

**CESARIO V. INDUCIL, PETITIONER, VS. TOPS TAXI, INC.,
RESPONDENT.***G.R. NO. 144172. May 04, 2005*

Ponente: CORONA, J.

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The time has come to write *finis* to this case which has unfortunately dragged on for over eleven long years. This is a petition for review on certiorari under Rule 45 of the Rules of Court seeking the reversal of a decision^[1] and resolution^[2] of the Court of Appeals, which in turn set aside an order of the Regional Trial Court of Quezon City, Branch 92.^[3]

Respondent TOPS Taxi, Inc. filed a complaint denominated "Purchase of Real Estate with Damages"^[4] against petitioner Cesario V. Inducil in the Regional Trial Court of Quezon City, docketed as Civil Case No. Q-93-18356 and raffled to Branch 92.

Respondent alleged that petitioner owned a parcel of land located in Sta. Mesa Heights, Quezon City. Since 1976, this lot was occupied by respondent, with whom petitioner had a verbal lease agreement. Throughout the 17 years of the lease, respondent complied with all the conditions set by petitioner and, in good faith, introduced about P500,000 worth of permanent improvements.^[5] In 1988, petitioner received an offer from spouses Ignacio N. Solim and Marjorie C. Tan to either buy or rent the land in question. Quintin Jose, petitioner's accountant, informed respondent of this development in writing and asked if it was willing to continue occupying the property at a monthly rental of P6,000.^[6]

Over five years later, in 1993, respondent's counsel wrote petitioner, claiming that respondent had "preferential priority" over the land, should petitioner decide to sell it.^[7] Later that year, petitioner sold the land to Solim and Tan for P1,800,000. Upon learning of the sale, respondent wrote both petitioner^[8] and Solim^[9] informing the former of his objection to the sale and offering to buy the property from the latter.

Subsequently respondent filed its complaint with the Regional Trial Court of Quezon City against petitioner and the spouses-buyers.

Respondent alleged that by "surreptitiously" selling his property to Solim and Tan despite its willingness and repeated offers to buy the property, petitioner acted in bad faith in violation of respondent's rights under Articles 19, 21 and 22 of the Civil Code. It prayed for damages in the amount of P500,000 representing the amount it had allegedly spent on improvements during its occupation of the property.^[10]

In response to the complaint, petitioner filed a motion to dismiss,^[11] alleging failure on the part of respondent to state a cause of action. He enumerated the three elements of a cause of action, namely: (a) a right existing in favor of the plaintiff; (b) a corresponding obligation on the part of the defendant to respect such right and (c) an act or omission of the defendant constituting a violation of the plaintiff's right which the defendant had the duty to respect. He pointed out that there was no law granting a lessee such as respondent the pre-emptive right which it

claimed, and that there was not even any contract between them that granted it such a right. In short, there was no right of respondent which petitioner violated when he sold his land to spouses Solim and Tan. In addition, petitioner pointed to Article 1676 of the Civil Code as tacit authority for him to sell his property to someone other than his lessee:

Art. 1676. The purchaser of a piece of land which is under a lease that is not recorded in the Registry of Property may terminate the lease, save when there is a stipulation to the contrary in the contract of sale, or when the purchaser knows of the existence of the lease.

The trial court dismissed the complaint. Respondent promptly appealed. The case was docketed as CA-G.R. CV No. 46200 and raffled to the Sixth Division.[12]

The Court of Appeals reversed the Quezon City RTC. It found that, under Section 6 of Presidential Decree 1517 also known as the Urban Land Reform Act, respondent did indeed have a right of first refusal, as a tenant of over ten years, to buy the land from petitioner in the event that he sold the same:

SECTION 6. Land Tenancy in Urban Land Reform Areas. Within the Urban Zones legitimate tenants who have resided on the land for ten years or more who have built their homes on the land and residents who have legally occupied the lands by contract, continuously for the last ten years shall not be dispossessed of the land and shall be allowed the right of first refusal to purchase the same within a reasonable time and at reasonable prices, under terms and conditions to be determined by the Urban Zone Expropriation and Land Management Committee created by Section 8 of this Decree.

