

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE DIRECTOR OF LANDS, RESPONDENT.

G.R. No. 150824. February 04, 2008

Ponente: REYES, R.T., J.

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REYES, R.T., J.:

FOREST lands are outside the commerce of man and unsusceptible of private appropriation in any form.[1]

It is well settled that a certificate of title is void when it covers property of public domain classified as forest, timber or mineral lands. Any title issued covering non-disposable lots even in the hands of an alleged innocent purchaser for value shall be cancelled.[2] The rule must stand no matter how harsh it may seem. *Dura lex sed lex*. [3] Ang batas ay maaaring mahigpit subalit ito ang mananaig.

Before Us is a petition for review on certiorari under Rule 45 filed by petitioner Land Bank of the Philippines (LBP) appealing the: (1) Decision[4] of the Court of Appeals (CA), dated August 23, 2001, in CA-G.R. CV No. 64121 entitled “Republic of the Philippines, represented by the Director of Lands v. Angelito Bugayong, et al.”; and (2) Resolution[5] of the same Court, dated November 12, 2001, denying LBP’s motion for reconsideration.

The CA affirmed the Decision[6] of the Regional Trial Court (RTC), dated July 9, 1996, declaring null and void Original Certificate of Title (OCT) No. P-2823, as well as other titles originating from it, on the ground that at the time it was issued, the land covered was still within the forest zone.[7]

The Facts

OCT No. P-2823 was issued on September 26, 1969 in favor of one Angelito C. Bugayong. Said mother title emanated from Sales Patent No. 4576 issued in Bugayong’s name on September 22, 1969.[8] It covered a parcel of land located in Bocana, Kabacan, Davao City, with an area of 41,276 square meters. It was originally identified and surveyed as Lot No. 4159 under Plan SI-(VIII-1), 328-D. Marshy and under water during high tide, it used to be a portion of a dry river bed near the mouth of Davao River.[9]

The land was initially subdivided into four lots, viz.: Lot Nos. 4159-A, 4159-B, 4159-C and 4159-D under Subdivision Plan (LRC) Psd-139511 approved by the Commissioner of Land Registration on April 23, 1971.[10] Consequently, OCT No. P-2823 was cancelled and new Transfer Certificates of Title (TCTs) replaced it, all in the name of Bugayong.

Bugayong sold all of the four lots to different persons. Lot No. 4159-A, which was then under TCT No. T-32769, was sold to spouses Lourdes and Candido Du. Accordingly, said TCT was cancelled and replaced by TCT No. T-42166 in the name of spouses Du.[11]

Afterwards, the spouses Du further caused the subdivision of the land covered by their TCT No. T-42166 into two

(2) lots. They sold one of said lots to spouses Felix and Guadalupe Dayola, who were issued TCT No. T-45586. The other remaining lot, registered under TCT No. T-45587, was retained by and registered in the names of spouses Du.[12]

Subsequently, Du spouses' TCT No. T-45587 was cancelled and was replaced by TCT No. T-57348 registered in the name of Lourdes Farms, Inc. subject of this case. [13] Lourdes Farms, Inc. mortgaged this property to petitioner LBP on April 14, 1980.[14]

The validity of OCT No. P-2823, as well as its derivative TCTs, remained undisturbed until some residents of the land it covered, particularly those along Bolton Diversion Road, filed a formal petition before the Bureau of Lands on July 15, 1981.[15]

Investigation and ocular inspection were conducted by the Bureau of Lands to check the legitimacy of OCT No. P-2823. They found out that: (1) at the time Sales Patent No. 4576 was issued to Bugayong, the land it covered was still within the forest zone, classified under Project No. 1, LC-47 dated August 6, 1923; it was released as alienable and disposable land only on March 25, 1981, pursuant to BFD Administrative Order No. 4-1585 and to the provisions of Section 13, Presidential Decree (P.D.) No. 705;[16] (2) the land was marshy and covered by sea water during high tide; and (3) Bugayong was never in actual possession of the land.[17]

In view of the foregoing findings, the Bureau of Lands resolved that the sales patent in favor of Bugayong was improperly and illegally issued and that the Director of Lands had no jurisdiction to dispose of the subject land.[18]

Upon recommendation of the Bureau of Lands, the Republic of the Philippines represented by the Director of Lands, through the Office of the Solicitor General (OSG), instituted a complaint[19] before the RTC in Davao, Branch 15, for the cancellation of title/patent and reversion of the land covered by OCT No. P-2823 into the mass of public domain. The complaint, as amended,[20] was filed against Bugayong and other present owners and mortgagees of the land, such as Lourdes Farms, Inc. and the latter's mortgagee, petitioner LBP.

