SPS. CONRADO TUAZON AND AMORFINA REYES TUAZON, PETITIONERS, VS. HON. ERNESTO GARILAO, SECRETARY OF THE DEPT. OF AGRARIAN REFORM, AND EMERENCIANA SAMBAT, RESPONDENTS.

G.R. No. 143673. August 10, 2001

Ponente: GONZAGA-REYES, J.

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GONZAGA-REYES, J.:

This is a petition for review on certiorari under Rule 45 of the Rules of Court seeking the reversal of the June 9, 2000 Decision[1] of the Court of Appeals[2] in CA-G.R. SP No. 44756 which affirmed the Order[3] dated February 28, 1997 of the Secretary of the Department of Agrarian Reform (DAR) in DARAB Case No. 4042.

The instant petition involves a parcel of agricultural land containing an area of 3.5 hectares, more or less, originally identified as Lot No. 225 Certeza Survey, Dinalupihan Estate (now lot numbers 1622, 1623 and 1636, Psd-78000) under the administration of the then Land Tenure Administration (LTA) and subsequently transferred to the DAR. Paredes Reyes,[4] predecessor-in-interest of herein petitioners Conrado and Amorfina Reyes Tuazon, had been in possession and cultivation of the subject parcel of land since 1947 until sometime in February 1959, when he met a vehicular accident which rendered him physically incapacitated to personally cultivate the subject land. He allowed a certain Ando to continue tilling the soil under a sharing arrangement. In the same year, Ando sold his possessory rights over the subject land to Pablo Sambat. Upon the latter's death, he was succeeded by his son, Salvador Sambat.

Paredes Reyes applied to purchase the subject land; hence, on March 11, 1960, Agreement to Sell No. 4511 was executed between him and the LTA (represented by its Chairman-Administrator). On August 16, 1971, Paredes Reyes wrote a letter to Salvador Sambat, demanding that the latter surrender cultivation of the subject land to him, but Salvador Sambat refused to comply. On December 27, 1971, Paredes Reyes paid in full the purchase price of the subject land in the amount of P38,150.00 as evidenced by Official Receipt No. 1368404 issued by the DAR in Dinalupihan, Bataan.

Upon Salvador Sambat's death in 1980, he was succeeded by herein private respondent Emerenciana Sambat in the cultivation of the subject land. Subsequently, on August 4, 1980, an Agricultural Leasehold Contract was executed between Paredes Reyes as lessor and Emerenciana Sambat as lessee over the subject land which was registered with the Municipal Assessor of Dinalupihan, Bataan. The consideration for the lease contract was sixty (60) cavans of palay annually. Emerenciana Sambat religiously paid rentals to Paredes Reyes and upon the latter's death in 1983, continued to pay the leasehold rentals to Amorfina Reyes Tuazon, recognizing her as the successor-in-interest and heir of the late Paredes Reyes. In 1990, Emerenciana abruptly stopped paying rentals and filed an application to purchase the same land before the DAR.

Petitioners filed a case before the Provincial Adjudicator of Bataan for collection of back rentals docketed as DARAB Case No. 202-BT'95. The Provincial Adjudicator dismissed the complaint for lack of jurisdiction.

Petitioners appealed to the Department of Agrarian Reform Adjudication Board (DARAB). On May 20, 1996, the DARAB rendered its decision reversing the order of dismissal and ordering the Sambats, among others, "to pay the agreed rental of sixty (60) cavans of palay at forty six (46) kilos per cavan totaling to three hundred and eight (308) cavans covering the 1990 deficiency which are equivalent to eight (8) cavans and the period commencing from 1991 to 1995 totaling three hundred (300) cavans; and ordering the parties to resume their previous tenancy relationship until final determination by the Office of the Secretary of the Department of Agrarian Reform as to their query on who among them have better right to the subject landholding, till then, the tenant-Defendant-Appellee in this case shall remit the agreed rental of sixty (60) cavans of palay at forty six (46) kilos per cavan for the succeeding cropping year xxx." The motion for reconsideration having been denied in a resolution dated April 8, 1996, Emerenciana Sambat elevated the same to the Court of Appeals, which in a decision dated January 17, 1997, affirmed the DARAB.

