

CELSO R. HALILI AND ARTHUR R. HALILI, PETITIONERS, VS. COURT OF APPEALS, HELEN MEYERS GUZMAN, DAVID REY GUZMAN AND EMILIANO CATANIAG, RESPONDENTS.

G.R. No. 113539. March 12, 1998

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.:

The factual findings of a trial court, when affirmed by the Court of Appeals, may no longer be reviewed and reversed by this Court in a petition for review under Rule 45 of the Rules of Court. The transfer of an interest in a piece of land to an alien may no longer be assailed on constitutional grounds after the entire parcel has been sold to a qualified citizen.

[The Case]

These familiar and long-settled doctrines are applied by this Court in denying this petition under Rule 45 to set aside the Decision[1] of the Court of Appeals[2] in CA-GR CV No. 37829 promulgated on September 14, 1993, the dispositive portion of which states:[3]

“WHEREFORE, and upon all the foregoing, the Decision of the court below dated March 10, 1992 dismissing the complaint for lack of merit is AFFIRMED without pronouncement as to costs.”

[The Facts]

The factual antecedents, as narrated by Respondent Court, are not disputed by the parties. We reproduce them in part, as follows:

“Simeon de Guzman, an American citizen, died sometime in 1968, leaving real properties in the Philippines. His forced heirs were his widow, defendant appellee [herein private respondent] Helen Meyers Guzman, and his son, defendant appellee [also herein private respondent] David Rey Guzman, both of whom are also American citizens. On August 9, 1989, Helen executed a deed of quitclaim (Annex A-Complaint), assigning[,] transferring and conveying to David Rey all her rights, titles and interests in and over six parcels of land which the two of them inherited from Simeon.

Among the said parcels of land is that now in litigation, x x x situated in Bagbaguin, Sta. Maria, Bulacan, containing an area of 6,695 square meters, covered by Transfer Certificate of Title No. T-170514 of the Registry of Deeds of Bulacan. The quitclaim having been registered, TCT No. T-170514 was cancelled and TCT No. T-120259 was issued in the name of appellee David Rey Guzman.

On February 5, 1991, David Rey Guzman sold said parcel of land to defendant-appellee [also herein private respondent] Emiliano Cataniag, upon which TCT No. T-120259 was cancelled and TCT No. T-130721(M) was issued in the latter’s name.”[4]

Petitioners, who are owners of the adjoining lot, filed a complaint before the Regional Trial Court of Malolos, Bulacan, questioning the constitutionality and validity of the two conveyances -- between Helen Guzman and

David Rey Guzman, and between the latter and Emiliano Cataniag -- and claiming ownership thereto based on their right of legal redemption under Art. 1621[5] of the Civil Code.

In its decision[6] dated March 10, 1992,[7] the trial court dismissed the complaint. It ruled that Helen Guzman's waiver of her inheritance in favor of her son was not contrary to the constitutional prohibition against the sale of land to an alien, since the purpose of the waiver was simply to authorize David Rey Guzman to dispose of their properties in accordance with the Constitution and the laws of the Philippines, and not to subvert them. On the second issue, it held that the subject land was urban; hence, petitioners had no reason to invoke their right of redemption under Art. 1621 of the Civil Code.

The Halilis sought a reversal from the Court of Appeals which, however, denied their appeal. Respondent Court affirmed the factual finding of the trial court that the subject land was urban. Citing *Tejido vs. Zamacoma*[8] and *Yap vs. Grageda*,[9] it further held that, although the transfer of the land to David Rey may have been invalid for being contrary to the Constitution, there was no more point in allowing herein petitioners to recover the property, since it has passed on to and was thus already owned by a qualified person.

Hence, this petition.[10]

[Issues]

The petition submits the following assignment of errors:

“x x x the Honorable Court of Appeals -

1. Erred in affirming the conclusion of the trial court that the land in question is urban, not rural
2. Erred in denying petitioners' right of redemption under Art. 1621 of the Civil Code
3. Having considered the conveyance from Helen Meyers Guzman to her son David Rey Guzman illegal, erred in not declaring the same null and void[.]”[11]

[The Court's Ruling]

The petition has no merit.

