

**LEONARDO, EMERENCIA, RENATO, VIRGILIO, JESUSA, TERESITA
AND RUBEN, ALL SURNAMED DELA CRUZ AND DEPARTMENT OF
AGRARIAN REFORM ADJUDICATION BOARD (DARAB), PETITIONERS,
VS. COURT OF...**

G.R. NO. 157809. January 17, 2005

Ponente: CALLEJO, SR., J.

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CALLEJO, SR., J.:

Before us is a petition for review on certiorari of the Decision[1] of the Court of Appeals (CA) in CA-G.R. SP No. 56389 reversing the decision of the Department of Agrarian Reform Adjudication Board (DARAB) in DARAB Case No. 5663, as well as the Decision of the Office of the Regional Agrarian Reform Adjudicator (RARAD) in DARAB Case No. IV-MM-106-95(R).

The antecedent facts, as culled from the records of the case, are as follows:

On November 9, 1995, Leonardo dela Cruz, represented by his children and herein petitioners, Ruben, Emerencia, Renato, Virgilio, Jesusa, and Teresita, all surnamed dela Cruz and residents of Gatchalian Subdivision, Las Piñas, Rizal, filed a complaint for annulment of sale and right of redemption, damages and attorney's fees with the DARAB against Jesus Medina, the Spouses Placido and Natividad Mangubat and the Home Insurance Guaranty Corporation (HIGC). Petitioner Leonardo dela Cruz alleged that he had been the agricultural tenant since time immemorial over a portion of a parcel of land in Tungtung, Las Piñas, Metro Manila, identified as Psu-141099 with an area of 30,553 square meters and originally registered under the name of the Spouses Victor R. Medina and Julia Tomas. In 1962, he was forced to vacate the property due to serious illness, and agreed for Florentino Bernardino to replace him until after his recovery therefrom. Bernardino later vacated the property after the controversy over his claim for compensation with Jesus Medina, the son and heir of the Spouses Medina, was amicably settled in the Department of Agrarian Reform (DAR). Leonardo dela Cruz then returned to the property with his family over the objection of Jesus Medina. It was also alleged that Jesus Medina offered to pay Leonardo dela Cruz for his tenancy claims, but that the former reneged on his promises. Moreover, unknown to Leonardo dela Cruz, a portion of the property cultivated by him consisting of 350 square meters was sold to the HIGC, which in turn sold the same to the Spouses Mangubat under a Contract to Sell dated March 17, 1997. The Spouses Mangubat, thereafter, demanded that Leonardo dela Cruz and his family vacate the property. Leonardo then filed a handwritten complaint[2] with the Regional Office of the Department of Agrarian Reform which issued summons to Jesus Medina for conciliation, but the latter ignored the said summons.

The petitioners prayed that, after due proceedings, judgment be rendered in their favor, thus:

- 1) Declaring the sale in favor of respondents Home Insurance and Guaranty Corporation and/or Spouses Placido Mangubat and Natividad Mangubat null and void and without legal force and effect for lack of consent of the tenants on the landholding.
- 2) In the alternative, if the sale is declared valid, ordering and directing Home Insurance and Guaranty

Corporation and/or Spouses Placido Mangubat and Natividad Mangubat to convey the landholding in question in favor of the complainants upon payment of the redemption price equivalent to the price stated in the Deeds of Sale from the Medina family or at a reasonable price and consideration pursuant to Sections 11 and 12 of the Agricultural Land Reform Code (R.A. No. 3844, as amended).

3) Ordering the respondents, jointly and severally, to pay the complainants attorney's fees equivalent to 20% of the awards and actual and litigation expenses of at least P50,000.00, and the cost of suit.

