security of the country, a paramount aim and end justifying the exercise of the police power.

The legal question that is posed before Us is: Is the enactment of Section 14 of Republic Act No. 1199 in virtue of the police power of the State limited by the fact that it violates a contractual right (existing in favor of the defendant-appellant in this case)? The general rule has been stated thus:

"A police regulation, obviously intended as such and not operating unreasonably beyond the occasions of its enactment, is not rendered invalid by the fact that it may affect incidentally the exercise of some right guaranteed by the Constitution. For example, it is said that the proper exercise of the police power is not subject to restraint by constitutional provisions designed for the general protection of rights of individual life, liberty and property." (11 Am. Jur. 991-992)

Is Section 14 of Republic Act No. 1199 legally justified in impairing the obligation of an existing contract between the tenant and the landlord? The answer to this again stated as follows:

"The constitutional prohibition against state laws impairing the obligation of contracts does not restrict the power of the state to protect the public health, the public morals, or the public safety. One or more of these factors may be involved in the execution of such contracts. Rights and privileges arising from contracts are subject to regulations for the protection of the public health, the public morals, and the public safety, in the same sense and to the same extent as is all property, whether owned by natural persons or corporations. Not all police legislation which has the effect of impairing a contract is obnoxious to the constitutional prohibition as to impairment." (Ibid., pp. 1000-1001)

Obligations of contracts must yield to a proper exercise of the police power when such power is exercised, as in this case, to preserve the security of the State and the means adopted are reasonably adapted to the accomplishment of that end and are not arbitrary or oppressive, (11Am. Jur. 1002-1003)

The right granted to the tenant to change the contract from share tenancy to that of leasehold tenancy cannot be considered unreasonable or oppressive, because by the landlord's giving up of 5% of the harvest (the change from share to leasehold tenancy reduces the landlord's share from 30% to 25%) the tenant becomes more responsible, more competent, and financially prepared to comply with his obligations under the lease, to the ultimate benefit of the landlord, with the consequent improvement of a lot of a big segment of the population and thereby giving full meaning to the social justice directive contained in the Constitution.

Wherefore, in view of the above considerations We hold the disputed Section 14 of Republic Act No. 1199 constitutional and valid. The Judgment appealed from is affirmed. Without costs.

Bautista Angelo, Concepcion, Reyes, J.B.L., and Barrera, JJ., concur.

Bengzon C.J., concurs in the result.

CONCURRING OPINION

BENGZON, C. J.:

Without voting on the constitutional question, I concur in the result. According to the Agrarian Court's decision (p. 4), Ramos became the tenant of Ramas (Mateo de) sometime in 1959 or 1958, when Republic Act 1199 was already in force, and was consequently deemed to be a part of their contract of tenancy. So the landowner may not now be heard to complain about impairment of the contract.

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