Meanwhile, Emerenciana's application to purchase the same lot gave rise to the conflict of claims between her and petitioners Amorfina and Conrado Tuazon. On June 29, 1995, DAR Regional Director Eugenio B. Bernardo, issued an Order,[5] resolving the conflict of claims, as follows:

> - GIVING PREFERENTIAL RIGHT to Emerenciana Sambat to purchase Lot Nos. 1622, 1623 and 1636, Psd-78000, with an area of 3.5 hectares, more or less, located at San Benito, Dinalupihan, Bataan, pursuant to Administrative Order No. 3, Series of 1990;
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> - ORDERING the personnel concerned to process the pertinent documents and issue CLOA in favor of Emerenciana Sambat for she is the most qualified to purchase the same after a final survey has been conducted;
>
> - ORDERING the cancellation of Agreement to Sell No. 4511 dated March 11, 1960 executed between Paredes and the Land Tenure Authority;
>
> - DENYING the claim of the heirs of Paredes Reyes, represented by Amorfina R. Tuazon, for utter lack of merit.
>
> SO ORDERED."

The motion for reconsideration filed by the Tuazon spouses was treated as an appeal by DAR Secretary Ernesto D. Garilao, who in an Order[6] dated February 28, 1997, affirmed with modification the above order issued by Regional Director Bernardo, as follows:

> "x x x the applicant Emerenciana Sambat shall be entitled to purchase only an area of THREE (3) HECTARES of Lot 225, Block Dimson Area, Certeza Plan located at Dinalupihan, Bataan, pursuant to Section 25 of R.A. 6657. The excess of .8150 ha. shall be awarded to any other qualified beneficiary."

The Court of Appeals affirmed the decision of DAR Secretary Ernesto D. Garilao.

Hence, the instant petition on grounds that are summarized as follows: (1) whether the cancellation of the agreement to sell of 1960 was proper and legal; (2) whether Paredes Reyes violated the rules and regulations of the LTA causing his disqualification from acquiring the land; (3) whether the award of the subject land to Sambat is proper and legal in light of the final and executory judgment by the DARAB that Sambat intentionally refused to pay leasehold rentals to herein petitioners; and (4) whether the judgment of the Court of Appeals was based on substantial evidence. In fine, with the factual antecedents unquestioned, this Court is faced with the question of resolving conflicting claims as to who, between the petitioners, as successors-in-interest of Paredes Reyes, the agricultural lessor, and private respondent Emerenciana Sambat, as the agricultural lessee, is entitled to acquire the subject land.

The petition is impressed with merit.

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The reasons cited by the DAR in deciding the matter adversely to petitioners was wholly adopted by the Court of Appeals and quoted in the appealed decision thus:

> "A careful and profound perusal of the records of the case shows that Paredes Reyes as a PROMISEE has indeed paid in full the purchase price of the subject lots as evidenced by Official Receipt No. 1368404 dated December 27, 1971 issued by the Department of Agrarian Reform Office in Dinalupihan, Bataan. This being the case, it is worthy to cite the terms and conditions surrounding the said Agreement to Sell, specifically No. 10 thereof which states that "10. Upon the full payment of the purchase price as herein above stipulated including all interests thereon and the performance by the PROMISEE of all the conditions herein required, the Administration shall execute a Deed of Sale conveying the property subject of this Agreement to the PROMISEE."
>
> From the tenor of the above-cited terms and conditions, the ownership is reserved in the vendor, which in this case is the LTA as the PROMISOR and is not to pass until the full payment of the price, such payment being a positive suspensive condition and failure of which is not a breach but an event that prevents the obligation of the vendor to convey title from becoming effective.
>
> In this particular case, since the PROMISEE fulfilled such condition as clearly shown by the full payment of the purchase price of the subject lots, then ownership thereon should be conferred upon him. Inspite of the full payment however, no corresponding Deed of Sale was ever executed in favor of the PROMISEE until now which is quite unbelievable considering the fact that full payment has already been complied with. The non-issuance of a corresponding Deed of Sale led this Office to the issue on whether or not Paredes Reyes has violated the terms and conditions of the said Agreement. And among those conditions stipulated in said agreement is the one that is contained under No. 12 which provides that:
>
> "12. The PROMISEE shall personally occupy and/or cultivate the parcel/s of land subject thereof."

