LAND BANK OF THE PHILIPPINES, PETITIONER, VS. ARLENE DE LEON AND BERNARDO DE LEON, RESPONDENTS.

G.R. No. 143275. March 20, 2003

Ponente: CORONA, J.

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CORONA, J.:

Before us are the motion for reconsideration dated October 16, 2002 and supplement to the motion for reconsideration dated November 11, 2002 filed by movant-petitioner Land Bank of the Philippines (LBP, for brevity) seeking a reversal of this Court's Decision[1] dated September 10, 2002 which denied LBP's petition for review.

Herein respondent spouses Arlene and Bernardo de Leon filed a petition to fix the just compensation of a parcel of land[2] before the Regional Trial Court of Tarlac, Branch 63, acting as a Special Agrarian Court. On December 19, 1997, the agrarian court rendered summary judgment fixing the compensation of the subject property as follows: (1) P1,260,000 for the 16.69 hectares of riceland and (2) P2,957,250 for the 30.4160 hectares of sugarland.

The Department of Agrarian Reform (DAR, for brevity) and LBP both filed separate appeals using different modes. DAR filed a petition for review while LBP interposed an ordinary appeal by filing a notice of appeal. DAR's petition for review[3] was assigned to the Special Third Division of the Court of Appeals while LBP's ordinary appeal[4] was assigned to the Fourth Division of the same court.

On November 6, 1998, the appellate court's Special Third Division rendered a decision in the petition for review filed by DAR, the dispositive portion of which reads:

> WHEREFORE, premises considered, the petition for review is GIVEN DUE COURSE. The decision dated February 9, 1998 is partially reconsidered. The trial court is ordered to recompute the compensation based on the selling price of palay at 213.00 per cavan. Petitioner is ordered to pay legal interest at 6% of the compensation so fixed from 1990 until full payment is made by the government.[5]

Meanwhile, on February 15, 2000, the appellate court's Fourth Division dismissed LBP's ordinary appeal primarily holding that LBP availed of the wrong mode of appeal.[6] LBP filed a motion for reconsideration but the same was denied.

On July 14, 2000, LBP filed before this Court a petition for review of the decision of the Court of Appeals. On September 10, 2002, this Court rendered a Decision, the dispositive portion of which reads:

> WHEREFORE, the appealed RESOLUTIONS, dated February 15, 2000 and May 22, 2000, respectively, of the Court of Appeals are hereby AFFIRMED. No costs.
>
> SO ORDERED.[7]

In affirming the dismissal by the appellate court of LBP's ordinary appeal, this Court held that Section 60[8] of

RA 6657 (The Comprehensive Agrarian Reform Law) is clear in providing petition for review as the appropriate mode of appeal from decisions of Special Agrarian Courts. Section 61[9] (the provision on which LBP bases its argument that ordinary appeal is the correct mode of appeal from decisions of Special Agrarian Courts) merely makes a general reference to the Rules of Court and does not categorically prescribe ordinary appeal as the correct way of questioning decisions of Special Agrarian Courts. Thus, we interpreted Section 61 to mean that the specific rules for petitions for review in the Rules of Court and other relevant procedures of appeals shall be followed in appealed decisions of Special Agrarian Courts.

We likewise held that Section 60 of RA 6657 is constitutional and does not violate this Court's power to "promulgate rules concerning the protection and enforcement of constitutional rights, pleadings, practice and procedure in all courts, the admission to the practice of law, the Integrated Bar and legal assistance to the underprivileged."[10] We ruled that the Rules of Court does not categorically prescribe ordinary appeal as the exclusive mode of appeal from decisions of Special Agrarian Courts. The reference by Section 61 to the Rules of Court in fact even supports the mode of a petition for review as the appropriate way to appeal decisions of the Special Agrarian Courts. Furthermore, the same Section 5(5), Article VIII of the 1987 Philippine Constitution quoted by LBP states that "rules of procedure of special courts and quasi-judicial bodies shall remain effective unless disapproved by the Supreme Court." Since Section 60 is a special procedure and this Court has not yet provided for a particular process for appeals from decisions of agrarian courts, the said section does not encroach on our rule-making power.