In its answer with cross-claim,[21] LBP claimed that it is a mortgagee in good faith and for value. It prayed that should TCT No. T-57348 of Lourdes Farms, Inc. be annulled by the court, Lourdes Farms, Inc. should be ordered to pay its outstanding obligations to LBP or to provide a new collateral security.[22]

RTC Judgment

Eventually, the RTC rendered its judgment [23] on July 9, 1996 determining that:

x x x The mistakes and the flaws in the granting of the title were made by the Bureau of Lands personnel more particularly the Director of Lands who is the Officer charged with the following the provisions of the Public Land Law. x x x.

It is clear that the mother Title, OCT-P-2823 in the name of defendant Bugayong was issued at a time when the area was not yet released by the Bureau of Forestry to the Bureau of Lands.

The area covered by OCT No. P. 2823 was not yet declared by the Bureau of Lands alienable and disposable when the said OCT was issued. The subdivision of the lot covered by OCT P-2823 into 4 lots covered by TCT Nos. T-32768, 32769, 32756 and 32771 did not cure the defect. x x x.[24]

The RTC explained that titles issued to private parties by the Bureau of Lands are void ab initio if the land covered by it is a forest land.[25] It went further by stating that if the mother title is void, all titles arising from the mother title are also void.[26] It thus ruled in favor of the Republic with a fallo reading:

IN VIEW WHEREOF, judgment is hereby rendered declaring Original Certificate of Title No. P-2823 issued in the name of defendant Angelito Bugayong null and void. The following Transfer Certificate of Titles which were originally part of the lot covered by O.C.T. No. P-2823 are likewise declared void:

- A. TCT No. 57348 in the name of defendant Lourdes Farms mortgaged to defendant Land Bank.

B. TCT No. 84749 in the name of defendants Johnny and Catherine Du mortgaged to defendant Development Bank of the Philippines.

C. TCT No. 37386 in the name of defendants spouses Pahamotang mortgaged to defendant Lourdes Du mortgaged with defendant Allied Bank.

E. TCT Nos. 68154 and 32768 in the names of defendants/spouses Maglana Santamaria.

- All private defendants shall give to the Davao City Register of Deeds their titles, who shall cancel the Transfer Certificate of Titles mentioned in paragraph number one.

- Lot No. 4159, Plan SI (VIII-1) 328-D covered by O.C.T. P-2823 is hereby REVERTED to the mass of public domain.

SO ORDERED.[27] (Underscoring supplied)

Disagreeing with the RTC judgment, LBP appealed to the CA on October 31, 1996. It asserted in its appellant's brief[28] that it validly acquired mortgage interest or lien over the subject property because it was an innocent mortgagee for value and in good faith.[29] It also emphasized that it is a government financial institution.

CA Disposition

In a Decision[30] dated August 23, 2001, the CA ruled against the appellants, [31] disposing thus:

WHEREFORE, premises considered, the present appeals are hereby DISMISSED and the Decision of the trial court in Civil Case No. 17516 is hereby AFFIRMED.[32]

The CA confirmed that the "evidence for the plaintiff clearly established that the land covered by OCT No. P-2823 issued pursuant to a sales patent granted to defendant Angelito C. Bugayong was still within the forestal zone at the time of the grant of the said patent." [33] It explained:

Forest lands or forest reserves, are incapable of private appropriation and possession thereof, however long, cannot convert them into private properties. This is premised on the Regalian Doctrine enshrined not only in the 1935 and 1973 Constitutions but also in the 1987 Constitution. Our Supreme Court has upheld this rule consistently even in earlier cases. It has also been held that whatever possession of the land prior to the date of release of forested land as alienable and disposable cannot be credited to the 30-year requirement (now, since June 12, 1945) under Section 48(b) of the Public Land Act. It is only from that date that the period of occupancy for purposes of confirmation of imperfect or incomplete title may be counted. Since the subject land was declared as alienable and disposable only on March 25, 1981, appellants and their predecessors-in-interest could not claim any vested right thereon prior to its release from public forest zone.

