

**DON PEPE HENSON ENTERPRISE, REPRESENTED BY ITS
MANAGING-PARTNER, MR. ARISTIDES R. SUAREZ, PETITIONERS, VS.
MARIANO DAVID, JUAN PANGILINAN, MARCIAL DAYRIT, AND
MELQUIADES DE GUZM...**

G.R. No. 140496. August 17, 2004

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

Petitioner Don Pepe Henson Enterprise, represented by its managing partner Aristides R. Suarez, appeals from the decision of the Court of Appeals in CA-G.R. SP No. 47768, “Don Pepe Henson Enterprise v. Mariano David, et al.”

Petitioner, a partnership, is the registered owner of a parcel of agricultural land covered by Transfer Certificate of Title (TCT) No. 47053 issued by the Registry of Deeds of Angeles City, containing an area of more or less 19 hectares, and located at Barangay Pampang, Angeles City.

A portion of the land, with an aggregate area of 5.5 hectares, is being tilled by petitioner’s tenants—respondents Mariano David, Juan Pangilinan, Marcial Dayrit and Melquiades de Guzman.

That a landlord-tenant relationship exists between the parties was settled by this Court in *Don Pepe Henson Enterprises v. Pangilinan*[1] wherein herein respondents were held to be entitled to security of tenure as tenants. During the pendency of that case, however, the portion tilled by respondents was placed under the Operation Land Transfer Program of the Department of Agrarian Reform (DAR) pursuant to P.D. No. 27, the Tenant Emancipation Decree, resulting in the issuance of Certificates of Land Transfer in favor of respondents. The corresponding Emancipation Patents and Transfer Certificates of Title were consequently issued in respondents’ name.

Months after the promulgation of this Court’s decision in *Don Pepe Henson*[2], petitioner filed on September 30, 1988 a complaint, which was later amended, for “Declaration of Nullity, Violation of P.D. No. 816 and Damages” against respondents before the Department of Agrarian Reform Adjudication Board (DARAB) Regional Office III in San Fernando, Pampanga.

In its complaint, petitioner raised four causes of action.

For its first cause of action, petitioner challenged the coverage of its land under P.D. No. 27, it alleging that the land is devoted to sugarcane production and is, therefore, outside the coverage of said law which applies only to “private agricultural lands primarily devoted to rice and corn;” that the land is exempt from P.D. No. 27 as it is not owned by the partnership but by each of the partners in common, each of whom is entitled to the retention limit of 7 hectares; that the issuance of Certificates of Land Transfer, the survey by the Bureau of Lands of the portion of the land awarded to respondents, and the issuance of Emancipation Patents are null and void, prior notice thereof to petitioner not having been given.

For its second cause of action, petitioner complained about respondents not paying rentals nor sharing their harvest, thus forfeiting their Certificates of Land Transfer pursuant to P.D. No. 816, "PROVIDING THAT TENANT-FARMERS/AGRICULTURAL LESSEES SHALL PAY THE LEASEHOLD RENTALS WHEN THEY FALL DUE AND PROVIDING PENALTIES THEREFOR."

As its third cause of action, petitioner questioned the formation of the Barangay Committee on Land Production as well as its valuation of the land, it alleging that the said committee was organized without notice to petitioner and the committee's valuation of the land was made through collusion with employees of the DAR.

Finally, for its fourth cause of action, petitioner claimed for damages.

Respondents, in their Answer with Counterclaim, claimed, among other things, that while the bulk of petitioner's land is devoted to sugarcane, their farmholding is covered by P.D. No. 27 because it has always been devoted to palay and vegetables, it citing the decision in *Don Pepe Henson*[3] and the principle of conclusiveness of judgment.

On their failure to pay rentals, respondents claimed that they actually offered to pay them to petitioner which, did not, however, accept the same, it having refused to recognize them as tenants, thus drawing them to consign the rentals in court. Respondents thus concluded that since P.D. No. 816 only contemplates deliberate non-payment, they cannot be divested of their farmholding.

As for petitioner's allegation that it was not informed of the formation of the Barangay Committee on Land Production as well as its claim that the valuation of the land was fraudulently made, respondents denied the same.

The Provincial Adjudicator, by Decision of 21 February 1992, rendered judgment in favor of petitioner, the dispositive portion of which reads:

"WHEREFORE, IN VIEW OF ALL THE FOREGOING, judgment is hereby rendered in favor of the plaintiff and against the defendants, as follows:

- 1) Declaring the coverage of defendants' landholdings under P.D. No. 27 and the Certificates of Land Transfer and Emancipation Patents issued to them as null and void;
- 2) Declaring the defendants to have forfeited their respective rights over the subject landholdings;
- 3) Ordering the defendants to vacate peacefully their respective landholdings and surrender possession thereof to plaintiff;
- 4) Ordering defendants to pay plaintiff 14 cavans per hectare/per annum as lease rentals for agricultural years 1988 to 1991 & every year thereafter, up to and until they finally vacate the subject landholdings;
- 5) Ordering the defendants to pay to plaintiff the amount of P3,000.00 as attorney's fees.