Complainants respectfully pray for such further reliefs as may be deemed just and equitable in the premises.[3]

Respondent HIGC filed a Motion to Dismiss the complaint on the ground that the RARAD had no jurisdiction over the subject matter of the complaint because the property subject thereof had long been classified as residential. The respondent alleged that the subject property was part of the Martinville Subdivision which was assigned to it by the former owner, BF Homes, Inc., pursuant to the Deed of Assignment and Conveyance dated April 19, 1994, executed by the latter in its favor, covering forty (40) subdivision lots with a total area of 14,957 square meters, including Lots 63 and 64, Block I, covered by Transfer Certificate of Title (TCT) Nos. T-763-A and T-762-A. The respondent appended to its motion a copy of the said deed, Tax Declaration No. D-007-00030 covering Lot 64, Block I of BF Homes, Inc. of the Martinville Subdivision Portion II, covered by TCT No. T-762-A (No. 52095), with an area of 350 square meters classified therein as residential, and Tax Declaration No. D-007-00029 covering Lot 63, Block I, with an area of 350 square meters covered by TCT No. T-763-A (No. 52094), also classified as residential.[4]

Under the deed of assignment with conveyance, BF Homes, Inc. warranted that:

9. If the Properties ceded, transferred and conveyed to HIGC, or any part thereof, turned out to have been previously disposed of, transferred, conveyed, alienated, encumbered, attached or levied upon in execution, HIGC shall notify BF HOMES, and the latter shall, within thirty (30) days from receipt of such notice, substitute such properties or any part thereof with other real properties in the Asset Pool which are of equal valuation and acceptable to HIGC. Failure of BF HOMES to effect substitution shall entitle HIGC to cash payment of the equivalent value of the property to be substituted.

For this purpose, BF HOMES hereby warrants that all of the real properties conveyed to HIGC under this Agreement are not in any Area of Priority Development under the socialized housing program of the Government: not covered by the Agrarian Reform Law: are untenanted, and no squatters, illegal occupants or improvements, dwellings or other fixtures for such squatters or illegal occupants, exist thereon.[5]

In his answer to the complaint, respondent Jesus Medina alleged that the complainant Leonardo dela Cruz voluntarily surrendered the landholding when he became ill in 1962, and was replaced by Florentino Bernardino who, in turn, vacated the property. Such surrender of the property by Bernardino and his receipt of compensation from the heirs of the Spouses Medina were referred to and approved by the DAR. Jesus Medina also alleged that he and his siblings cultivated the property after the death of their parents, the Spouses Victor Medina and Julia Tomas. He further averred that Leonardo dela Cruz was aware of the conversion and development of the property into residential land, but did nothing to claim any tenancy rights over the landholding and to stop the development thereof. The property was later sold to BF Homes, Inc. in 1972 under a Joint Venture Agreement in which it obliged itself to develop the property into a residential subdivision; by then, Leonardo dela Cruz was no longer the tenant on the property.[6] Jesus Medina, likewise, averred that the action of the complainant had prescribed and was barred by laches. He appended to his answer a copy of the affidavit[7] of Bernardino as an integral part thereof.

In their opposition[8] to the motion to dismiss of the HIGC, the complainants averred that the issue of whether the property was residential or not was factual in nature and had to be resolved only after trial. They contended that

the DARAB had jurisdiction over their action under Section I(e) of the DARAB Rules.

In its reply,[9] respondent HIGC averred that the property had been reclassified as residential even before Republic Act No. 6657 took effect on June 15, 1988; hence, outside the coverage of Rep. Act No. 6657.

On May 13, 1996, the RARAD issued an Order granting the motion to dismiss of respondent HIGC. The RARAD took judicial notice that the lots subject of the complaint were part of the Martinville Subdivision, Portion II, a residential subdivision located in Las Piñas, which was declared a residential/industrial area by the Metro Manila Commission and the Human Settlements Regulatory Commission (now the Housing and Land Use Regulatory Commission). He also relied on the admission of Leonardo dela Cruz in the complaint that as of 1962, he was no longer the tenant on the property:

After evaluating the parties' diametrically opposing stands as supported by their contrasting evidence, this Office finds for the Respondent Corporation.

