THE HEIRS OF ATTY. JOSE C. REYES, NAMELY ELVIRA G. REYES, JOSE G. REYES, MA. GUIA R. CANCIO, CARMELO G. REYES, MA. GRACIA R. TINIO AND MA. REGINA PAZ G. REYES, PETITIONERS, VS. ...

G.R. NO. 150862. August 03, 2006

Ponente: CORONA, J.

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CORONA, J.:

Of all the issues to be resolved in this instant petition for review[1] from a decision[2] and resolution[3] of the Court of Appeals, the most compelling is the question of when estoppel applies against the government and if such is the case here.

The history of the case, which spans a total of 44 years, follows.[4]

It all began on July 17, 1961, when the spouses Dr. Casiano A. Sandoval and Luz Marquez de Sandoval applied for the registration of title over Cadastral Lot 7453 of the Santiago Cadastral Survey 211, situated in Cordon, Isabela containing an area of 15,303.5928[5] hectares. This was docketed as LRC Case No. II-N-36, Court of First Instance[6] of Isabela, Branch 2.

Philippine Cacao and Farm Products, Inc. opposed the application claiming ownership over a portion of the property.

The initial hearing was on March 30, 1962, during which the trial court issued an order of general default against the whole world except for respondent Republic of the Philippines. For nearly 20 years thereafter, nothing more transpired in the case.

On March 3, 1981, the heirs of Sandoval and Marquez, together with the Directors of the Bureau of Lands (now the Lands Management Bureau) and the Bureau of Forest Development, submitted a compromise agreement dated February 6, 1981 to the trial court for approval. The parties to the agreement were the heirs of Sandoval, represented by their attorney-in-fact Emmanuel Sandoval, the heirs of Clemencia Parasac, heirs of Liberato Bayaua, Atty. Jose C. Reyes, petitioners' predecessor-in-interest, Philippine Cacao and Farm Products, Inc. Bureau of Lands and the Bureau of Forest Development (with the last two represented by the provincial fiscal[7] of Nueva Vizcaya, Justino A.R. Vigilia).

Judge Andres B. Plan, presiding judge of Regional Trial Court (RTC) of Isabela, Branch 2, rendered a decision dated March 3, 1981, based on that agreement. In accordance therewith, the land was distributed to the different parties in the following manner:[8] to the Bureau of Lands 1,750 hectares; to the Bureau of Forest Development 5,661 hectares; to the heirs of Clemencia Parasac and Liberato Bayaua 1,000 hectares; to the Philippine Cacao and Farm Products, Inc. 4,000 hectares, and to the heirs of Casiano Sandoval 2,892.5928 hectares. Of the area adjudicated to them, the Sandoval heirs assigned 892.5928 hectares to Atty. Jose C. Reyes as his attorney's fees.

On August 18, 1999, respondent, through the Office of the Solicitor General (OSG), filed with the Court of Appeals a petition to annul the decision of the RTC under Rule 47 of the Rules of Court, on the ground of lack of jurisdiction. Petitioners, the heirs of Liberato Bayaua and Clemencia Parasac, and Philippine Cacao Farm Products, Inc. all filed separate motions to dismiss. The Court of Appeals denied these motions and annulled the decision of the RTC.

The Court of Appeals decision was based on the following salient points:

1) the adjudication of the lands in question through the compromise agreement was unconstitutional, the concerned parcels of land being forest lands; the RTC acted in excess of its jurisdiction when it made the award;

2) no evidence was presented by petitioners to prove their ownership, the decision being based entirely on the compromise agreement, and

3) the petition was not barred by laches or estoppel because the RTC was without jurisdiction to render the decision based on the compromise agreement; also, the OSG was barred by estoppel because it did not give its consent to the compromise agreement; neither did it deputize the provincial fiscal to enter into it.

The Court of Appeals also cited our decision in Republic v. Sayo[9] in which the exact same parties divided among themselves, by virtue of a compromise agreement, a parcel of land immediately adjacent to that which was being contested. Judge Sofronio G. Sayo rendered judgment in that case, LRC No. N-109, LRC Record No. 20850, based on the compromise agreement.

In Republic v. Sayo, we granted the government's petition for certiorari which sought the annulment of the judgment of Judge Sayo on the following grounds: (1) the private parties had failed to adduce any evidence establishing their alleged proprietary rights over the land; (2) neither the Director of Lands nor the Director of Forest Development had legal authority to enter into the compromise agreement which was the only basis for the award and (3) the agreement was concluded without the participation of the OSG which only learned of the judgment some years later from the Sangguniang Panlalawigan of Quirino Province.

Petitioners herein filed a motion for reconsideration of the decision of the Court of Appeals. Upon denial of the motion, they filed this petition.

Petitioners assign the following errors:

> - THE COURT OF APPEALS [ERRED] IN FAILING TO CONSIDER THAT THE JUDGMENT SOUGHT TO BE ANNULLED BY THE [RESPONDENT] IN CA-G.R. SP NO. 54618 IS CLEARLY NOT WITHIN THE COVERAGE OF SECTION 1 OF RULE 47.
>
> - THE COMPLAINT IS BARRED BY LACHES AND ESTOPPEL.
>
> - THE COURT OF APPEALS SERIOUSLY ERRED IN FINDING THAT THE QUESTIONED DECISION WAS BASED SOLELY ON THE PARTIES' COMPROMISE AGREEMENT AND DOES NOT SHOW WHAT EVIDENCE WAS PRESENTED.

The petition has no merit.

Petitioners' first assignment of error is that the Court of Appeals should not have given due course to respondent's petition for annulment under Rule 47 of the Rules of Court because the rules did not apply to land registration cases. On the other hand, respondent claims that these rules applied by analogy; the absence of any remedy under PD 1529[10] necessitated resort to Rule 47.