The inclusion of forest land in a title, "whether title be issued during the Spanish regime or under the Torrens system, nullifies the title." It is, of course, a well-recognized principle that the Director of Lands (now Land Management Bureau) is bereft of any jurisdiction over public forest or any lands not capable of registration. It is the Bureau of Forestry that has jurisdiction and authority over the demarcation, protection, management, reproduction, occupancy and use of all public forests and forest reservations and over the granting of licenses for the taking of products therefrom. And where the land applied for is part of the public forest, the land registration court acquires no jurisdiction over the land, which is not yet alienable and disposable.

Thus, notwithstanding the issuance of a sales patent over the subject parcel of land, the State may still take action to have the same land reverted to the mass of public domain and the certificate of title covering said forest land declared null and void for having been improperly and illegally issued. Titles issued over non-alienable public lands have been held as void ab initio. The defense of indefeasibility of title issued pursuant to such patent does not lie against the State. Public land fraudulently included in patents or certificates of title may be recovered or reverted to the State in accordance with Section 101 of the Public Land Act. In such cases, prescription does not lie against the State. Likewise, the government is not estopped by such fraudulent or wrongful issuance of a patent over public forest land inasmuch as the principle of estoppel does not operate against the Government for the acts of its agents. x x x.[34] (Citations omitted)

With respect to LBP's contention[35] that it was a mortgagee in good faith and for value, the CA declared, citing *Republic v. Reyes*[36] that: "mortgagees of non-disposable lands where titles thereto were erroneously issued acquire no protection under the land registration law. Appellants-mortgagees' proper recourse therefore is to pursue their claims against their respective mortgagors and debtors." [37]

When LBP's motion for reconsideration was denied, it resorted to the petition at bar.

Issues

LBP seeks the reversal of the CA disposition on the following grounds –

A.

THE COURT OF APPEALS ERRED IN NOT FINDING THAT THE PETITIONER LAND BANK OF THE PHILIPPINES' MORTGAGE RIGHT AND INTEREST AS AN INNOCENT PURCHASER (MORTGAGEE) FOR VALUE AND IN GOOD FAITH OVER THE SUBJECT LAND COVERED BY TCT NO. T-57348 IS VALID AND SUBSISTING IN ACCORDANCE WITH THE LAW AND EXISTING JURISPRUDENCE IN OUR COUNTRY.

B.

THE COURT OF APPEALS ERRED IN NOT FINDING PETITIONER LAND BANK OF THE PHILIPPINES' MORTGAGE RIGHT AND INTEREST OVER THE SUBJECT LAND AS VALID AND SUBSISTING UNDER THE CONSTITUTIONAL GUARANTEE OF NON-IMPAIRMENT OF OBLIGATION OF CONTRACTS.

C.

THE COURT OF APPEALS ERRED IN NOT AWARDING TO PETITIONER LAND BANK OF THE PHILIPPINES THE RELIEF PRAYED FOR UNDER ITS CROSS-CLAIM AGAINST CO-DEFENDANT LOURDES FARMS, INC., THAT IS, ORDERING SAID CO-DEFENDANT LOURDES FARMS, INC. TO PAY ITS OUTSTANDING OBLIGATION TO THE LAND BANK COVERED BY THE SUPPOSED NULL AND VOID TCT NO. T-57348, OR TO PROVIDE A SUBSTITUTE COLLATERAL IN LIEU OF SAID TCT NO. T-57348.[38] (Underscoring supplied)

Our Ruling

LBP has no valid and subsisting mortgagee's interest over the land covered by TCT No. T-57348.