Hence, LBP filed the instant motion for reconsideration and supplement to the motion for reconsideration reiterating its claim in the petition for review that Section 60 of RA 6657 is unconstitutional. LBP still maintains that a legislative act like Section 60 infringes on the exclusive rule-making power of this Court in violation of the 1987 Philippine Constitution.

In the event that said argument is again rejected, LBP pleads that the subject Decision should at least be given prospective application considering that more than 60 similar agrarian cases filed by LBP via ordinary appeal before the Court of Appeals are in danger of being dismissed outright on technical grounds on account of our ruling herein. This, according to LBP, will wreak financial havoc not only on LBP as the financial intermediary of the Comprehensive Agrarian Reform Program but also on the national treasury and the already depressed economic condition of our country.[11] Thus, in the interest of fair play, equity and justice, LBP stresses the need for the rules to be relaxed so as to give substantial consideration to the appealed cases.

On the first ground, we find it needless to re-discuss the reasons already propounded in our September 10, 2002 Decision explaining why Section 60 of RA 6657 does not encroach on our constitutional rule-making power.

Be that as it may, we deem it necessary to clarify our Decision's application to and effect on LBP's pending cases filed as ordinary appeals before the Court of Appeals. It must first be stressed that the instant case poses a novel issue; our Decision herein will be a landmark ruling on the proper way to appeal decisions of Special Agrarian Courts. Before this case reached us, LBP had no authoritative guideline on how to appeal decisions of Special Agrarian Courts considering the seemingly conflicting provisions of Section 60 and 61 of RA 6657.

More importantly, the Court of Appeals has rendered conflicting decisions on this precise issue. On the strength of Land Bank of the Philippines vs. Hon. Feliciano Buenaventura, penned by Associate Justice Salvador Valdez, Jr. of the Court of Appeals, certain decisions[12] of the appellate court held that an ordinary appeal is the proper mode. On the other hand, a decision[13] of the same court, penned by Associate Justice Romeo Brawner and subject of the instant review, held that the proper mode of appeal is a petition for review. In another case,[14] the Court of Appeals also entertained an appeal by the DAR filed as a petition for review.

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On account of the absence of jurisprudence interpreting Sections 60 and 61 of RA 6657 regarding the proper way to appeal decisions of Special Agrarian Courts as well as the conflicting decisions of the Court of Appeals thereon, LBP cannot be blamed for availing of the wrong mode. Based on its own interpretation and reliance on the Buenaventura ruling, LBP acted on the mistaken belief that an ordinary appeal is the appropriate manner to question decisions of Special Agrarian Courts.

Hence, in the light of the aforementioned circumstances, we find it proper to emphasize the prospective application of our Decision dated September 10, 2002. A prospective application of our Decision is not only grounded on equity and fair play but also based on the constitutional tenet that rules of procedure shall not impair substantive rights.

In accordance with our constitutional power to review rules of procedure of special courts,[15] our Decision in the instant case actually lays down a rule of procedure, specifically, a rule on the proper mode of appeal from decisions of Special Agrarian Courts. Under Section 5 (5), Article VIII of the 1987 Philippine Constitution, rules of procedure shall not diminish, increase or modify substantive rights. In determining whether a rule of procedure affects substantive rights, the test is laid down in Fabian vs. Desierto,[16] which provides that:

> [I]n determining whether a rule prescribed by the Supreme Court, for the practice and procedure of the lower courts, abridges, enlarges, or modifies any substantive right, the test is whether the rule really regulates procedure, that is, the judicial process for enforcing rights and duties recognized by substantive law and for justly administering remedy and redress for a disregard or infraction of them. If the rule takes away a vested right, it is not procedural. If the rule creates a right such as the right to appeal, it may be classified as a substantive matter; but if it operates as a means of implementing an existing right then the rule deals merely with procedure. (italics supplied)

We hold that our Decision, declaring a petition for review as the proper mode of appeal from judgments of Special Agrarian Courts, is a rule of procedure which affects substantive rights. If our ruling is given retroactive application, it will prejudice LBP's right to appeal because pending appeals in the Court of Appeals will be dismissed outright on mere technicality thereby sacrificing the substantial merits thereof. It would be unjust to apply a new doctrine to a pending case involving a party who already invoked a contrary view and who acted in good faith thereon prior to the issuance of said doctrine.

