

ALFONSO ANGELES, ET AL., PETITIONERS VS. THE COURT OF APPEALS, GREGORIO STA. INES AND ANASTACIA DIVINO, RESPONDENTS.

G. R. No. 11024. January 31, 1958

Ponente: LABRADOR, J.

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LABRADOR, J.:

Appeal by certiorari from a decision of the Court of Appeals reversing the judgment of the Court of First Instance of Nueva Ecija in Civil Case No. 631, entitled Alfonso Angeles, et al., vs. Gregorio Santa Ines, et al., and dismissing the complaint and counterclaim, without pronouncement as to costs.

On March 12, 1935, homestead patent No. 31613 was issued for a parcel of land in the municipality of Santo Domingo, Nueva Ecija, containing an area of 13.6696 hectares more or less. Pursuant to the issuance of this homestead patent, original certificate of title No. 4906 was issued to the patentee Juan Angeles on March 28, 1935. On May 28, 1937, Juan Angeles sold the above land to defendants Gregorio Santa Ines and Anastacia Divino, who thereupon took possession thereof. Juan Angeles died in the year 1938, and thereafter his heirs, the petitioners herein, sought to recover the land from the defendants on the ground that the sale was null and void (Sec. 116, Act No. 2874). The defendants refused to return the land, so said heirs, petitioners herein, brought this action in the Court of First Instance of Nueva Ecija.

In the amended complaint filed by the plaintiffs the allegation is made that defendants' possession of the land was by virtue of a sale which is against the law and therefore did not convey title to them. It is also alleged that the homestead produces an average of 200 cavans per year as share for the owner. Prayer is made that the defendants be ordered to vacate the land and the possession thereof returned to the plaintiffs, and that the defendants be condemned to pay damages at the rate of 200 cavans of palay per year from 1938, valued at P12 per cavan, until the return of the land. Defendants answered the amended complaint alleging that the purchase was for a valuable consideration, in utmost good faith, and that the defendants took possession of the land with the knowledge, consent and acquiescence of plaintiffs. They denied that the harvest of the land is 200 cavans per year for the owner and that the alleged price is P12 per cavan. As special defenses, they alleged that the plaintiffs are guilty of laches for having allowed 12 years to pass, after the death of the original homesteader, before they brought the action; that the plaintiff's right of action had prescribed; that more than five years had elapsed from the date of the final approval of the homestead, when the sale was made on May 28, 1937; etc. It is, therefore, prayed that the complaint be dismissed that the sale be declared valid and defendant's be declared owners of the property; and that the certificate of title be cancelled and one issued in the name of the defendants. As an alternative remedy, it was prayed that should the court declare the sale null and void the defendants be reimbursed in the amount of P6,000 which they incurred in cleaning the land, etc.

That trial court found that when the sale was made by the deceased Angeles, five years had not passed from the issuance of the certificate of title to the homestead; that both vendor and vendee knew that the sale was void

because the five-year period prescribed by law had not yet elapsed; as a consequence of this bad faith of both parties, they should be considered as having acted in good faith (Art. 364, Civil Code of Spain), and that defendants are entitled to the fruits of the land. The court further held that the right of action of plaintiffs had already prescribed before the complaint was filed on June 12, 1950, in accordance with Section 40 of Act No. 190. The trial court also found that the land was levelled and a dike was built thereon at a cost of P3,000.00 to prevent it from being flooded every year; that defendants paid P2,500.00 for the homestead. Wherefore, the court declared that the sale of the homestead is null and void and ordered plaintiffs to return the price of the land of P2,500.00 to the defendants and to reimburse the latter in the amount of P3,000, for expenses incurred in levelling the land and the construction of the dike thereon. The court ordered the defendants to return the homestead to the plaintiffs upon the payment to the defendants of P2,500.00 and that the P3,000.00, value of the improvements, should constitute a lien on the land.

The case having been appealed to the Court of Appeals, the latter held that Article 1306, paragraph 1 of the Spanish Civil Code, which provides:

"* * * When both parties are guilty, neither of them can recover what he may have given by virtue of the contract, or enforce the performance of the undertaking of the other party;"

which legal provision is founded on the principle of *in pari delicto*, is applicable. In accordance with said principle, it held that none of the parties should be given any remedy due to the fact that they did not only violate the prohibition contained in the Public Land Law but because they knowingly tried to cheat the prohibition (by the insertion of a provision for the execution of another deed of sale after five years). The decision of the lower court was, therefore, reversed and the action dismissed.

In this Court it is claimed by the petitioners that the application of Article 1306, par. 1, of the Spanish Civil Code is null and void; and that the heirs of the homesteader should be declared entitled to the possession of the homestead and the fruits of the same.