Judicial notice is taken of the fact that the lots in question, apart from forming part and parcel of a residential subdivision known as Martinville Portion II (Vide, Annexes "B" and "C", Motion), are located in Las Piñas which is a necessary adjunct of Metro Manila whose updated Comprehensive Development Plan and accompanying Zoning Ordinance 81-01 was found to be in conformity with the requirements of Presidential Decree No. 922, Letter of Instructions No. 729 and Executive Order No. 648 as specifically set out in the Memorandum of Agreement (MOA) executed on January 11, 1981 between the Metro Manila Commission and HSRC (Human Settlements Regulatory Commission now HLURB or the Housing and Land Use Regulatory Board). By virtue thereof, the entire Metro Manila area was rezoned into residential/light industrial. Thus, as early as 1981, the subject lots already ceased to be agricultural hence as of that date no tenurial relations could continue to subsist thereon. Moreover, as judicially admitted by the Complainants themselves in their own Complaint under Paragraph 5 thereof, as affirmed by its accompanying Annex "A", Leonardo dela Cruz who was the duly instituted tenant on the original property prior to its subsequent subdivision into individually titled lots, no longer worked thereon as far back as 1965 when he was replaced by Florentino Bernardino. The latter eventually surrendered the same in 1972 upon its sale to BF Homes Inc. in exchange for a certain monetary consideration (Vide, Affidavit of Florentino Bernardino dated December 18, 1995). Whatever claims Complainants may have therefore vis-a-vis the property in question have long been staled by prescription and laches (Vide, Section 38 of RA 3844 as amended).[10]

The petitioners' motion for reconsideration of the Order was denied by the RARAD.

On November 21, 1996, the petitioners filed a Notice of Appeal with motion to litigate as pauper litigants,[11] docketed as DARAB Case No. 5663. The DARAB issued its Order[12] dated December 10, 1996, directing the petitioners to file their Memorandum on Appeal and for the appellees to file their comment thereon, without ruling on the appellants' motion to litigate as pauper litigants.

The appellants failed to file their Appeal Memorandum. Hence, on November 24, 1997, the appellee HIGC moved for the dismissal of the appeal[13] but the same was denied by the DARAB in its Resolution[14] dated June 15, 1998. Despite the non-filing of the petitioners' Memorandum on Appeal, the DARAB defined the issues for resolution, thus:

- WHETHER OR NOT PLAINTIFFS-APPELLANTS ARE BONA FIDE TENANTS AND COROLLARILY, WHETHER OR NOT THEY HAVE THE RIGHT OF REDEMPTION;
- WHETHER OR NOT THE LANDHOLDING IS AGRICULTURAL; and
- WHETHER OR NOT PLAINTIFFS-APPELLANTS' CAUSE OF ACTION HAD ALREADY PRESCRIBED.[15]

On May 6, 1998, the DARAB rendered its Decision[16] reversing the order of the RARAD. The decretal portion of the decision follows:

WHEREFORE, premises considered, the Order dated May 13, 1996 is hereby REVERSED and SET ASIDE and a new one is rendered as follows:

1. Declaring Plaintiff-Appellant Leonardo dela Cruz to be the bona fide tenant on the subject landholding while his co-Plaintiffs-Appellants are declared illegal occupants for lack of evidence to establish their tenancy status;
2. Directing the reinstatement of Plaintiff-Appellant Leonardo dela Cruz to the landholding in controversy and to pay his lease rental not from the time he was illegally prevented from resuming his farming activities but from the date of actual reinstatement thereon;
3. Directing the Respondents-Appellees to vacate the premises and all other persons who had subsequently taken possession from them, if any; and
4. Allowing Plaintiff-Appellant Leonardo dela Cruz to redeem the subject landholding as encumbered by Respondent-Appellee Jesus Medina and that said Leonardo dela Cruz is hereby authorized to seek legal assistance from the DAR thru its Bureau of Agrarian Legal Assistance and from the Land Bank of the Philippines to finance the redemption price.

