

SPOUSES FRANCISCO AND ANGELA C. TANKIKO AND SPOUSES ISAIAS AND ANITA E. VALDEHUEZA, PETITIONERS, VS. JUSTINIANO CEZAR, EUGENIO ENDAN, BONIFACIO ACLE, EUSEBIO ANTIG, JULIO ASENER...

G.R. No. 131277. February 02, 1999

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.:

Equity may be invoked only in the absence of law; it may supplement the law, but it can neither contravene nor supplant it.

Statement of the Case

This principle is stressed by this Court in granting the Petition for Review on Certiorari before us seeking the nullity of the April 16, 1997 Decision of the Court of Appeals[1] in CA-GR CV No. 50025 and its October 13, 1997 Resolution denying reconsideration. The dispositive portion of the assailed Decision reads as follows:

"WHEREFORE, the foregoing considered, the appealed decision is SET ASIDE and another one entered allowing plaintiffs-appellants to stay in the premises pending final termination of the administrative proceedings for cancellation of defendants-appellees' titles and final termination of the action for reversion and annulment of title. Let notice of lis pendens be annotated on Original Certificate of Title Nos. T-55515 and T-55516.

"Let a copy of this decision be furnished to the Director of Lands and the Office of the Solicitor General for the administrative investigation of plaintiff-appellant's complaint and [for] the eventual filing of the petition for the cancellation of defendants-appellees' title [to] be initiated, expedited if still pending, and resolved without further delay."[2]

By the foregoing disposition, the Court of Appeals effectively reversed the February 9, 1995 Decision[3] of the Regional Trial Court of Misamis Oriental, Branch 17, which disposed:

"WHEREFORE, premises considered, the complaint filed in this case against the defendants by the plaintiffs should be, as it is hereby ordered, DISMISSED, for lack of merit. Accordingly, the defendants are hereby declared as owners of the property in litigation as evidenced by their certificates of title covering their respective portions of Lot No. 3714 and the plaintiffs, who are now possessing and occupying said parcel of land, are hereby ordered to vacate the same within ninety (90) days, so that the defendants can take possession of their respective portions and enjoy the same as owners thereof.

"The counter-claims are, likewise, dismissed for failure to prove the same. Costs against the plaintiffs."[4]

Hence, this recourse to this Court.[5]

The Facts

As found by the Court of Appeals, the facts of the case are as follows:

"x x x Plaintiffs-appellants [herein respondents] are the actual occupants and residents of a portion [of land] consisting of 1 ha. 7552 sq. m. (Appellants' Brief, p. 28, Rollo) of the controverted lot, Lot No. 3714 of the Cadastral Survey of Cagayan [(Cadastral Case No. 18, L.R.C. Rec. No. 1562)] with the improvements thereon, situated in the Barrio of Lapasan, City of Cagayan de Oro x x x containing an area of ONE HUNDRED TWENTY SIX THOUSAND ONE HUNDRED AND TWELVE (126,112) SQUARE METERS, more or less (Exhibit `2'; Records, pp. 12-13).

"Plaintiffs-appellants are miscellaneous sales patent applicants of their respective portions of the aforescribed lot occupied by them [(some as far back as 1965)] and have been religiously paying taxes on the property. The action for reconveyance with damages filed before the Regional Trial Court, Misamis Oriental, Cagayan de Oro City springs from the fact that the lot in question [(Lot 3714)] had been titled under Original Certificate of Title No. O-740 issued by the then Land Registration Commission on December 13, 1977 in the name of Patricio Salcedo married to Pilar Nagac. Said OCT was issued pursuant to Decree of Registration No. N-168305 in accordance with a decision of the Cadastral Court in Cadastral Case No. 18, LRC Cad. Rec. No. 1562 dated August 6, 1941 penned by the Hon. Lope Consing (Pre-Trial Brief for Defendant Spouses Francisco and Angela Tankiko and Spouses Isaias and Anita Valdehueza, Records, p. 258). Subsequently, separate titles (Transfer Certificates of Title NO. T-55515 and T-55516) were issued to defendant-appellee Tankiko after the latter purchased Lots 3714-B, 3714-C of the subdivision plan from the Heirs of Patricio Salcedo represented by Atty. Godofredo Cabildo, their attorney-in-fact. In turn, defendant-appellee Francisco Tankiko sold Lot 3714-C to defendant-appellees Isaias and Anita Valdehueza.