It has been established and admitted by LBP that: (1) the subject land mortgaged to it by Lourdes Farms, Inc. is covered by TCT No. T-57348; and (2) the said TCT is derived from OCT No. P-2823 issued to Bugayong.[39]

It was further ascertained by the courts below that at the time OCT No. P-2823 was issued to Bugayong on

September 26, 1969, the land it covered was still within the forest zone. It was declared as alienable and disposable only on March 25, 1981.[40]

Despite these established facts, LBP argues that its alleged interest as mortgagee of the subject land covered by TCT No. T-57348 must be respected. It avers that TCT No. T-57348 is a Torrens title which has no written indications of defect or vice affecting the ownership of Lourdes Farms, Inc. Hence, it posits that it was not and could not have been required to explore or go beyond what the title indicates or to search for defects not indicated in it.

LBP cites cases where the Court ruled that a party is not required to explore further than what the Torrens title upon its face indicates in quest of any hidden defect of an inchoate right that may subsequently defeat his right to it; and that a bank is not required before accepting a mortgage to make an investigation of the title of the property being given as security. LBP submits that its right as a mortgagee is binding against the whole world and may not be disregarded. [41]

It further argues that review or reopening of registration is proscribed, as the title has become incontrovertible pursuant to Section 32 of P.D. No. 1529; and that its mortgage rights and interest over the subject land is protected by the constitutional guarantee of non-impairment of contracts.[42]

The contention that LBP has an interest over the subject land as a mortgagee has no merit. The mortgagor, Lourdes Farms, Inc. from which LBP supposedly obtained its alleged interest has never been the owner of the mortgaged land. Acquisition of the subject land by Lourdes Farms, Inc. is legally impossible as the land was released as alienable and disposable only on March 25, 1981. Even at present, no one could have possessed the same under a claim of ownership for the period of thirty (30) years required under Section 48(b) of Commonwealth Act No. 141, as amended.[43] Hence, LBP acquired no rights over the land.

Under Article 2085 of the Civil Code, it is essential that the mortgagor be the absolute owner of the thing mortgaged, to wit:

ARTICLE 2085. The following requisites are essential to the contracts of pledge and mortgage:

- (1) That they be constituted to secure the fulfillment of a principal obligation;
- (2) That the pledgor or mortgagor be the absolute owner of the thing pledged or mortgaged;
- (3) That the persons constituting the pledge or mortgage have the free disposal of their property, and in the absence thereof, that they be legally authorized for the purpose. (Emphasis ours)

Since Lourdes Farms, Inc. is not the owner of the land, it does not have the capacity to mortgage it to LBP. In *De la Cruz v. Court of Appeals*,[44] the Court declared:

While it is true that the mortgagees, having entered into a contract with petitioner as mortgagor, are estopped from questioning the latter's ownership of the mortgaged property and his concomitant capacity to alienate or encumber the same, it must be considered that, in the first place, petitioner did not possess such capacity to encumber the land at the time for the stark reason that it had been classified as a forest land and remained a part of the patrimonial property of the State. Assuming, without admitting, that the mortgagees cannot subsequently question the fact of ownership of petitioner after having dealt with him in that capacity, still, petitioner was never vested with the proprietary power to encumber the property. In fact, even if the mortgagees continued to acknowledge petitioner as the owner of the disputed land, in the eyes of the law, the latter can never be presumed to be owner.

As correctly pointed out by the OSG, mortgagees of non-disposable lands, titles to which were erroneously

issued, acquire no protection under the Land Registration Law.[45]

Even assuming that LBP was able to obtain its own TCT over the property by means of its mortgage contract with Lourdes Farms, Inc., the title must also be cancelled as it was derived from OCT No. P-2823 which was not validly issued to Bugayong. Forest lands cannot be owned by private persons. It is not registerable whether the title is a Spanish title or a Torrens title.[46] It is well settled that a certificate of title is void when it covers property of public domain classified as forest or timber or mineral land. Any title issued covering non-disposable lots even in the hands of an alleged innocent purchaser for value shall be cancelled.[47]