Before hammering on the issue, it is but appropriate to state that it is an undisputed fact that since 1947 Paredes Reyes was in cultivation of the subject lots (as supported by the report dated June 29, 1992 of Atty. Lasam) until sometime in February 1959, when Paredes Reyes met a vehicular accident causing his physical incapacity and likewise depriving him to work and perform farming activities thus, allowing a certain Ando to continue the tillage over the subject landholding under a system of sharing arrangement. Prior to the issuance of the Agreement to Sell on March 11, 1960, he was no longer in actual cultivation of the subject lots by reason of his physical incapacity and likewise depriving him to work and perform farming activities thus, allowing a certain Ando to continue the tillage over the subject landholding under a system of sharing arrangement. Prior to the issuance of the Agreement to Sell on March 11, 1960, he was no longer in actual cultivation of the subject lots by reason of his physical incapacity as evidenced by Medical Certificate dated July 29, 1992.

Despite of such incapacity, the said Agreement to Sell was issued in his favor as a PROMISEE to the extent that he even made a full payment of the purchase price of the subject lot on December 12, 1971. On this occasion, it is worth to cite the provisions of Section 21 of the Land Tenure Administration, Administrative Order No. 2, subject of which is the RULES AND REGULATIONS GOVERNING THE ACQUISITION AND DISPOSITION OF PRIVATE AGRICULTURAL LANDS where it provides that:

> "Section 21. Transfer or Encumbrance of Rights
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> x x x x x
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> x x x x x
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> x x x x x
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> x x x x x

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> x x x x x
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> x x x . Any transfer, assignment, alienation or encumbrance made without the approval of the Chairman of the Land Tenure Administration, as herein provided, is null and void and shall be sufficient ground for the Chairman of the Land Tenure Administration to cancel the agreement to sell executed in favor of the transferor or assignor, and to order the reversion of the lot covered thereby and the forfeiture of all payments made on account thereof to the government. Said payments shall be considered as rentals for the occupation of said lot by the transferor and as payment for administration expenses.

As borne out by the facts, this case is considered as one of the exceptions to the abovecited rule anchored on the ground of physical incapacity as has been ruled in the case of ALEJO LAPID relative to the Cancellation of Agreement to Sell over a portion of a lot located at the DINALUPIHAN ESTATE, Dinalupihan, Bataan, from the Order of then Secretary Conrado F. Estrella dated February 29, 1975 hereunder quoted as follows:

> "The only issue in this case is whether Alejo Lapid had violated the condition set forth in paragraph 12 of Agreement to Sell No. 7203 requiring him to personally occupy and/or cultivate the parcel/s of the land subject thereof. In the light of the evidence presented, we are convinced that Lapid did not violate the terms of his Agreement to Sell when he employed Sicat and Belleza as his tenants. LA Circular No. 1, Series of 1971, provides that "xxx in cases of awards or agreement to sell issued over land acquired by the government under the provisions of CA No. 539, where the awardee or promisee dies or is physically incapacitated, or where the government fails to issue the corresponding deed of sale although the land is fully paid for, the said awardee or promisee or his successors in interest may enter into leasehold or labor-management relationship and work the land through lessees or laborers without being considered as losing occupancy or personal cultivation of the land."

Applying the said LA Circular no. 1, Series of 1971 in this case, it is apparent that Paredes Reyes has not violated the terms and conditions of the agreement to sell when he allowed other persons or lessees or laborers to work on the land on the ground of physical incapacity.

However, this very purpose for exemption was defeated when Paredes Reyes wrote a letter of demand dated August 16, 1971 to Salvador Sambat, who at that time was the actual cultivator, ordering the latter to surrender his cultivation to the former, since Paredes Reyes will now be personally doing the cultivation of the subject landholding.

Likewise, it is also a violation of Sec. 24 of LTA, A.O. No. 2 where it provides that:

> "Sec. 24 - Conditions in Agreement to Sell, Deeds of Sale and Torrens Title
>
> It shall be a condition in all agreements to sell and deeds of sale covering lot acquired under these rules and regulations that said lots shall be personally occupied and/or cultivated by the purchasers thereof. x x x .
>
> x x x x .
>
> x x x x . It shall be a condition in all agreements to sell, deeds of sale and annotated in the Torrens Title of lots acquired under these rules and regulations, that said lots shall not be subdivided, sold or in any manner transferred or encumbered without the prior written consent of the Chairman of the Land Tenure Administration and only to farmers-tenants or other private individuals qualified herein or to government banking institutions or agencies. Any subdivision, sale, transfer or encumbrance made in violation hereof is null and void."