"Plaintiff-appellants contest the existence of the Consing decision and cite the decision of the Hon. Eulalio Rosete dated April 18, 1980 [in] Civil Case No. 6759 involving the neighboring lot (Lot No. 3715) likewise (formerly) covered by OCT O-740 which makes the following observation regarding Lot 3714:

`There is no record showing that a decision has been rendered in Cadastral Case No. 18; G.L.T.O Record No. 1562 adjudicating Lots Nos. 3714 and 3715 in favor of Patricio Salcedo married to Pilar Nagac. (Exh UU and VV). If there was such a decision it would have been with the records of the Land Registration Commission inasmuch [as] the decree was issued only on December 13, 1977 so that decision was still available on that date.

`On the contrary, it was the decision rendered in Expediente (sic) Catastro No. 18, G.L.R.P Record No. 1562, entitled, `Commonwealth De Pilipinas, Solicitante, Antonia Abaday, et al. Reclamantes,' rendered on December 19, 1940 which was found. This decision shows that Lots Nos. 3714 and 3715 were declared public lands. (Exh. WW-2). Said decision, rendered by Judge Ricardo Summers, reads, among others.

`xxx xxx xxx

Lote No. 3714 - Declarado terreno publico por haber sido reclamado unicamente por los Directores de Terrenos y Montes.

Lote No. 3715 - Declarado toreno publico por haber sido reclamado unificamente porlos Directores de Terrenos y Montes. (Exh WW-2-A).

xxx' (Underscoring Supplied).

xxx xxx xxx

`The Court notes that Original Certificate of Title No. [O-]740 covers not only Lot 3715, but also Lot No. 3714, a parcel of land which has been occupied and [is] now being used by the Don Mariano Marcos Polytechnic College. Before this College, the Misamis Oriental School of Arts and Trades, has been occupying and using the Lot No. 3714 since before the war. This lot was also declared public land by the Cadastral Court in Expediente Catastro No. 18 G.L.R.O. Record No. 1562, because only the Directors of Land and Forestry were the claimants (Exh WW-2-A). It would seem therefore that Original Certificate of Title No. [O-]740 is likewise void ab initio as regards this lot. But, this Court cannot make any pronouncement on this lot because it has not been admitted for determination.'

(Records, pp. 41-43)

"In the course of the presentation plaintiffs' evidence in this appealed case, the parties submitted a stipulation of facts (Records, pp. 392, 427, 429) wherein the parties admitted the existence of Civil Case No. 6646, Regional Trial Court Branch 24, Misamis Oriental; and the Decision-Adjudicando Lotes No Controvertidos rendered by Judge Ricardo Summers in Expediente Cat. No. 18 G.L.R.O. Rec. No. 1562 on December 14, 1940 which shows on page 6 thereof that Lot 3714 was 'declarado terreno publico'. However[,] defendants asserted that Lot 3714 was subsequently adjudicated to and ordered registered in the name of Patricio Salcedo pursuant to Decree of Registration No. 168305 issued on August 6, 1941 by Judge Lope Consing but the Original Certificate of Title No. O-740 was actually issued only on December 13, 1977. Parties further stipulated to the existence of Civil Case No. 6759 referring to the neighboring Lot 3715 and the decision rendered therein supra declaring null and void Original Certificate of Title No. O-740 as regards Lot No. 3715 and containing the opinion that OCT-O740 was likewise void respecting Lot No. 3714; the existence of Civil Case No. 89-243 entitled Heirs of Bartolome Calderon, et al. vs. Salcedo, et al. which was terminated by a Judgment on Compromise Agreement recognizing Miscellaneous Sales Patent No. 4744 in favor of the Heirs of Bartolome Calderon over a 750 square meter portion of the land covered by OCT No. O-740; the existence of tax declarations and tax receipts of the plaintiff; the existence of OCT No. O-740 over Lot 3714, Subdivision Plan of Patricio Salcedo over Lot 3714, Extra-judicial Settlement of [the] Estate of Patricio Salcedo, and the Special Power of Attorney in favor of Atty. Godofredo Cabildo as attorney-in-fact of the Salcedos (pp. 4298-430, Record)."[6]

Ruling of the Court of Appeals

The Court of Appeals (CA) found that Patricio Salcedo did not acquire any right or title over the disputed land and, consequently, did not transmit any registrable title to herein petitioners. Never presented as evidence was any copy of the Consing Decision, which had allegedly authorized the Decree of Registration of the property in favor of Patricio Salcedo. Evidence also shows that the land that Patricio Salcedo succeeded in registering in his name had been previously declared public land on December 19, 1940, in Expediente Cat. No. 18 penned by Judge Ricardo Summers. Under the Regalian Doctrine, no public land can be acquired by private persons without a grant from the government; since petitioners did not present any evidence that Patricio Salcedo had acquired the property from the government as a favored recipient -- by homestead, free patent or sales patent -- said property could not have been acquired by him.