In Collado v. Court of Appeals,[11] which also involved an application for land registration, we upheld the Court

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of Appeals' decision to give due course to the government's petition for annulment of the RTC decision:

> The Solicitor General sought the annulment of the decision on the ground that the land registration court had no jurisdiction over the case, specifically, over the Lot which was not alienable and disposable. The Solicitor General maintained that the decision was null and void.
>
> Petitioners argue that the remedy of annulment of judgment is no longer available because it is barred by the principle of res judicata. They insist that the land registration court had jurisdiction over the case which involves private land. They also argue that the Republic is estopped from questioning the land registration court's jurisdiction considering that the Republic participated in the proceedings before the court.
>
> It is now established that the Lot, being a watershed reservation, is not alienable and disposable public land. The evidence of the petitioners do not clearly and convincingly show that the Lot, described as Lot Psu-162620, ceased to be a portion of the area classified as a watershed reservation of the public domain. Any title to the Lot is void ab initio. In view of this, the alleged procedural infirmities attending the filing of the petition for annulment of judgment are immaterial since the land registration court never acquired jurisdiction over the Lot. All proceedings of the land registration court involving the Lot are therefore null and void.
>
> xxx xxx xxx
>
> We also hold that environmental consequences in this case override concerns over technicalities and rules of procedure. (emphasis ours)

Where the land applied for is part of the public forest, the land registration court acquires no jurisdiction over it.[12] Here, at the time the application was filed in 1961, the contested land was part of the public forest. This is clear from the fact that Administrative Order No. 4-1246 of the Bureau of Forest Development reclassified the land in question from forest land to alienable land only in 1979, or some 20 years after LRC Case No. II-N-36 was instituted.[13] No doubt, at the time the RTC took cognizance of the case, it lacked jurisdiction over the subject matter and respondent's petition for annulment of judgment was therefore justified.

This brings us to the second, more pivotal issue: even if we acknowledge that respondent correctly filed a petition for annulment of judgment, is it nonetheless now estopped from challenging the judgment of the RTC due to the fact that it never contested the said decision for over eighteen years?

The factual allegations of the parties differ widely on this point. Respondent alleges it is not estopped for the following reasons: (1) the OSG was unable to participate in the registration case, never having been notified thereof; (2) the OSG never deputized the provincial fiscal, who served as counsel for the Director of Lands and the Director of Forest Development, to enter into any compromise agreement (which made the document they signed patently illegal) and (3) the OSG never received a copy of the judgment based on the compromise agreement, coming to learn of it only when the Regional Director of the Department of Environment and Natural Resources asked for legal representation on March 31, 1998.

Petitioners, on the other hand, refute respondent's claim of non-participation by the OSG and point to two documents on record: (1) the judgment of the RTC stating that during the first hearing on March 30, 1962, the OSG represented the government and opposed the application, which was why respondent was not included in the order of general default and (2) a manifestation dated April 14, 1981 purportedly signed by then Solicitor General Estelito Mendoza, filed with the RTC, in which the OSG not only acknowledged receipt of the RTC decision based on the compromise agreement but also withdrew as counsel of the Director of Lands and the Director of Forest Development on the ground that they "(had) decided to act on their own, with counsel other than the Solicitor General."[14] Respondent denies ever having filed such a document, stating that according to its records, the document does not exist, and that, in any event, the State cannot be estopped by the mistakes of its agents.[15]

After a careful consideration of the facts of this case vis-á-vis the precedents established in Sayo, we affirm the Court of Appeals.

As a rule, the State, as represented by the government, is not estopped by the mistakes or errors of its officials or agents.[16] This is especially true when the government's actions are sovereign in nature.[17] This rule is not without its exceptions but none of them obtains here. In fact, if we scrutinize the actions of the OSG at the time, it is not difficult to understand just why respondent cannot possibly be in estoppel.

When the trial court rendered its decision, the OSG, as it did in Sayo, could have and should have challenged the judgment based on the compromise agreement, given that the Directors of Lands and Forest Development had greatly overstepped their authority. After all, it was the OSG alone which was empowered to represent the government in all land registration and related proceedings.[18]

However, rather than perform its legal duty to challenge the judgment, the OSG supposedly walked away from the problem like a petulant child, even going so far as to say:

xxx xxx xxx

> - Considering therefore, that the abovementioned officials have decided to act on their own, with counsel other than the Solicitor General, the latter's services as counsel in this case is thus superfluous;
>
> WHEREFORE, the Solicitor General respectfully manifests that he is withdrawing his appearance in the above-entitled case, and copy of the decision be sent directly to each of the above officials.[19]

Assuming this manifestation was indeed filed by the OSG (which we doubt), it amounts to an unconscionable dereliction of duty. What allegedly happened, in effect, was that the Directors of Lands and Forest Development were unconscionably giving away several thousand hectares of forest land to persons whose entitlement thereto was at best dubious, and the Solicitor General nonchalantly just chose to look the other way — or so petitioners would have us believe.

As a matter of doctrine, illegal acts of government agents do not bind the State. In Sharp International Marketing v. Court of Appeals,[20] we ruled that the Department of Agrarian Reform could not be held liable for the misdeed of its then Secretary Philip Juico who brazenly offered to pay over P60 million for a property bought just a few months earlier by petitioner for only a little over P3 million. We said that "the Government is never estopped from questioning the acts of its officials, more so if they are erroneous, let alone irregular." (emphasis ours)

Obviously, the acts of the Directors of Lands and Forest Development (as well as the OSG if at all true) fall into this category, being a blatant abandonment of their duties as well as a display of gross incompetence. If only for this reason alone, respondent, which stands to lose nearly 8,000 hectares of forest land, cannot be bound by them.

As we demonstrated in Sayo and Collado, this Court is ser

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