Moreover, the Court has already addressed the same issue in its Resolution of November 14, 2001 on the petition filed by the Philippine National Bank (PNB) in G. R. No. 149568 entitled “Philippine National Bank v. Republic of the Philippines represented by the Director of Lands,” which also appealed the subject CA decision. PNB, like LBP, is also a mortgagee of another derivative TCT of the same OCT No. 2823. Said resolution reads:

On September 22, 1969, Angelito C. Bugayong was issued a sales patent covering a 41,276 square meter parcel of land in Bocana, Barrio Kabacan, Davao City by the Bureau of Lands. On the basis of the sales patent, the Register of Deeds of Davao City issued OCT No. P-2823 to Bugayong. Bugayong later subdivided the land into four lots, one of which (Lot No. 4159-B covered by TCT No. T-32770) was sold by him to the spouses Reynaldo Rogacion and Corazon Pahamotang. After obtaining TCT No. T-37786 in their names, the spouses mortgaged the lot to the Philippine National Bank (PNB). As they defaulted in the payment of their loan, the PNB foreclosed the property and purchased it at the foreclosure sale as the highest bidder. Eventually, the PNB consolidated its title.

Sometime in 1981, upon the petition of the residents of the land, the Bureau of Lands conducted an investigation into the sales patent issued in favor of Angelito C. Bugayong and found the sales patent to have been illegally issued because (1) the land was released as alienable and disposable only on March 25, 1981; previous to that, the land was within the forest zone; (2) the land is covered by sea water during high tide; and (3) the patentee, Angelito C. Bugayong, had never been in actual possession of the land.

Based on this investigation, the government instituted the present suit in 1987 for cancellation of title/patent and reversion of the parcel of land against Angelito C. Bugayong, the Rogacion spouses, and the PNB, among others.

On July 6, 1996, the trial court rendered a decision declaring OCT No. P-2823 and all titles derived therefrom null and void and ordering reversion of the subject property to the mass of the public domain. On appeal, the Court of Appeals affirmed the trial court’s decision. Hence, this petition.

First. Petitioner contends that it had a right to rely on TCT No. T-37786 showing the mortgagors Reynaldo Rogacion and Corazon Pahamotang’s ownership of the property.

The contention is without merit. It is well settled that a certificate of title is void when it covers property of public domain classified as forest or timber or mineral lands. Any title issued covering non-disposable lots even in the hands of an alleged innocent purchaser for value shall be cancelled (*Republic v. Reyes*, 155 SCRA 313 (1987)).

(*Republic v. Court of Appeals*, 148 SCRA 480 (1987)). In this case, petitioner does not dispute that its predecessor-in-interest, Angelito C. Bugayong, had the subject property registered in his name when it was forest land. Indeed, even if the subject property had been eventually segregated from the forest zone, neither petitioner nor its predecessors-in-interest could have possessed the same under claim of ownership for the requisite period of thirty (30) years because it was released as alienable and disposable only on March 25, 1981.

Second. Petitioner’s contention that respondent’s action for reversion is barred by prescription for having been

filed nearly two decades after the issuance of Bugayong's sales patent is likewise without merit. Prescription does not lie against the State for reversion of property which is part of the public forest or of a forest reservation registered in favor of any party. Public land registered under the Land Registration Act may be recovered by the State at any time (*Republic v. Court of Appeals*, 258 SCRA 223 (1996)).[48]

Contrary to the argument of LBP, since the title is void, it could not have become incontrovertible. Even prescription may not be used as a defense against the Republic. On this aspect, the Court in *Reyes v. Court of Appeals*,[49] citing *Republic v. Court of Appeals*,[50] held:

Petitioners' contention that the government is now estopped from questioning the validity of OCT No. 727 issued to them, considering that it took the government 45 years to assail the same, is erroneous. We have ruled in a host of cases that prescription does not run against the government. In point is the case of *Republic v. Court of Appeals*, wherein we declared:

And in so far as the timeliness of the action of the Government is concerned, it is basic that prescription does not run against the State x x x. The case law has also been:

When the government is the real party in interest, and is proceeding mainly to assert its own rights and recover its own property, there can be no defense on the ground of laches or limitation x x x.