As the property in dispute is still part of the public domain, respondents are not the proper parties to file an action for reconveyance, as they are not owners of the land, but only applicants for sales patent thereon. However, equitable considerations persuaded the CA to allow plaintiffs-appellants to remain on the land in question, so that future litigation may be avoided.

Statement of the Issues

In their Memorandum, petitioners claim that the CA erred in its ruling on the following issues:

- "1. Respondents' legal personality to sue;
2. Decree of Registration;
3. Petitioners as innocent purchasers for value;
4. Allowing respondents to stay in the premises; and
5. Prescription."[7]

This Court believes that the pivotal issue in this case is whether the private respondents may be deemed the proper parties to initiate the present suit.

The Court's Ruling

The petition is meritorious.

Main Issue: Personality to Sue

Although the respondents had no personality to file the action for reconveyance with damages, the Court of Appeals still ruled that the particular circumstances of this case necessitated the exercise of equity jurisdiction, in order to avoid leaving unresolved the matter of possession of the land in question.

On the other hand, petitioners insist that respondents had no legal capacity to file the Complaint, because they were not the owners of the land but mere applicants for sales patent thereon. Therefore, petitioners argue that respondents, not being the real parties in interest, have no legal standing to institute the Complaint in the trial court.

We agree with petitioners. The Court is not persuaded that the circumstances of this case justify the exercise of equity jurisdiction that would allow a suit to be filed by one who is not a real party in interest.

First, equity is invoked only when the plaintiff, on the basis of the action filed and the relief sought, has a clear right that he seeks to enforce, or that would obviously be violated if the action filed were to be dismissed for lack of standing. In the present case, respondents have no clear enforceable right, since their claim over the land in question is merely inchoate and uncertain. Admitting that they are only applicants for sales patents on the land, they are not and they do not even claim to be owners thereof. In fact, there is no certainty that their applications would even be ruled upon favorably, considering that some of the applications have been pending for more than ten years already.

Second, it is evident that respondents are not the real parties in interest. Because they admit that they are not the owners of the land but mere applicants for sales patents thereon, it is daylight clear that the land is public in character and that it should revert to the State. This being the case, Section 101 of the Public Land Act categorically declares that only the government may institute an action to recover ownership of a public land.[8] In *Sumail v. CFI*,[9] a case involving facts identical to the present controversy, the Court held that a private party had no personality to institute an action for reversion of a parcel of land to the public domain, viz.:

"Under section 101 above reproduced, only the Solicitor General or the officer acting in his stead may bring the action for reversion. Consequently, *Sumail* may not bring such action or any action which would have the effect of cancelling a free patent and the corresponding certificate of title issued on the basis thereof, with the result that the land covered thereby will again form part of the public domain. Furthermore, there is another reason for withholding legal personality from *Sumail*. He does not claim the land to be his private property. X x x Consequently, even if the parcel were declared reverted to the public domain, *Sumail* does not automatically become owner thereof. He is a mere public land applicant like others who might apply for the same."

Under Section 2, Rule 3 of the Rules of Court,[10] every action must be prosecuted or defended in the name of the real party in interest. It further defines a "real party in interest" as one who stands to be benefited or injured by the judgment in the suit. In *Joya v. Presidential Commission on Good Government*, this Court explained that "legal standing means a personal and substantial interest in the case such that the party has sustained or will sustain direct injury as a result of x x x the act being challenged. The term 'interest' is material interest, an interest in issue and to be affected by the decree, as distinguished from mere interest in the question involved, or a mere incidental interest. Moreover, the interest of the party must be personal and not one based on a desire to vindicate the constitutional right of some third and unrelated party." [11]

Clearly, a suit filed by a person who is not a party in interest must be dismissed. Thus, in *Lucas v. Durian*,[12] the

Court affirmed the dismissal of a Complaint filed by a party who alleged that the patent was obtained by fraudulent means and, consequently, prayed for the annulment of said patent and the cancellation of a certificate of title. The Court declared that the proper party to bring the action was the government, to which the property would revert. Likewise affirming the dismissal of a Complaint for failure to state a cause of action, the Court in *Nebrada v. Heirs of Alivio*[13] noted that the plaintiff, being a mere homestead applicant, was not the real party in interest to institute an action for reconveyance. In *Gabila v. Bariga*,[14] the Court further declared:

"The present motion to dismiss is actually predicated on Section 1(g), Rule 16 of the Revised Rules of Court, i.e., failure of the complaint to state a cause of action, for it alleged in paragraph 12 thereof that the plaintiff admits that he has no right to demand the cancellation or amendment of the defendant's title, because, even if the said title were cancelled or amended, the ownership of the land embraced therein, or the portion thereof affected by the amendment would revert to the public domain. In his amended complaint, the plaintiff makes no pretense at all that any part of the land covered by the defendant's title was privately owned by him or by his predecessors-in-interest. Indeed, it is admitted therein that the said land was at all times a part of the public domain until December 18, 1964, when the government issued a title thereon in favor of the defendant. Thus, if there is any person or entity in relief, it can only be the government."

Verily, the Court stressed that "[i]f the suit is not brought in the name of or against the real party in interest, a motion to dismiss may be filed on the ground that the complaint states no cause of action." [15] In fact, a final judgment may be invalidated if the real parties in interest are not included. This was underscored by the Court in *Arcelona v. CA*,[16] in which a final judgment was nullified because indispensable parties were not impleaded.

In the present dispute, only the State can file a suit for reconveyance of a public land. Therefore, not being the owners of the land but mere applicants for sales patents thereon, respondents have no personality to file the suit. Neither will they be directly affected by the judgment in such suit.

Indeed, "[f]or all its conceded merits, equity is available only in the absence of law and not as its replacement. Equity is described as justice without legality, which simply means that it cannot supplant although it may, as often happens, supplement the law." [17] To grant respondents standing in the present case is to go against the express language of the law. Equity cannot give them this privilege. Equity can only supplement the law, not supplant it.

Having resolved that the respondents have no legal standing to sue and are not the real parties in interest, we find no more necessity to take up the other issues. They shall become important only if a proper suit is instituted by the solicitor general in the future.

WHEREFORE, the petition is hereby GRANTED and the assailed Decision is REVERSED and SET ASIDE. The Complaint filed in Civil Case No. 91-241 before the Regional Trial Court of Misamis Oriental, Branch 17, is DISMISSED. No costs.

SO ORDERED.

Romero, (Chairman), Vitug, Purisima, and Gonzaga-Reyes, JJ., concur.

[1] Ninth Division composed of J. Portia Alino-Hormachuelos, ponente; concurred in by JJ. Jorge S. Imperial, chairman; and Ramon U. Mabutas Jr, member.

[2] Assailed Decision, p. 12; rollo, p. 130.

[3] Written by Judge Cesar M. Ybanez in Civil Case No. 91-241.

- [4] Decision of the Regional Trial Court of Misamis Oriental (Branch 17), p. 9; rollo, p. 42.
- [5] This case was deemed submitted for decision on October 8, 1998, when this Court received private respondent's Memorandum.
- [6] Assailed Decision, pp. 1-6; rollo, pp. 119-124.
- [7] Memorandum for the Petitioner, p. 3; rollo, p. 279.
- [8] See also *Peltan Development Corp. v. CA*, 270 SCRA 82, March 19, 1997.
- [9] 96 Phil. 946, April 30, 1955; per Montemayor, J.
- [10] Sec. 2. Parties in interest. -- A real party in interest is the party who stands to be benefitted or injured by the judgment in the suit. Unless otherwise authorized by law or these Rules, every action must be prosecuted or defended in the name of the real party in interest.
- [11] 225 SCRA 568, 576, August 24, 1993, per Bellosillo, J. See also *Hechanova v. Adil*, 144 SCRA 450, September 25, 1986; *Calderon v. Solicitor General*, 215 SCRA 876, November 25, 1992; *St. Luke's Medical Center v. Torres*, 223 SCRA 779, June 29, 1993 and *Ortigas & Company Limited Partnership v. Velasco*, 234 SCRA 455, July 25, 1994.
- [12] 102 Phil. 1157, September 23, 1957.
- [13] 104 Phil. 126, June 30, 1958.
- [14] 41 SCRA 131, September 30, 1971, per Villamor, J.
- [15] *Travel Wide v. CA*, 199 SCRA 205, 209, July 15, 1991, per Cruz, J. See also *Sustiguer v. Tamayo*, 176 SCRA 579, August 21, 1989.
- [16] 280 SCRA 20, October 2, 1997.
- [17] *Aguila v. Court of First Instance of Batangas*, 160 SCRA 352, 359-360, April 15, 1988, per Cruz, J.

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