[First Issue: The Land Is Urban;]

[Thus, No Right of Redemption]

The first two errors assigned by petitioners being interrelated -- the determination of the first being a prerequisite to the resolution of the second -- shall be discussed together.

Subject Land Is Urban

Whether the land in dispute is rural or urban is a factual question which, as a rule, is not reviewable by this Court.[12] Basic and long-settled is the doctrine that findings of fact of a trial judge, when affirmed by the Court of Appeals, are binding upon the Supreme Court. This admits of only a few exceptions, such as when the findings are grounded entirely on speculation, surmises or conjectures; when an inference made by the appellate court from its factual findings is manifestly mistaken, absurd or impossible; when there is grave abuse of discretion in the appreciation of facts; when the findings of the appellate court go beyond the issues of the case, run contrary to the admissions of the parties to the case or fail to notice certain relevant facts which, if properly considered, will justify a different conclusion; when there is a misappreciation of facts; when the findings of fact are conclusions without mention of the specific evidence on which they are based, are premised on the absence of evidence or are contradicted by evidence on record.[13]

The instant case does not fall within any of the aforecited exceptions. In fact, the conclusion of the trial court -- that the subject property is urban land -- is based on clear and convincing evidence, as shown in its decision which disposed thus:

“x x x As observed by the court, almost all the roadsides along the national ghighway [sic] of Bagbaguin, Sta. Maria, Bulacan, are lined up with residential, commercial or industrial establishments. Lined up along the Bagbaguin Road are factories of feeds, woodcrafts [sic] and garments, commercial stores for tires, upholstery materials, feeds supply and spare parts. Located therein likewise were the Pepsi-Cola Warehouse, the Cruz Hospital, three gasoline stations, apartment buildings for commercial purposes and construction firms. There is no doubt, therefore, that the community is a commercial area thriving in business activities. Only a short portion of said road [is] vacant. It is to be noted that in the Tax Declaration in the name of Helen Meyers Guzman[,] the subject land is termed agricultural[,] while in the letter addressed to defendant Emiliano Cataniag, dated October 3, 1991, the Land Regulatory Board attested that the subject property is commercial and the trend of development along the road is commercial. The Board’s classification is based on the present condition of the property and the community thereat. Said classification is far more later [sic] than the tax declaration.”[14]

No Ground to Invoke Right of Redemption

In view of the finding that the subject land is urban in character, petitioners have indeed no right to invoke Art. 1621 of the Civil Code, which presupposes that the land sought to be redeemed is rural. The provision is clearly worded and admits of no ambiguity in construction:

“ART. 1621. The owners of adjoining lands shall also have the right of redemption when a piece of rural land, the area of which does not exceed one hectare, is alienated, unless the grantee does not own any rural land.

xxx xxx xxx”

Under this article, both lands -- that sought to be redeemed and the adjacent lot belonging to the person exercising the right of redemption -- must be rural. If one or both are urban, the right cannot be invoked.[15] The purpose of this provision which is limited in scope to rural lands not exceeding one hectare, is to favor agricultural development.[16] The subject land not being rural and, therefore, not agricultural, this purpose would not be served if petitioners are granted the right of redemption under Art. 1621. Plainly, under the circumstances, they cannot invoke it.

[Second Issue: Sale to Cataniag Valid]

Neither do we find any reversible error in the appellate court’s holding that the sale of the subject land to Private Respondent Cataniag renders moot any question on the constitutionality of the prior transfer made by Helen Guzman to her son David Rey.

True, Helen Guzman’s deed of quitclaim -- in which she assigned, transferred and conveyed to David Rey all her rights, titles and interests over the property she had inherited from her husband -- collided with the Constitution, Article XII, Section 7 of which provides:

“SEC. 7. Save in cases of hereditary succession, no private lands shall be transferred or conveyed except to individuals, corporations, or associations qualified to acquire or hold lands of the public domain.”