In the 1992 case of Spouses Benzonan vs. Court of Appeals,[17] respondent Pe, whose land was foreclosed by Development Bank of the Philippines in 1977 and subsequently sold to petitioners Benzonan in 1979, tried to invoke a 1988 Supreme Court ruling counting the five-year period to repurchase from the expiration (in 1978) of the one-year period to redeem the foreclosed property. Said 1988 ruling reversed the 1957 and 1984 doctrines which counted the five-year period to repurchase from the date of conveyance of foreclosure sale (in 1977). Using the 1988 ruling, respondent Pe claimed that his action to repurchase in 1983 had not yet prescribed.

However, this Court refused to apply the 1988 ruling and instead held that the 1957 and 1984 doctrines (the prevailing ruling when Pe filed the case in 1983) should govern. The 1988 ruling should not retroact to and benefit Pe's 1983 case to repurchase. Thus, the action had indeed prescribed. This Court justified the prospective application of the 1988 ruling as follows:

> We sustain the petitioners' position. It is undisputed that the subject lot was mortgaged to DBP on February 24, 1970. It was acquired by DBP as the highest bidder at a foreclosure sale on June 18, 1977, and then sold to the petitioners on September 29, 1979.
>
> At that time, the prevailing jurisprudence interpreting section 119 of R.A. 141 as amended was that enunciated in Monge and Tupas cited above. The petitioners Benzonan and respondent Pe and the DBP are bound by these

> decisions for pursuant to Article 8 of the Civil Code "judicial decisions applying or interpreting the laws or the Constitution shall form a part of the legal system of the Philippines." But while our decisions form part of the law of the land, they are also subject to Article 4 of the Civil Code which provides that "laws shall have no retroactive effect unless the contrary is provided." This is expressed in the familiar legal maxim lex prospicit, non respicit, the law looks forward not backward. The rationale against retroactivity is easy to perceive. The retroactive application of a law usually divests rights that have already become vested or impairs the obligations of contract and hence, is unconstitutional (Francisco v. Certeza, 3 SCRA 565 [1961]).
>
> The same consideration underlies our rulings giving only prospective effect to decisions enunciating new doctrines.
>
> xxx xxx xxx
>
> The buyers in good faith from DBP had a right to rely on our rulings in Monge and Tupas when they purchased the property from DBP in 1979 or thirteen (13) years ago. Under the rulings in these two cases, the period to repurchase the disputed lot given to respondent Pe expired on June 18, 1982. He failed to exercise his right. His lost right cannot be revived by relying on the 1988 case of Belisario. The right of petitioners over the subject lot had already become vested as of that time and cannot be impaired by the retroactive application of the Belisario ruling.[18] (emphasis supplied)

WHEREFORE, the motion for reconsideration dated October 16, 2002 and the supplement to the motion for reconsideration dated November 11, 2002 are PARTIALLY GRANTED. While we clarify that the Decision of this Court dated September 10, 2002 stands, our ruling therein that a petition for review is the correct mode of appeal from decisions of Special Agrarian Courts shall apply only to cases appealed after the finality of this Resolution.

SO ORDERED.

Davide, Jr., C.J., Bellosillo, Puno, Vitug, Mendoza, Panganiban, Quisumbing, Sandoval-Gutierrez, Carpio, Austria-Martinez, Carpio-Morales, Callejo, Sr., and Azcuna, JJ., concur.
Ynares-Santiago, J., on leave.

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[1] G.R. No. 143275.

[2] Covered by TCT No. 163051 with a total area of 50. 1171 hectares.