SO ORDERED.[17]

In a separate opinion, Assistant Secretary Clifford C. Burkley ruled that the action of Leonardo dela Cruz had already prescribed.[18]

The HIGC filed a motion for reconsideration of the decision, which was, however, denied by the DARAB. Thus, the HIGC filed a petition under Rule 43 of the Rules of Court with the CA assailing the Decision of the DARAB and its resolution denying its motion for reconsideration.

The HIGC averred the following in its petition:

- THE RESPONDENT BOARD GRAVELY ERRED IN SETTING ASIDE THE DECISION OF THE RARAD DISMISSING THE CASE FOR LACK OF JURISDICTION AND IN PEREMPTORILY RULING ON THE QUALIFICATION OF PRIVATE RESPONDENTS AS BONA FIDE TENANTS AND ON THE LATTER'S RIGHT OF REDEMPTION WITHOUT THE BENEFIT OF HEARING.
- THE RESPONDENT BOARD ERRED IN RULING THAT THE LANDHOLDING IS AGRICULTURAL.
- THE RESPONDENT BOARD ERRED WHEN IT RULED THAT THE CAUSE OF ACTION OF THE PRIVATE RESPONDENTS HAS NOT YET PRESCRIBED.[19]

On November 29, 2002, the CA rendered judgment granting the petition and reversing the decision of the DARAB. The CA ruled that Leonardo dela Cruz was a bona fide tenant of the Spouses Victor Medina and Julia Tomas; that, while the subject property was agricultural in nature when he was still a tenant thereof until 1965, the property had been reclassified as residential under Metropolitan Manila Commission Ordinance No. 81-01. Nonetheless, the appellate court ruled that such reclassification should not be applied retroactively to change the nature of the existing lots or the legal relationship existing over such lands, including the agricultural tenancy relationship between Leonardo dela Cruz and the heirs of the Spouses Medina. The appellate court, however, ruled that the action of Leonardo dela Cruz was already barred by prescription under Section 38[20] of Republic Act No. 3844 which provides that an action to enforce any cause of action under the said law shall be barred if not commenced within three (3) years after such cause accrued. The fallo of the decision reads:

WHEREFORE, FOREGOING PREMISES CONSIDERED, this petition is GRANTED. The Decision dated May 6, 1998 and the Resolution dated December 2, 1999 of the Department of Agrarian Reform Adjudication Board (DARAB) in DARAB Case No. 5663 (Reg. Case No. IV-MM-106-95) are reversed and set aside and in lieu thereof, a new one is entered dismissing this case on the grounds of prescription and laches.[21]

The petitioners filed a motion for reconsideration of the decision but the said motion was denied by the CA.[22]

Hence, the petition at bar.

The core issue for resolution is whether or not the CA erred in holding that when the petitioners filed their complaint with the DARAB on November 9, 1995, their action for the enforcement of their rights as agricultural tenants on the landholding had already prescribed.

The petitioners assert that their action is not barred by prescription. They posit that their cause of action ensued only when the Spouses Mangubat sought their eviction, and when it became clear to them that Jesus Medina reneged on his promise to pay their disturbance compensation as consideration for their vacating the property peacefully and relinquishing their rights over the property as tenants. They assert that the 180-day period for petitioner Leonardo dela Cruz to exercise his right of redemption over the property had never commenced to run because he never received any written notice of the sale of the subject property by the respondent HIGC to the Spouses Mangubat as mandated by law. The petitioners assert that the CA erred in overruling the DARAB's finding that –