"No pronouncement as to costs." (Underscoring supplied)

Aggrieved, respondents appealed to the DARAB before which they raised the following issues:

I

WHETHER OR NOT THE 5.5 HECTARE LANDHOLDING OF DEFENDANTS-APPELLANTS ARE COVERED BY THE LAND REFORM PROGRAM OF THE GOVERNMENT MORE SPECIFICALLY UNDER P.D. NO. 27

II

WHETHER OR NOT DEFENDANTS-APPELLANTS VIOLATED P.D. 816 NOTWITHSTANDING THE FACT THAT PLAINTIFF-APPELLEE REFUSED TO RECEIVE RENTAL PAYMENT AS IT DOES NOT RECOGNIZE THE FORMER AS ITS TENANTS.

III

WHETHER OR NOT THERE WAS COLLUSION BETWEEN DEFENDANTS-APPELLANTS AND CERTAIN EMPLOYEES OF THE DEPARTMENT OF AGRARIAN REFORM RE THE ISSUANCE OF THE EMANCIPATION PATENTS.

The DARAB, by Decision of October 24, 1997, reversed the decision of the Provincial Adjudicator and dismissed the complaint of petitioner.

Petitioner thus appealed to the Court of Appeals on the following grounds:

- 1) THAT THE HONORABLE ADJUDICATION BOARD GRAVELY ABUSED ITS DISCRETION AMOUNTING TO LACK OF JURISDICTION IN DECLARING THAT THE LAND SUBJECT OF THE CASE WAS PROPERLY AND LEGALLY COVERED UNDER P.D. NO. 27, DESPITE THE CLEAR ADMISSION OF DENIAL OF DUE PROCESS;
- 2) THAT THE HONORABLE ADJUDICATION BOARD GRAVELY ABUSED ITS DISCRETION AMOUNTING TO LACK OF JURISDICTION IN DECLARING THAT THE RESPONDENTS DID NOT VIOLATE PRESIDENTIAL DECREE NO. 816, BY APPLYING ITS OWN CONCLUSION AS ITS BASIS RATHER THAN THE EVIDENCE PRESENTED; AND
- 3) THAT THE HONORABLE ADJUDICATION BOARD HAS INDEED ABUSED ITS DISCRETION AMOUNTING TO LACK OF JURISDICTION IN REVERSING THE DECISION OF THE PROVINCIAL ADJUDICATOR WITHOUT ANY JUSTIFIABLE BASIS IN LAW AND IN FACT.

By Decision of June 29, 1999, the Court of Appeals, sustaining the finding that the farmholding of respondents was covered by P.D. No. 27, held, however, that the issuance of the Certificates of Land Transfer, Emancipation Patents, and TCTs to respondents was vitiated due to the violation of petitioner's right to due process.

Significantly, the appellate court also held that there is no proof that the farmholding has been paid for by respondents who "do no[t] even seem to know how much they paid and for how many years." Nonetheless, the appellate court held that respondents cannot be ejected because they were deemed owners thereof upon the effectivity of P.D. No. 27 on 21 October 1972, it citing *Locsin v. Valenzuela*[4] which held:

"x x x It follows that in respect of land subjected to Operation Land Transfer, the tenants-farmers became owners of the land they tilled as of the effective date of Presidential Decree No. 27, i.e., 21 October 1972. Pending full payment of the cost of the land to the old landowner by the Land Bank of the Philippines, the leasehold system was "provisionally maintained" but the "lease rentals" paid by the tenants-farmers prior to such full payment by the Land Bank to the old landowner, would be credited no longer as rentals but rather as "amortization payments" of the price of the land, the un-amortized portion being payable by the Land Bank. In respect of lands brought within the coverage of Operation Land Transfer, the leasehold system was legally and effectively terminated immediately on 21 October 1972 (notwithstanding the curious statement in Department Circular No. 8 that it was "provisionally maintained"). x x x "[5]

Hence, instead of ordering the ejectment of respondents, the appellate court annulled respondents' Certificates of Land Transfer, Emancipation Patents, and TCTs but gave them the opportunity to apply anew for the issuance of such documents, this time ensuring that due process would be observed. Thus the appellate court disposed:

"WHEREFORE, the Decision of the DARAB herein reviewed is hereby rendered (sic) ANNULING the Emancipation Patents and Transfer Certificates of Title issued to the respondents and to Melquiades and

Adriano de Guzman, WITHOUT PREJUDICE to their applying for the issuance of new patents and certificates to them, after observance of due process of law.”