The violation of any of the conditions set forth in the preceding section shall be sufficient ground for the Chairman of the Land Tenure Administration to cancel an agreement to sell or deed of sale and to order the reversion of the lot covered thereby and the forfeiture of all payments made on account thereof to the government.

As to the contention of the appellant that the full payment of the purchase price of the subject lots by the PROMISEE confers absolute ownership upon him (PROMISEE) is not tenable. While it is true that in the contract to sell, by agreement, the ownership is reserved in the vendor and is not to pass until the full payment of the price, in this particular case, however, it treats of a different nature. The ownership vested in the PROMISEE, upon full payment of the purchase price, is merely an inchoate right subject to the fulfillment of the terms and conditions of the said agreement to sell. Therefore, a violation of the said terms and conditions shall be a ground for cancellation of the agreement to sell and forfeiture of all payments made on account thereof to the government.

And lastly, there being no showing that the wife of the purchaser thereof and the members of the family of said purchaser who are dependent upon him for support was in cultivation of the subject farm lot, the preferential right to purchase said lot should be granted to the herein applicant Emerenciana Sambat being the actual cultivator of subject landholding."

It is undisputed that on account of Paredes Reyes' possession, occupation, and cultivation of the subject lot way back in 1947 and continuously thereafter, the LTA allocated and awarded to him said lot, and as a consequence, on March 11, 1960, Paredes Reyes and the LTA executed an Agreement to Sell, the subject of which was the parcel of land in question. By the nature of a contract to sell, the title over the subject property is transferred to the vendee only upon full payment of the stipulated consideration. Unlike in a contract of sale, the title does not pass to the vendee upon the execution of the agreement or the delivery of the thing sold. In Salazar vs. Court of Appeals,[7] this Court explained the distinction between a contract to sell and a contract of sale:

> "In a contract of sale, the title to the property passes to the vendee upon the delivery of the thing sold; in a contract to sell, ownership is, by agreement, reserved in the vendor and is not to pass to the vendee until full payment of the purchase price. Otherwise stated, in a contract of sale, the vendor loses ownership over the property and cannot recover it until and unless the contract is resolved or rescinded; whereas in a contract to sell, title is retained by the vendor until full payment of the price. In the latter contract, payment of the price is a positive suspensive condition, failure of which is not a breach but an event that prevents the obligation of the vendor to convey title from becoming effective."

It was established that Paredes Reyes fully paid the purchase price on December 21, 1971. The DAR, without any pre-condition or pre-qualification, accepted the same and issued Official Receipt No. 1368404 on the same date.

However, the DAR in its order dated February 27, 1998, or after twenty-seven (27) years had lapsed from the time of payment, considered it "unbelievable" that no deed of sale had yet been executed and made a finding that Paredes Reyes violated the other condition set forth in the agreement to sell, namely, that of occupancy and personal cultivation of the land which precluded the consummation of the sale. Previously, the DAR citing the order of then Secretary Conrado F. Estrella dated February 29, 1975, interpreting LA Circular No. 1, Series of 1971, acknowledged that Paredes Reyes is exempt from the requirement of personal cultivation of the land due to his physical incapacity caused by a vehicular accident. Indeed, it has been held that "the requirement that the landholder must work the land himself personally does not preclude him from entrusting the cultivation of the holding to another person or persons, in case of illness or temporary incapacity xxx."[8]

The finding that Paredes Reyes violated the said condition of the agreement to sell was based on a letter of demand dated August 16, 1971, written by Paredes Reyes to Salvador Sambat, ordering the latter to surrender cultivation to the former, presumably, so that Paredes Reyes could personally cultivate the subject land. According to the DAR, this letter "shows that Paredes Reyes had fully recuperated from his incapacity and that he no longer comes under the exception". With this single, simple letter of demand, the DAR demolished whatever claim or right Paredes Reyes had over the parcel of land by virtue of his personal cultivation and occupation thereof since 1947.

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We do not agree.