... In the case at bar, Plaintiff-Appellant Leonardo dela Cruz's cause of action arose not during the period when his patience can still bear him out to wait for the fulfillment of the promise of Jesus Medina but rather from the time he lost his patience due to the demand to vacate the premises made by Spouses Placido and Natividad Mangubat sometime in 1995. Leonardo dela Cruz then lost no time to file immediately his handwritten complaint bearing his thumbmark with the DAR Regional Office on September 29, 1995 for conciliation and mediation but the same was ignored, thus, compelling him to file the present complaint dated October 25, 1995. Accordingly, his cause of action had not as yet prescribed.[23]

The petitioners further aver that the DARAB's decision had become final and executory as against the Spouses Mangubat and Jesus Medina for their failure to appeal the said decision. Consequently, the petitioners pray that the decision of the DARAB be reinstated and the assailed decision of the CA be set aside and reversed.

For its part, respondent HIGC contends that the CA correctly ruled that the action of the petitioners commenced to run as early as 1965, when petitioner Leonardo dela Cruz was replaced by Florentino Bernardino as agricultural tenant; hence, his cause of action for the enforcement of his rights as agricultural tenant had long prescribed.

The petition is granted not for the ground raised by the petitioners in this Court, but on the ground that the petitioners failed to implead BF Homes, Inc., an indispensable party, as party-respondent in their complaint before the DARAB. While such ground was not raised by the parties in any of the proceedings below and in the present case, the Court is mandated to resolve the said matter in the interest of substantial justice and also for compelling reasons of public policy.[24]

Section 1, Rule V of the DARAB New Rules of Procedure mandates that –

SECTION 1. Parties-in-Interest. Every agrarian case must be initiated and defended in the name of the real party-in-interest. All parties having an interest in the matter shall be joined as complainant or petitioner. All persons who claim an interest in the dispute or subject matter thereof adverse to the complainant or petitioner, or who are necessary to a complete determination or settlement of the issue involved therein shall be joined as defendants or respondents.

The mandatory nature of the provision requiring the inclusion in the complaint of all parties having an interest in the dispute as subject matter thereof adverse to the petitioners or who are necessary to a complete determination or settlement of the issues involved therein is covered by the use of the word “shall” in the Rule.[25] The parties referred to in the provision are the parties-in-interest as well as indispensable parties. It must be stressed that the presence of all the indispensable parties under any and all conditions is a condition sine qua non for the exercise by the DARAB of its quasi-judicial process. The absence of an indispensable party renders all subsequent actions of the DARAB null and void for want of authority to act, not only as to the absent parties but even as to those present. In the absence of an indispensable party, there could be no effective, complete or equitable resolution of the dispute. Any judgment rendered by a tribunal in the absence of an indispensable party is, thus, a nullity.[26] It is precisely when an indispensable party is not present before the court that the action should be dismissed.[27] Indeed, a person or entity not a party to a case is not bound by any decision of the tribunal.

As gleaned from the averments of the complaint of the petitioners before the DARAB, they prayed for the nullification of the sale of the subject property by the respondent HIGC to the Spouses Mangubat; in the alternative, that the respondent HIGC and/or the Spouses Mangubat be ordered to convey the landholding in question in favor of the petitioners upon payment of the redemption price therefor, equivalent to the price stated in the deed of sale between the Spouses Medina and/or their heirs, and BF Homes, Inc., or as provided for in Sections 11 and 12 of Rep. Act No. 3844, as amended.

The records show that the original owners of the property subject matter of the complaint were the Spouses Medina. Upon their demise, the property was inherited by their children, including respondent Jesus Medina. The property was sold to BF Homes, Inc., which entered into and executed a Joint Venture Agreement with the owner and developer of the property and caused the subdivision thereof into residential lots. The BF Homes, Inc. executed a Deed of Assignment and Conveyance over the property on April 19, 1994 in favor of the respondent HIGC, and warranted in the said deed that the property was not tenanted and not covered by the Agrarian Reform Law. The BF Homes, Inc. even guaranteed that the titles covering the same were free from any defect of any form. It is, thus, clear that BF Homes, Inc. was an indispensable party as party-respondent in the DARAB, and even in the Court of Appeals.