Hence, petitioner’s present petition for review under Rule 45 anchored to the following grounds:

1) THAT THE HONORABLE COURT OF APPEALS GRAVELY ABUSED ITS DISCRETION AMOUNTING TO LACK OF JURISDICTION IN AFFIRMING THAT THE LAND SUBJECT OF THE CASE IS COVERED UNDER P.D. NO. 27, DESPITE THE FACT THAT IT IS CLEARLY A PART OF A LANDHOLDING PRIMARILY DEVOTED TO THE CULTIVATION OF SUGARCANE AND ITS AREA IS OUTSIDE THE COVERAGE OF THE LAW AS FOUND BY THE PROVINCIAL ADJUDICATOR OF THE DEPARTMENT OF AGRARIAN REFORM IN ITS DECISION DATED FEBRUARY 21, 1992;

2) THAT THE HONORABLE COURT OF APPEALS GRAVELY ABUSED ITS DISCRETION AMOUNTING TO LACK OF JURISDICTION WHEN IT REFUSED TO APPLY P.D. NO. 816 AND EJECT THE RESPONDENTS FROM PETITIONER’S LAND, DESPITE THE CLEAR PRONOUNCEMENT OF THE LAW AND EXISTING EVIDENCE ON RECORD. (Underscoring supplied)

Petitioner prays for the modification of the challenged decision such that the imposition of a qualification on the annulment of the Certificates of Land Transfer, Emancipation Patents and TCTs, – that it is “without prejudice to [respondents’] applying for the issuance of new patents and certificates to them, after observance of due process of law,” be deleted, and that respondents be ordered ejected.

With regard to the first ground to which the present petition is anchored, this Court holds that while it is undisputed that the bulk of the 19-hectare land of petitioner is devoted to sugarcane production, the 5.5 hectare portion thereof – the farmholding of respondents – is devoted to palay, hence, such farmholding is covered by P.D. No. 27. The petition itself quotes approvingly the Decision of the Provincial Adjudicator that

“Undisputed is the fact that the 5.5 hectares is devoted to planting of palay while the rest of the nineteen (19) hectares are devoted to sugarcane production.”[6] (Underscoring supplied)

Petitioner’s attempt to show that the farmholding awarded to respondents is exempt from the coverage of P.D. No. 27 in light of its size, fails.

While the farmholding contains only 5.5 hectares, Letter of Instruction (LOI) No. 474 addressed to the Secretary of Agrarian Reform directs as follows :

“1. You shall undertake to place under the Land Transfer Program of the government pursuant to Presidential Decree No. 27, all tenanted rice/corn lands with areas of seven hectares or less belonging to landowners who own other agricultural lands of more than seven hectares in aggregate areas or lands used for residential, commercial, industrial or other urban purposes from which they derive adequate income to support themselves and their families.” (Underscoring and emphasis supplied)

If the 5.5-hectare farmholding is deducted from the 19-hectare property of petitioner, petitioner still has 13.5 hectares of farmland. The 5.5 hectare farmholding of the land was thus legally disposed to respondents under the Operation Land Transfer Program.

Still, petitioner posits that the directive of LOI 474 notwithstanding, the farmholding is exempt from P.D. No. 27 as the 19-hectare land is not owned by the partnership but by at least twenty-three (23) partners in common. And since each of these partners is entitled to the 7-hectare retention limit, petitioner concludes that the aggregate area of 19 hectares is exempt from said law.

Petitioner’s position does not lie. A partnership has a juridical personality separate from the individual partners.[7] The appellate court has found as a fact that petitioner is the registered owner of the land.[8] This

Court sees no reason to alter this finding, especially since this is a petition for review in which only questions of law should be entertained as a general rule. Suffice it to state that petitioner, in so positing, contradicts itself, it having stated in its present petition that it is “the absolute owner of a parcel of land x x x covered by Transfer Certificate of Title No. 47053.”[9] The land being then owned by a single entity, a partnership, it is among those covered by the Operation Land Transfer Program pursuant to LOI 474.

As to the second ground of the petition, petitioner seeks the ejectment of respondents from the farmholding on the basis of two laws that may alternatively be applied, P.D. No. 816 if the land is covered by P.D. No. 27, and R.A. 3844, Section 36[10] if it is not. In view of this Court’s finding that the land is covered by P.D. 27, the applicability of Section 36 of R.A. 3844 is ruled out. This leaves for consideration the remaining question of whether respondents should be ejected for alleged violation of P.D. No. 816.