Public land fraudulently included in patents or certificates of title may be recovered or reverted to the State in accordance with Section 101 of the Public Land Act. Prescription does not lie against the State in such cases for the Statute of Limitations does not run against the State. The right of reversion or reconveyance to the State is not barred by prescription. (Emphasis ours)

There is no impairment of contract but a valid exercise of police power of the State.

The constitutional guarantee of non-impairment of contracts may not likewise be used by LBP to validate its interest over the land as mortgagee. The State's restraint upon the right to have an interest or ownership over forest lands does not violate the constitutional guarantee of non-impairment of contracts. Said restraint is a valid exercise of the police power of the State. As explained by the Court in *Director of Forestry v. Muñoz*:[51]

The view this Court takes of the cases at bar is but in adherence to public policy that should be followed with respect to forest lands. Many have written much, and many more have spoken, and quite often, about the pressing need for forest preservation, conservation, protection, development and reforestation. Not without justification. For, forests constitute a vital segment of any country's natural resources. It is of common knowledge by now that absence of the necessary green cover on our lands produces a number of adverse or ill effects of serious proportions. Without the trees, watersheds dry up; rivers and lakes which they supply are emptied of their contents. The fish disappear. Denuded areas become dust bowls. As waterfalls cease to function, so will hydroelectric plants. With the rains, the fertile topsoil is washed away; geological erosion results. With erosion come the dreaded floods that wreak havoc and destruction to property – crops, livestock, houses and highways – not to mention precious human lives. Indeed, the foregoing observations should be written down in a lumberman's decalogue.

Because of the importance of forests to the nation, the State's police power has been wielded to regulate the use and occupancy of forest and forest reserves.

To be sure, the validity of the exercise of police power in the name of the general welfare cannot be seriously attacked. Our government had definite instructions from the Constitution's preamble to "promote the general welfare." Jurisprudence has time and again upheld the police power over individual rights, because of the general welfare. Five decades ago, Mr. Justice Malcolm made it clear that the "right of the individual is necessarily subject to reasonable restraint by general law for the common good" and that the "liberty of the citizen may be restrained in the interest of public health, or of the public order and safety, or otherwise within the proper scope of the police power." Mr. Justice Laurel, about twenty years later, affirmed the precept when

he declared that “the state in order to promote the general welfare may interfere with personal liberty, with property, and with business and occupations” and that “[p]ersons and property may be subjected to all kinds of restraints and burdens, in order to secure the general comfort, health, and prosperity of the state.” Recently, we quoted from leading American case, which pronounced that “neither property rights nor contract rights are absolute; for government cannot exist if the citizen may at will use his property to the detriment of his fellows, or exercise his freedom of contract to work them harm,” and that, therefore, “[e]qually fundamental with the private right is that of the public to regulate it in the common interest.” (Emphasis ours and citations omitted)

In *Edu v. Ericta*,^[52] the Court defined police power as the authority of the state to enact legislation that may interfere with personal liberty or property in order to promote the general welfare. It is the power to prescribe regulations to promote the health, morals, peace, education, good order or safety, and general welfare of the people. It is that inherent and plenary power of the State which enables it to prohibit all things hurtful to the comfort, safety and welfare of society.^[53] It extends to all the great public needs and is described as the most pervasive, the least limitable and the most demanding of the three inherent powers of the State, far outpacing taxation and eminent domain.^[54] It is a ubiquitous and often unwelcome intrusion. Even so, as long as the activity or the property has some relevance to the public welfare, its regulation under the police power is not only proper but necessary.^[55]

Preservation of our forest lands could entail intrusion upon contractual rights as in this case but it is justified by the Latin maxims *Salus populi est suprema lex* and *Sic utere tuo ut alienum non laedas*, which call for the subordination of individual interests to the benefit of the greater number.^[56]

While We sympathize with petitioner, We nonetheless cannot, in this instance, yield to compassion and equity. The rule must stand no matter how harsh it may seem.^[57]

We cannot resolve the cross-claim for lack of factual basis. The cross-claim must be remanded to the RTC for further proceedings.