According to the Court of Appeals, the allegations made by the respondent in its complaint were sufficient to establish a cause of action in the context of PD 1517. The CA likewise denied petitioner's motion for reconsideration.[13]

There is only one issue which needs to be resolved here: does respondent have a pre-emptive right to buy petitioner's property?

We rule in the negative.

The crux of the respondent's argument is that, under Section 6 of PD 1517, it had a pre-emptive right to purchase the lot it had been occupying by virtue of its lease agreement with petitioner for 17 years. Petitioner refutes this contention by pointing out that respondent could not possibly be considered a resident/tenant within the meaning of Section 6 because: (1) the relationship between petitioner and respondent was not one of landlord/tenant but one of lessor/lessee; (2) the premises were used for commercial and not residential purposes, being a garage and shop for respondent's taxis, and (3) respondent could not be considered a "legitimate tenant" or "resident since it (was) a mere juridical entity." [14]

Citing the fifth whereas clause and Section 2 of the said PD, however, respondent argues that it fell under the term "resident" and therefore acquired a pre-emptive right to purchase the land.[15] The said fifth whereas clause provides:[16]

WHEREAS, the basic law of the land explicitly provides for the regulation of the acquisition, ownership, use, enjoyment and disposition of private property and for the equitable diffusion of property ownership and profits which includes land and land resources.

Section 2, on the other hand, provides:[17]

SECTION 2. Declaration of Policy. It is hereby declared to be the policy of the State a) to liberate our human communities from blight, congestion, and hazard, and to promote their development and modernization; b) to bring about the optimum use of land as a national resource for public welfare rather than as a commodity of

trade subject to price speculation and indiscriminate use; c) to provide equitable access and opportunity to the use and enjoyment of the fruits of the land; d) to acquire such lands as are necessary to prevent speculative buying of land for public welfare; and e) to maintain and support a vigorous private enterprise system responsive to community requirements in the use and development of urban lands. (underscoring supplied)

Respondent relies on subsection (e) to support its argument.

While the provisions of PD 1517 do impose limitations on a landowner's right to dispose of his property, these do not apply to respondent in this case. This is evident from a perusal of the six other whereas clauses of the said PD, and even from the rest of the declaration of policy, which respondent conveniently omitted to quote. The omitted whereas clauses provide:

WHEREAS, it is a declared objective of the New Society to effect social, economic and political reforms attuned to the establishment of a secure national community and to an improved quality of life for all citizens and for all others who may sojourn our shores;

WHEREAS, the quality of human life in our times is inescapably determined by the relationship among population, resources, the environment, and intelligent policies;

WHEREAS, human settlements is an integrative concept embracing the interdependence of man's environment, human shelters and structures, and the design and organization of human communities consistent with a national framework plan, all for people's security and well-being.

WHEREAS, land is the ultimate platform of all man's activities, and the crucial factor in determining the shape of human settlements;

xxx xxx xxx

WHEREAS, the traditional concept of landownership has aggravated the problem arising from urbanization such as the proliferation of blighted areas and the worsening of the plight of urban poor and has spawned valid and legitimate grievances in urban centers giving rise to social tension and violent conflicts;

WHEREAS, a social reform objective of the New Society is to renew blighted areas, improve the conditions of the urban poor and resolve and redress legitimate grievances arising therefrom, while at the same time providing incentives to progressive landowners and developers who wish to develop their lands in accordance with government plans and programs responsive to community welfare; (underscoring supplied)

From the foregoing, it should be evident that the intended beneficiaries of the Urban Land Reform Act are the members of the urban poor. The repeated mention of this socio-economic class, as well as the word "human," points to a specific intent on the part of the law to grant relief to economically disadvantaged people, particularly families unable to acquire the lots they occupy due to the decision of the landowners to sell them to speculators. Further perusal of this decree shows that, under Section 7, in the event that such residents are unable to buy the lands they occupy, the government shall acquire the lots for them via expropriation:

SECTION 7. Acquisition of Residential Lands for Existing Tenants and Residents. In cases where the tenants and residents, referred to in Section 6 of this Decree, are unable to purchase said lands, the Government shall acquire the land and/or improvements thereon by expropriation or other land acquisition technique provided for under Section 11 of this Decree. xxx

Respondent, by contrast, was neither an individual nor a member of the urban poor, judging from the fact that it was more than willing to match the P1,800,000 price paid by Solim and Tan in acquiring the contested parcel of land. Its insistence that it was a "resident" within the contemplation of PD 1517, being nothing more than a ludicrous attempt to

shoehorn itself into the scope of the decree, deserves no consideration. We cannot abide by such a pretense. In *Santos v. CA*,^[18] we stated that:

P.D. No. 1517, in referring to the preemptive or redemptive right of a lessee speaks only of urban land under lease on which a tenant has built his home and in which he has resided for ten years or more. . .

Not only did we reiterate this doctrine in the case of *House International Building Tenants Association, Inc., v. Intermediate Appellate Court*,^[19] we also ruled out the possibility that the law could apply to juridical persons such as the respondent:

The petitioners likewise invoke our ruling in *Mataas na Lupa Tenants Association, Inc., et al. vs. Dimayuga, et al.* (G.R. No. L-32049, June 25, 1984, 130 SCRA 30) where we upheld the petitioners (sic) right of first refusal over land they had leased and occupied for more than ten (10) years and on which they had constructed their houses, a right given them under P.D. No. 1517 (and Proclamation No. 1967 of May 14, 1980). For two reasons this case gives the petitioners' case no support. In *Mataas na Lupa* the members of the ASSOCIATION were also plaintiffs in their individual capacity. This is not so in the present case. . .

Under no possible interpretation of PD 1517 could respondent's taxi garage be considered a "house" or a "home." Such an interpretation runs contrary to the spirit of the said decree. Respondent therefore cannot claim a pre-emptive right to purchase the property.

WHEREFORE, the instant petition is hereby GRANTED. The decision of the Court of Appeals in CA-G.R. CV No. 46200 is hereby reversed. The order of the Regional Trial Court of Quezon City is REINSTATED and the complaint filed by TOPS TAXI, INC. is dismissed.

SO ORDERED.

Panganiban, (Chairman), Sandoval-Gutierrez, Carpio Morales and Garcia, JJ., concur.

[1] CA Decision dated March 16, 2000 in CA-G.R. CV No. 46200, penned by Associate Justice Oswaldo. D. Agcaoili, and concurred in by Associate Justices Ma. Alicia Austria-Martinez (now Associate Justice of the Supreme Court) and Wenceslao I. Agnir, Jr. of the Sixth Division; Rollo, pp. 25-36.

[2] CA Resolution dated July 25, 2000 (affirming the March 16, 2000 CA Decision) in CA-G.R. CV No. 46200, penned by Associate Justice Oswaldo. D. Agcaoili, and concurred in by Associate Justices Ma. Alicia Austria-Martinez (now Associate Justice of the Supreme Court) and Mercedes Gozo-Dadole of the Former Special Sixth Division; Rollo, p. 37.

[3] Dated March 8, 1994 and penned by Presiding Judge Juan G. Enriquez, Jr. of the Regional Trial Court of Quezon City, Branch 92; Rollo, pp. 63-64.

[4] Rollo, pp. 38-44.

[5] *Id.*, p. 39.

[6] *Id.*, p. 51.

[7] *Id.*, p. 52.

[8] *Id.*, p. 57.

[9] *Id.*, p. 58.

[10] Id., pp. 41-44.

[11] Id., pp. 59-62.

[12] Id., pp. 25-36.

[13] Id., p. 37

[14] Id., pp. 19-20.

[15] Id., p. 150.

[16] Presidential Decree No. 1517, as quoted from Presidential Decrees and Other Documents, p. 57.

[17] Id.

[18] 213 Phil. 385 (1984).

[19] No. L-75287, 30 June 1987, 151 SCRA 703.

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