Petitioner does not state specifically what section of P.D. No. 816 it is invoking. It is gathered from the context of the petition, however, that it is referring to Section 2 thereof which reads:

“SECTION 2. That any agricultural lessee of a rice or corn land under Presidential Decree No. 27 who deliberately refuses and/or continues to refuse to pay the rentals or amortization payments when they fall due for a period of two (2) years shall, upon hearing and final judgment, forfeit the Certificate of Land Transfer issued in his favor, if his farmholding is already covered by such Certificate of Land Transfer and his farmholding;” (Underscoring supplied)

The Court of Appeals, in its challenged decision, held:

. . . [T]here is no proof that the petitioner has been paid for its land. The respondents do no (sic) even seem to know how much they paid and for how many years. In fact, they are still insisting that they are depositing ‘rentals’ in court.[11]

While the appellate court did not state whether the failure to pay was deliberate and/or continuous, as reflected above, petitioner filed the complaint before the DARAB Regional Office III as far back as September 30, 1988. No proof of payment having been proffered and given after the lapse of a considerable length of time from the filing of the complaint, it can be assumed that no payment has been made and that such failure to pay was either deliberate or continuing, or both.

Respondents have asserted though that they have been paying through consignment by depositing rentals in court. The appellate court was not convinced, however, of the veracity of such claim, and neither is this Court, no documentary evidence having been presented in support thereof.

There being then a deliberate and/or continuing refusal to pay amortization payments, P.D. No. 816 applies. It should be noted, however, that Section 2 thereof covers only those farmholdings “already covered by such Certificate of Land Transfer”.

In the present case, the Court of Appeals ruled that the Certificates of Land Transfer, Emancipation Patents, and TCTs issued to respondents were vitiated due to the violation of petitioner’s right to due process, and should, therefore, be annulled. Since this particular ruling is not being challenged by any party, there appears to be no reason to disturb it.

The Certificates of Land Transfer, Emancipation Patents and TCTs being void then, it would be incongruous to apply Section 2 of P.D. No. 816. What should apply instead is Section 3 of the same law which reads:

“SECTION 3. That any agricultural lessee whose landholding is not yet covered by a Certificate of Land Transfer and who shall continue not to pay his lease rentals or amortization payments when they fall due for a period of two (2) years to the landowner/agricultural lessor shall, upon proper hearing and judgment, lose his

right to be issued a Certificate of Land Transfer under Presidential Decree No. 27 and his farmholding;"
(Emphasis and underscoring supplied)

Therefore, in so far as that the appellate court allowed respondents to apply for new patents and certificates, its decision is not in accordance with Section 3 of P.D. No. 816 which operates to deprive respondents of their "right to be issued Certificate[s] of Land Transfer under P.D. No. 27 and [their] farmholding." On this score, respondents' ejection is proper.

While in Locsin[12] the pertinent portion of which was priorly quoted, this Court held that tenant-farmers covered by P.D. No. 27 were deemed owners of the land they tilled as of October 21, 1972, the date of effectivity of the said decree, in respondents' case, while they likewise were deemed owners of their farmholding, their "ownership" was subject to the provision of P.D. No. 816, Section 3, which they violated.

WHEREFORE, the challenged decision of the Court of Appeals is hereby AFFIRMED with the MODIFICATION that the annulment of respondents' Certificates of Land Transfer, Emancipation Patents, and Transfer Certificates of Title covering their farmholding is WITH PREJUDICE to their applying for new patents and certificates, and they are ordered to peacefully vacate their farmholding.

SO ORDERED.

Panganiban, (Chairman), and Corona, JJ., concur.
Sandoval-Gutierrez, J., on leave.

[1] 161 SCRA 687 (1988).

[2] Id.

[3] Id.

[4] 194 SCRA 194 (1991).

[5] Ibid. at 203-204.

[6] Rollo, at 19.

[7] Civil Code, art. 1768.

[8] Rollo, at 28.

[9] Id. at 10.

[10] SEC.36. Possession of Landholding; Exceptions. – Notwithstanding any agreement as to the period or future surrender of the land, an agricultural lessee shall continue in the enjoyment and possession of his landholding except when his dispossession has been authorized by the Court in a judgment that is final and executory if after due hearing it is shown that:

x x x

(6) The agricultural lessee does not pay the lease rental when it falls due: Provided, That if the nonpayment of the rental shall be due to crop failure to the extent of seventy-five per centum as a result of a fortuitous event, the nonpayment shall not be a ground for dispossession, although the obligation to pay the rental due that particular crop is not thereby extinguished; x x x

[11] Id. at 34.

[12] Supra.

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