First, the aforementioned letter of demand should not deprive him of his right to the land as cultivator since 1947. It was not his fault that the Sambats ignored his demand and refused to vacate the subject land. It could not be said that he slept on his rights, considering that after he sent the letter of demand dated August 16, 1971, which went unheeded, he asserted his claim to the land by paying in full the purchase price on December 21, 1971. When the DAR issued the official receipt that they received the full amount as purchase price for the subject lot without reservation of the title, the natural and ordinary idea conveyed is that ownership has been transferred to Paredes Reyes. Moreover, the agricultural leasehold contract between Reyes and Sambat was registered with the assistance of the DAR.

Second , the DAR interpretation ignores the other part of LA Circular No. 1, Series of 1971, which provides that "xxx in cases of awards or agreement to sell issued over land acquired by the government under the provisions of CA No. 539, where the awardee or promisee dies or is physically incapacitated, or where the government fails to issue the corresponding deed of sale although the land is fully paid for, the said awardee or promisee or his successors-in-interest may enter into leasehold or labor-management relationship and work the land through lessees or laborers without being considered as losing occupancy or personal cultivation of the land." Clearly, the said circular expressly authorizes the execution of leasehold contracts in cases where the government fails to issue the deed of sale after full payment.

Third, it is undisputed that the leasehold contract was duly formulated and executed by Paredes Reyes and Pablo Sambat with the aid and prodding of the DAR which even registered same contract of lease with the Municipal Assessor of Dinalupihan, Bataan. The relationship is governed by Republic Act No. 3844[9], as amended by Republic Act No. 6389[10] and P.D. No. 27.[11] Section 6, Chapter I of RA 3844, states that "the agricultural leasehold relations shall be limited to the person who furnishes the landholding, either as owner, civil-law lessee, usufructuary, or legal possessor and the person who personally cultivates the same." Further, Section 7 Chapter I of the said law, states that "the agricultural leasehold relations once established shall confer upon the agricultural lessee the right to continue working on the landholding until such leasehold relation is extinguished." In relation to the foregoing, while Emerencia Sambat cannot claim a preferential right to purchase the land as an agricultural lessee on the ground of violation of the requirement of personal occupancy and/or cultivation for the reasons above-stated, Republic Act 3844 and Republic Act 6389 provide for the security of tenure of tenants.[12] To insure this right, ejectment may be effected only for causes provided by law[13]; and tenants are granted rights of pre-emption and redemption. Sec. 11 of RA 6389 provides that, "in case the agricultural lessor decides to sell the landholding, the agricultural lessee shall have the preferential right to buy the same under reasonable terms and conditions x x x." Similarly, Section 12 thereof, provides that, "in case the landholding is sold to a third person without the knowledge of the agricultural lessee, the latter shall have the right to redeem the same at a reasonable price and consideration x x x." Certainly, Emerenciana Sambat could not exercise her right to purchase the subject lot and claim a preferential right over the same after Paredes Reyes had already fully paid for the same way back in 1971 pursuant to an Agreement to Sell executed between the latter and the LTA in 1960.

WHEREFORE, the petition is GRANTED and the assailed Decision is REVERSED and SET ASIDE. The Department of Agrarian Reform (DAR) is ordered to issue the Deed of Sale and other necessary documents to petitioners over Lot Numbers 1622, 1623 and 1636, PSD 78-000. The Certificate of Land Ownership Award (CLOA) issued to private respondent, if one has already been issued, is ordered cancelled.

SO ORDERED.

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

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[1] Rollo, pp. 158-176.

[2] Eighth Division composed of J. Ramon Mabutas, Jr., ponente, and JJ. Demetrio G. Demetria and Jose L. Sabio, Jr., members.

[3] Rollo, pp. 94-104.

[4] Now deceased, father of petitioner, Amorfina Reyes Tuazon.

[5] Rollo, pp. 105-106.

[6] Rollo, pp. 94-104.

[7] 258 SCRA 317 (1996).

[8] De Guzman vs. Santos, 6 SCRA 796 (1962).

[9] Agricultural Land Reform Code, enacted by the Congress of the Philippines on August 8, 1963.

[10] Approved on September 10, 1971.

[11] Promulgated on October 21, 1972.

[12] RA 3844, Chapter I, Sec. 7:

[13] See Chapter I, Section 7 of RA 3844.

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