LBP filed a cross-claim against Lourdes Farms, Inc. before the RTC.^[58] The cross-claim is for the payment of cross-defendant Lourdes Farms, Inc.’s alleged obligation to LBP or its submission of a substitute collateral security in lieu of the property covered by TCT No. T-57348.

However, the records do not show that Lourdes Farms, Inc. was required by the RTC to file an answer to the cross-claim. Likewise, Lourdes Farms, Inc. was not notified of the proceedings before the CA. It was not also made a party to this petition.

LPB now contends that the CA erred in not granting its cross-claim against Lourdes Farms, Inc. We are thus confronted with the question: Should We now order Lourdes Farms, Inc. to comply with the demand of LBP?

We rule in the negative. It may be true that Lourdes Farms, Inc. still has an obligation to LBP but We cannot make a ruling regarding the same for lack of factual basis. There is no evidence-taking on the cross-claim. No evidence was adduced before the RTC or the CA regarding it. No factual finding or ruling was made by the RTC or the CA about it.

It bears stressing that in a petition for review on certiorari, the scope of this Court's judicial review of decisions of the CA is generally confined only to errors of law. Questions of fact are not entertained.^[59]

Moreover, the failure to make a ruling on the cross-claim by the RTC was not assigned as an error in LBP’s appellant’s brief^[60] before the CA. Hence, the CA cannot be faulted for not making a ruling on it.

As held in *De Liano v. Court of Appeals*,^[61] appellant has to specify in what aspect of the law or the facts the

trial court erred. The conclusion, therefore, is that appellant must carefully formulate his assignment of errors. Its importance cannot be underestimated, as Section 8, Rule 51 of the Rules of Court will attest:

Questions that may be decided. – No error which does not affect the jurisdiction over the subject matter or the validity of the judgment appealed from or the proceedings therein will be considered unless stated in the assignment of errors, or closely related to or dependent on an assigned error and properly argued in the brief, save as the court may pass upon plain errors and clerical errors.

Apparently, the cross-claim was taken for granted not only by the RTC but also by LBP. The cross-claim was not included as a subject or issue in the pre-trial order and instead of asking that the same be heard, LBP filed a motion[62] to submit the main case for resolution. The main case was thus resolved by the RTC without touching on the merits of the cross-claim.

On the other hand, while the CA did not make a categorical ruling on LBP's cross-claim, it pointed out that: (1) as found by the RTC, there is a mortgage contract between LBP and Lourdes Farms, Inc., with LBP as mortgagee and Lourdes Farms, Inc. as mortgagor; and (2) LBP's proper recourse is to pursue its claim against Lourdes Farms, Inc.[63]

The CA thus impliedly ruled that LBP's cross-claim should not be included in this case. Instead of making a ruling on the same, it recommended that LBP pursue its claim against Lourdes Farms, Inc.

All told, although the relationship between LBP and Lourdes Farms, Inc. as mortgagee and mortgagor was established, the cross-claim of LBP against Lourdes Farms, Inc. was left unresolved.

The Court is not in a position to resolve the cross-claim based on the records. In order for the cross-claim to be equitably decided, the Court, not being a trier of facts, is constrained to remand the case to the RTC for further proceedings. Remand of the case for further proceedings is proper due to absence of a definitive factual determination regarding the cross-claim.[64]

WHEREFORE, the appealed Decision of the Court of Appeals is hereby AFFIRMED with the MODIFICATION that the cross-claim of petitioner Land Bank of the Philippines against Lourdes Farms, Inc. is REMANDED to the Regional Trial Court, Branch 15, Davao City, for further proceedings.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, Corona, and Nachura, JJ., concur.

* Vice Associate Justice Minita V. Chico-Nazario. Justice Nazario is on official leave per Special Order No. 484 dated January 11, 2008.

[1] *Gordula v. Court of Appeals*, 348 Phil. 670, 684 (1998).

[2] *Republic v. Reyes*, G.R. Nos. L-30263-5, October 30, 1987, 155 SCRA 313, 325; *Republic v. Court of Appeals*, G.R. No. L-40402, March 16, 1987, 148 SCRA 480, 492.