Considering that BF Homes, Inc. was not impleaded by the petitioners as party-respondent, the DARAB was bereft of any authority to delve into and resolve the validity of the sale of the property by the original owners to BF Homes, Inc., and by the latter to the respondents Spouses Mangubat, as well as the claim of the petitioners for the reconveyance of the property to them upon payment of the redemption price therefor. Moreover, the decision or orders of the DARAB, as well as the decision of the CA, would not be binding on BF Homes, Inc. As we ruled in *Alberto v. Mananghala*:[28]

... In an action for recovery of property against a person who purchased it from another who in turn acquired it from others by the same means or by donation or otherwise, the predecessors of defendants are indispensable parties if the transfers, if not voided, may bind plaintiff. (*Garcia vs. Reyes*, 17 Phil. 127.) In the latter case, this Court held:

“In order to bring this suit duly to a close, it is imperative to determine the only question raised in connection with the pending appeal, to wit, whether all the persons who intervened in the matter of the transfers and donation herein referred to, are or are not necessary parties to this suit, since it is asked in the complaint that the said transfers and donation be declared null and void – an indispensable declaration for the purpose, in a proper case, of concluding the plaintiff to be the sole owner of the house in dispute.

“If such a declaration of annulment can directly affect the persons who made and who were concerned in the said transfers, nothing could be more proper and just than to hear them in the litigation, as parties interested in maintaining the validity of those transactions, and therefore, whatever be the nature of the judgment rendered,

Francisco Reyes, Dolores Carvajal, Alfredo Chicote, Vicente Miranda, and Rafael Sierra, besides the said minors, must be included in the case as defendants.” (Garcia vs. Reyes, 17 Phil., 130-131.)”[29]

Indeed, all the proceedings in the RARAD and the DARAB were null and void, not only as to the present parties, but also as to BF Homes, Inc., an indispensable party which was not impleaded as party-respondent.

IN LIGHT OF ALL THE FOREGOING, the petition is GRANTED. The assailed decision and resolution of the Court of Appeals are REVERSED and SET ASIDE. The respondent Agrarian Reform Adjudicator is ordered to dismiss the complaint of the petitioners. No costs.

SO ORDERED.

Puno, (Chairman), Austria-Martinez, Tinga, and Chico-Nazario, JJ., concur.

[1] Penned by Associate Justice Mercedes Gozo-Dadole with Associate Justices Bennie A. Adefuin-dela Cruz (retired) and Mariano C. del Castillo, concurring.

[2] Records, pp. 8-9.

[3] Id. at 6.

[4] Id. at 29-39.

[5] Id. at 31-32.

[6] Id. at 53-59.

[7] Id. at 58-59.

[8] Id. at 62-63.

[9] Id. at 66-69.

[10] Id. at 80-81.

[11] Lim Tanhu v. Ramolete, 66 SCRA 425 (1975).

[12] Records, p. 113.

[13] Id. at 164.

[14] Id. at 162.

[15] Rollo, p. 29.

[16] Penned by Assistant Secretary Lorenzo R. Reyes.

[17] Records, pp. 149-150.

[18] Id. at 152.

[19] CA Rollo, p. 20.

[20] In the CA Decision, a typographical error was committed and erroneously stated Section 30.

[21] Rollo, p. 53.

[22] Id. at 58.

[23] Rollo, p. 33.

[24] Kapalaran Bus Line v. Coronado, 176 SCRA 792 (1989).

[25] Republic of the Philippines v. Rose Moor Mining and Development Corporation, G.R. No. 149927, March 30, 2004.

[26] Lozano v. Ballesteros, 195 SCRA 681 (1991).

[27] Arcelona v. Court of Appeals, 280 SCRA 20 (1997).

[28] 89 Phil. 188 (1951).

[29] Id. at 191-192.

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