[3] Docketed as CA-G.R. SP No. 47005.

[4] Docketed as CA-G.R. CV No. 60365.

[5] Rollo, p. 105.

[6] Rollo, pp. 12-13.

[7] Rollo, p. 575.

[8]Section 60. Appeals. An appeal may be taken from the decision of the Special Agrarian Courts by filing a petition for review with the Court of Appeals within fifteen (15) days from receipt of notice of the decision; otherwise, the decision shall become final.

[9] Section 61. Procedure in Review. – Review by the Court of Appeals or the Supreme Court, as the case may be, shall be governed by the Rules of Court. The Court of Appeals, however, may require the parties to file simultaneous memoranda within a period or fifteen (15) days from notice, after which the case is deemed

submitted for decision.

[10] Section 5(5), Article VIII, 1987 Constitution of the Philippines.

[11] The pertinent portions of the supplement to the motion for reconsideration provides that:

> From the initial CARP fund of P595.8 Million set up in 1987, the total CARP fund released to the LBP and paid to the landowners and utilized for operational support amounted to P29.863 Billion as of September 2002 (please see Annex "H" herein). This is the total expense over a period of fifteen (15) years and covers hardly a third of the statutory budget of P100 Billion for the CARP. The National Treasury lacks the money to pay for the exorbitant and unreasonable claims of the landowners which will have to be paid once LBP's number of appealed cases before the Court of Appeals are dismissed due to wrong mode of appeal. Such a scenario will definitely aggravate the country's fiscal deficit which stands at P180 Billion for the current year (please see Annex "T" hereof).
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> x x x x
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> It is worth stressing that LBP's total funding requirement for 2002 for landowner's compensation is P5.690 Billion, but the Congress-approved budget as per General Appropriations Act of 2002 is only P2.854 Billion bringing a funding gap of P2.836 Billion (Annex "J").
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> - As of September 2002, LBP/s total cash advances for landowners' compensation stands at P3.044 Billion (Annex "K"). By the end of December 2002, LBP's projected total cash advances will increase by P900 Million (covering October to December 2002), for a total projected advance of P3.944 Billion for the year (Annex "L" hereof).
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> For its huge cash advances, LBP hopes to be refunded by the National Government from the Special Allotment Release Order (SARO), which is still unfunded at the present time, in the amount of P2.189 Billion (Annex "L" hereof). This will leave a total projected net unrefunded advance of P1.755 Billion by the end of December 2002 (Annex "L").
>
> The foregoing clearly and adequately shows the difficulty, if not impossibility, of LBP getting a refund, and consequently of funding the landowner's claims.(Rollo, pp. 498-499)

[12] Gabatin vs. Department of Agrarian Reform, et. al., CA-G.R. CV No. 61240, penned by Associate Justice Delilah Vidallon-Magtolis; Land Bank of the Philippines vs. Hon. Salcedo, CA-G.R. No. SP No. 63651, September 28, 2001, penned by Associate Justice Rodrigo Cosico; Tiangco vs. Secretary of Argrarian Reform, CA- G.R. CV No. 61676, October 5, 2001, penned by Associate Justice Hilarion Aquino; Alimurong vs. Republic of the Philippines, CA-G.R. CV No. 70721, July 5, 2002, penned by Associate Justice Mercedes Gozo-Dadole.

[13] Land Bank of the Philippines vs. Arlene de Leon, et. al., CA-G.R. CV No. 60365, February 15, 2000.

[14] Docketed as CA-G.R. No. 47005 and the decision dated November 6, 1998 was penned by Associate Justice Minerva Gonzaga-Reyes (former Associate Justice of this Court).

[15] Section 5(5), Article VIII of the 1987 Philippine Constitution; Metro Construction, Inc. vs. Chatham Properties, G.R. No. 141897, September 24, 2001.

[16] 295 SCRA 470, 492, [1998]; Bernabe vs. Alejo, G.R. No. 140500, January 21, 2002.

[17] 205 SCRA 515 [1992].

[18] Id., p. 528.

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