The landmark case of *Krivenko vs. Register of Deeds*[17] settled the issue as to who are qualified (and disqualified) to own public as well as private lands in the Philippines. Following a long discourse maintaining that the “public agricultural lands” mentioned in Section 1, Article XIII of the 1935 Constitution, include residential, commercial and industrial lands, the Court then stated:

“Under section 1 of Article XIII [now Sec. 2, Art. XII] of the Constitution, ‘natural resources, with the exception of public agricultural land, shall not be alienated,’ and with respect to public agricultural lands, their alienation is limited to Filipino citizens. But this constitutional purpose conserving agricultural resources in the hands of Filipino citizens may easily be defeated by the Filipino citizens themselves who may alienate their agricultural lands in favor of aliens. It is partly to prevent this result that section 5 is included in Article XIII, and it reads as follows:

‘Sec. 5. Save in cases of hereditary succession, no private agricultural land will be transferred or assigned except to individuals, corporations or associations qualified to acquire or hold lands of the public domain in the Philippines.’

This constitutional provision closes the only remaining avenue through which agricultural resources may leak into aliens’ hands. It would certainly be futile to prohibit the alienation of public agricultural lands to aliens if, after all, they may be freely so alienated upon their becoming private agricultural lands in the hands of Filipino citizens. Undoubtedly, as above indicated, section 5 [now Sec. 7] is intended to insure the policy of nationalization contained in section 1 [now Sec. 2]. Both sections must, therefore, be read together for they have the same purpose and the same subject matter. It must be noticed that the persons against whom the prohibition is directed in section 5 [now Sec. 7] are the very same persons who under section 1 [now Sec. 2] are disqualified ‘to acquire or hold lands of the public domain in the Philippines.’ And the subject matter of both sections is the same, namely, the non transferability of ‘agricultural land’ to aliens. x x x”[18]

The Krivenko rule was recently reiterated in *Ong Ching Po vs. Court of Appeals*,[19] which involves a sale of land to a Chinese citizen. The Court said:

“The capacity to acquire private land is made dependent upon the capacity to acquire or hold lands of the public domain. Private land may be transferred or conveyed only to individuals or entities ‘qualified to acquire lands of the public domain’ (II Bernas, *The Constitution of the Philippines* 439-440 [1988 ed.]).

The 1935 Constitution reserved the right to participate in the ‘disposition, exploitation, development and utilization’ of all ‘lands of the public domain and other natural resources of the Philippines’ for Filipino citizens or corporations at least sixty percent of the capital of which was owned by Filipinos. Aliens, whether individuals or corporations, have been disqualified from acquiring public lands; hence, they have also been disqualified from acquiring private lands.”[20]

In fine, non-Filipinos cannot acquire or hold title to private lands or to lands of the public domain, except only by way of legal succession.[21]

But what is the effect of a subsequent sale by the disqualified alien vendee to a qualified Filipino citizen? This is not a novel question. Jurisprudence is consistent that “if land is invalidly transferred to an alien who subsequently becomes a citizen or transfers it to a citizen, the flaw in the original transaction is considered cured and the title of the transferee is rendered valid.”[22]

Thus, in *United Church Board of World Ministries vs. Sebastian*,[23] in which an alien resident who owned properties in the Philippines devised to an American non-stock corporation part of his shares of stock in a Filipino corporation that owned a tract of land in Davao del Norte, the Court sustained the invalidity of such legacy. However, upon proof that ownership of the American corporation has passed on to a 100 percent Filipino corporation, the Court ruled that the defect in the will was “rectified by the subsequent transfer of the property.”

The present case is similar to *De Castro vs. Tan*. [24] In that case, a residential lot was sold to a Chinese. Upon his death, his widow and children executed an extrajudicial settlement, whereby said lot was allotted to one of his sons who became a naturalized Filipino. The Court did not allow the original vendor to have the sale annulled and to recover the property, for the reason that the land has since become the property of a naturalized Filipino citizen

who is constitutionally qualified to own land.

Likewise, in the cases of *Sarsosa vs. Cuenco*,^[25] *Godinez vs. Pak Luen*,^[26] *Vasquez vs. Li Seng Giap*^[27] and *Herrera vs. Luy Kim Guan*,^[28] which similarly involved the sale of land to an alien who thereafter sold the same to a Filipino citizen, the Court again applied the rule that the subsequent sale can no longer be impugned on the basis of the invalidity of the initial transfer.