The most important issue raised in the appeal is whether the doctrine of *in pari delicto* is applicable to sales of homesteads. This question was squarely decided in the case of *Catalina de los Santos vs. Roman Catholic Church of Midsayap, et al.*, 94 Phil. 405; 50 Off. Gaz. 1588, in the negative. In that case we held that the principle of *in pari delicto* is not applicable to a homestead which has been illegally sold, in violation of the homestead law. Reason for the rule is that the policy of the law is to give land to a family for home and cultivation and the law allows the homesteader to reacquire the land even if it has been sold; hence the right may not be waived. This principle was again confirmed in the case of *Acierto, et al. vs. De los Santos, et al.*, (95 Phil. 887) in which, through Mr. Justice Alex. Reyes, we said:

"Appellants, however, contend that the voiding provision of the Act may not be invoked in favor of plaintiffs as their predecessor in interest was *in pari delicto*, and that, since the same provision says the illegal sale shall have the effect of annulling the grant and cause the reversion of the property and its improvements to the State, plaintiffs may no longer claim the homestead. Similar contentions were made in the case of *Catalina de los Santos, vs. Roman Catholic Church of Midsayap et al.*, 94 Phil., 405, 50 Off. Gaz. 1588, but they were there overruled, this Court holding that the *in pari delicto* doctrine may not be invoked in a case of this kind since it would turn counter to an avowed fundamental policy of the State that the forfeiture of the homestead is a matter between the State and the grantee of his heirs, and that until the State has taken steps to annul the grant and asserts title to the homestead the purchaser is, as against the vendor or his heirs, 'no more entitled to keep the land than any intruder.'"

Consistent with the above decisions, we must hold that in the case at bar the sale of the homestead by the deceased homesteader was null and void and his heirs have the right to recover the homestead illegally disposed

of.

It now becomes necessary to determine if the defense of prescription raised in the answer to the amended complaint can be sustained, it appearing that when the action was brought in the year 1950, about 13 years had elapsed since the date of the sale. The precise question was also passed upon by Us adversely to the defendants-respondents in the case of *Eugenio, et al. vs. Perdido, et al.*, 97 Phil., 41. In that case we held, thru Mr. Justice Bengzon:

"There is no question that the sale in March 1932 having been made within five years from 'the date of the issuance of the patent' was 'unlawful and null and void from its execution', by express provision of sections 116 and 122 of Act No. 2874 (Now Com. Act No. 141).

"Under the existing classification, such contract would be 'inexistent' and 'the action or defense for declaration' of such inexistence 'does not prescribe'. (Art. 1410 New Civil Code). While it is true that this is a new provision of the New Civil Code, it is nevertheless a principle recognized since *Tipton v. Velasco*, 6 Phil. 67 that 'mere lapse of time cannot give efficacy to contracts that are null and void'."

Having found that the sale of the homestead is null and void, and that the action to recover the same does not prescribe, we now come to the effects of these rulings on the price paid for the sale and the value of the improvements made on the homestead and of the products realized from the homestead by the buyer. The stipulation of the parties (pp. 39-40, R.O.A.) shows that the deed of sale was to be renewed after the expiration of five years, and that this fact was explained by the notary to the parties. The notary must have informed the latter that renewal of the deed was necessary to avoid the prohibition against the sale of the homestead within five years after the issuance of the title. This circumstance shows that the parties to the sale were aware of the existence of the prohibition and that they entered into the contract of sale notwithstanding such knowledge. As a matter of fact, the Court of Appeals predicated its decision on the finding that the parties to the sale were both guilty of bad faith.

The question that now poses is whether the return of the value of the products gathered from the land by the defendants and the expenses incurred in the construction of the dike—all useful and necessary expenses—should be ordered to be returned by the defendants to the plaintiffs. While we believe that the rule of *in pari delicto* should not apply to the sale of the homestead, because such sale is contrary to the public policy enunciated in the homestead law, the loss of the products realized by the defendants and the value of the necessary improvements made by them on the land should not be excepted from the application of the said rule because no cause or reason can be cited to justify an exception. It has been held that the rule of *in pari delicto* is inapplicable only where the same violates a well-established public policy.

"* * * But we doubt if these principles can now be involved considering the philosophy and the policy behind the approval of the Public Land Act. The principle underlying *in pari delicto* as known here and in the United States is not absolute in its application. It recognizes certain exceptions one of them being when its enforcement or application runs counter to an avowed fundamental policy or to public interest. As stated by us in the *Relloso* case, 'This doctrine is subject to one important limitation, namely, "whenever public policy is considered advanced by allowing either party to sue for relief against the transaction."' (*Relloso vs. Gaw Chee Hun*, 93 Phil. 827; 49 Off. Gaz. 4345.)" (*De los Santos vs. Roman Catholic Church of Midsayap*, 94 Phil. 405; 50 Off. Gaz. 1588).

We are constrained to hold that the heirs of the homesteader should be declared to have lost and forfeited the value of the products gathered from the land, and so should the defendants lose the value of the necessary improvements that they have made thereon.

With respect to the price that the defendants had paid for the land P2,500, in view of the rule that no one should enrich himself at the expense of another, the return of the said amount by the plaintiffs should be decreed, before

the plaintiffs may be allowed to recover back the possession of the homestead, subject to the action.

The decision of the Court of Appeals is hereby reversed and judgment is hereby entered declaring the sale of the homestead null and void, ordering the defendants to return the same to the plaintiffs upon payment by the latter to them of the sum of P2,500. The claim of plaintiffs for the value of the products of the land and that of defendants for the expenses in the construction of the dike are both dismissed. Without costs in this appeal.

Paras, C. J., Bengzon, Padilla, Reyes, A., Bautista Angelo, Concepcion, Reyes, J. B. L., Endencia, and Felix, JJ., concur.

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