[3] *Reyes v. Court of Appeals*, G.R. No. 94524, September 10, 1998, 295 SCRA 296, 313.

[4] *Rollo*, pp. 33-40. Penned by Associate Justice Martin S. Villarama, Jr., with Associate Justices Conrado M. Vasquez, Jr. and Eliezer R. de los Santos, concurring.

[5] *Id.* at 66-67.

- [6] Records, pp. 511-529. Penned b Judge Jesus V. Quitain.
- [7] Rollo, pp. 38-39.
- [8] Id. at 33-34.
- [9] Id. at 33.
- [10] Id. at 34.
- [11] Id.
- [12] Id.
- [13] Id.
- [14] Records, pp. 338-364.
- [15] Rollo, p. 34.
- [16] Revised Forestry Code of the Philippines.
- [17] Rollo, p. 35.
- [18] Id.
- [19] Records, pp. 1-7
- [20] Id. at 69-77.
- [21] Id. at 102-107.
- [22] Rollo, p. 35.
- [23] Records, pp. 511-529.
- [24] Id. at 526.
- [25] Id. at 527.
- [26] Id. at 528.
- [27] Id. at 528-529; rollo, p. 36.
- [28] CA rollo, pp. 29-38.
- [29] Id. at 31.
- [30] Rollo, pp. 33-40.
- [31] Appellants include the mortgagees, namely: Philippine National Bank and petitioner LBP.
- [32] Rollo, p. 39.
- [33] Id. at 38.
- [34] Id. at 38-39.
- [35] This is also the contention of the Philippine National Bank.
- [36] G.R. Nos. L-30263-5, October 30, 1987, 155 SCRA 313.

[37] Rollo, p. 39.

[38] Id. at 19-20.

[39] Id. at 38.

[40] Id.

[41] Id. at 25.

[42] Id. at 24-25.

[43] See Zarate v. Director of Lands, G.R. No. 131501, July 14, 2004, 434 SCRA 322, 334, citing Republic v. Court of Appeals, G.R. No. L-56948, September 30, 1987, 154 SCRA 476.

[44] 349 Phil. 898, 906 (1998).

[45] Rollo, p. 55.

[46] Director of Forest Administration v. Fernandez, G.R. No. 36827, December 10, 1990, 192 SCRA 121, 138, citing Director of Lands v. Court of Appeals, G.R. No. L-50340, December 26, 1984, 133 SCRA 701; Republic v. Court of Appeals, G.R. No. L-56077, February 28, 1985, 135 SCRA 156; Vallarta v. Intermediate Appellate Court, G.R. No. L-74957, June 30, 1987, 151 SCRA 679.

[47] Republic v. Reyes, supra note 2.

[48] Second Division Resolution dated November 14, 2001.

[49] Supra note 3.

[50] G.R. No. 79582, April 10, 1989, 171 SCRA 721, 734.

[51] 132 Phil. 637, 669-670 (1968).

[52] G.R. No. L-32096, October 24, 1970, 35 SCRA 481.

[53] Rubi v. Provincial Board, 39 Phil. 660, 708 (1919).

[54] Ynot v. Intermediate Appellate Court, G.R. No. 74457, March 20, 1987, 148 SCRA 659, 670.

[55] Id.

[56] Id.

[57] Reyes v. Court of Appeals, supra note 3.

[58] Records, p. 512.

[59] Diokno v. Cacdac, G.R. No. 168475, July 4, 2007, 526 SCRA 440, 460, citing Gerlach v. Reuters Limited Phils., G.R. No. 148542, January 17, 2005, 448 SCRA 535, 544-545.

[60] CA rollo, pp. 29-38.

[61] 421 Phil. 1033, 1043 (2001).

[62] Records, pp. 490-491.

[63] CA rollo, p. 187.

[64] See *Telefunken Semiconductors Employees Union-FFW v. Court of Appeals*, G.R. Nos. 143013-14, December 18, 2000, 348 SCRA 565, 580; Cf. *Government Service Insurance System v. Commission on Audit*, G.R. No. 138381, November 10, 2004, 441 SCRA 532, 544.

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