The rationale of this principle was explained in *Vasquez vs. Li Seng Giap* thus:

“x x x [I]f the ban on aliens from acquiring not only agricultural but also urban lands, as construed by this Court in the *Krivenko* case, is to preserve the nation’s lands for future generations of Filipinos, that aim or purpose would not be thwarted but achieved by making lawful the acquisition of real estate by aliens who became Filipino citizens by naturalization.”^[29]

Accordingly, since the disputed land is now owned by Private Respondent Cataniag, a Filipino citizen, the prior invalid transfer can no longer be assailed. The objective of the constitutional provision -- to keep our land in Filipino hands -- has been served.

WHEREFORE, the petition is hereby DENIED. The challenged Decision is AFFIRMED. Costs against petitioner.

SO ORDERED.

Davide, Jr. (Chairman), Bellosillo, Vitug and Quisumbing, JJ., concur.

[1] Rollo, pp. 19-30.

[2] Ninth Division, composed of JJ. Cezar D. Francisco, ponente; Gloria C. Paras (chairman) and Buenaventura J. Guerrero, concurring.

[3] Assailed Decision, p. 12; Rollo, p. 30.

[4] Assailed Decision, p. 2; Rollo, p. 20.

[5] “ART. 1621. The owners of adjoining lands shall also have the right of redemption when a piece of rural land, the area of which does not exceed one hectare, is alienated, unless the grantee does not own any rural land.

This right is not applicable to adjacent lands which are separated by brooks, drains, ravines, roads and other apparent servitudes for the benefit of other estates.

If two or more adjoining owners desire to exercise the right of redemption at the same time, the owner of the adjoining land of smaller area shall be preferred; and should both lands have the same area, the one who first requested the redemption.”

[6] CA Rollo, pp. 29-31.

[7] Penned by Judge Valentin R. Cruz.

[8] 138 SCRA 78, August 7, 1985.

[9] 121 SCRA 244, March 28, 1983.

[10] This case was considered submitted for resolution upon receipt by this Court of petitioners’ memorandum on November 8, 1996.

[11] Petition, p. 6; Rollo, p. 12.

[12] First Philippine International Bank vs. Court of Appeals, 252 SCRA 259, January 24, 1996.

[13] Fuentes vs. Court of Appeals, 268 SCRA 703, February 26, 1997; Geronimo vs. Court of Appeals, 224 SCRA 494, July 5, 1993. See also Lacanilao vs. Court of Appeals, 262 SCRA 486, September 26, 1996; Verendia vs. Court of Appeals, 217 SCRA 417, January 22, 1993.

[14] RTC decision, p. 3; CA Rollo, p. 31.

[15] Tolentino, *Ibid.*; Cortes vs. Flores, 47 Phil 992, September 6, 1924.

[16] Tolentino, Civil Code of the Philippines, 1992 ed., Vol. V, p. 182; Del Pilar vs. Catindig, 35 Phil 263, November 4, 1916.

[17] 79 Phil 461, November 15, 1947, per Moran, CJ.

[18] *Ibid.*, pp. 473-474.

[19] 239 SCRA 341, December 20, 1994, per Quiason, J.

[20] At p. 346.

[21] Cf. Ramirez vs. Vda. de Ramirez, 111 SCRA 704, February 15, 1982.

[22] United Church Board of World Ministries vs. Sebastian, 159 SCRA 446, 451-452, March 30, 1988; per Cruz, J. See also Tejido vs. Zamacoma, 138 SCRA 78, August 7, 1985; Sarsosa vda. de Barsobia vs. Cuenco, 113 SCRA 547, April 16, 1982; Godinez vs. Fong Pak Luen, 120 SCRA 223, January 27, 1983; Yap vs. Maravillas, 121 SCRA 244, March 28, 1983; De Castro vs. Tan, 129 SCRA 85, April 30, 1984.

[23] *Ibid.*

[24] *Supra.*

[25] *Supra.*

[26] *Supra.*

[27] 96 Phil 447, January 31, 1955, per Padilla, J.

[28] 1 SCRA 406, January 31, 1961, per Barrera, J.

[29] *Supra*, p. 453.

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