

RURAL BANK OF MALASIQUI, INC., PETITIONER, VS. ROMEO M. CERALDE AND EDUARDO M. CERALDE, JR., RESPONDENTS.

G.R. No. 162032. November 25, 2015

Ponente: BERSAMIN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-162032/>

BERSAMIN, J.:

This appeal resolves the question of which between the parties - on one hand, the petitioner, the rural bank that foreclosed the mortgage constituted on the agricultural lands earlier expropriated under the land reform program of the State, and acquired the lands under mortgage as the highest bidder in the ensuing foreclosure sale; and, on the other, the respondents, the registered owners and mortgagors of the lands in favor of the petitioner - was entitled to the payment of the just compensation for the lands.

In this suit initiated by the respondents to assert their right to the net value of the just compensations, the petitioner prevailed in the Regional Trial Court (RTC), Branch 57, in San Carlos City, Pangasinan by virtue of the judgment rendered on July 15, 1995 (dismissing the respondents' complaint for lack of cause of action),[1] but the Court of Appeals (CA), reversing the judgment of the RTC on appeal through the assailed decision promulgated on April 15, 2003,[2] ordered the petitioner instead to pay to the respondents the sum of P119,912.00, plus legal interest reckoned from July 12, 1993, the date when the complaint was filed, representing the net value of the just compensation .

The petitioner is now before the Court to seek the review and reversal of the adverse decision of the CA.

Antecedents

The antecedents, as narrated by the CA, are the following:

Romeo M. Ceralde and Eduardo M. Ceralde, Jr., are the owners of the parcels of land covered by Transfer Certificate of Title (TCT) Nos. 111647 and 111648 respectively, of the Registry of Deeds of Pangasinan. Under varied dates in the years 1978, 1980, 1981 and 1982, they mortgaged these properties in favor of appellee [R]ural [B]ank of Malasiqui, Inc., as security for agricultural loans they obtained from the bank. At the time, however, the land had already been placed under the coverage of Operation Land Transfer and the corresponding Certificates of Land Transfer were already issued to the tenants thereon. Nevertheless, appellee rural bank, through its president, advised (sic) mortgagors-appellants to submit an Affidavit of Non-Tenancy, which appellants complied with. The mortgages were then approved by appellee rural bank.[3]

After the respondents did not pay the loans at maturity, the petitioner caused the extrajudicial foreclosure of the mortgages. In the ensuing foreclosure sale, the petitioner acquired the mortgaged properties for being the highest bidder.

The respondents commenced this action in the RTC to recover the net value of the just compensation of the lands subject of the mortgages, averring that their right to receive the payment for just compensation either directly from the tenants or from the Land Bank of the Philippines could not be the subject of the foreclosure proceedings;

and that their equitable interest in the right to receive the just compensation was protected under Section 80 of Republic Act No. 3844 (Agricultural Land Reform Code), as amended, based on Opinion No. 92, Series of 1978, issued by the Secretary of Justice. They prayed that the extrajudicial foreclosure of the mortgages constituted over the two parcels of land covered by Transfer Certificate of Title No. 111647 and TCT No. 111648 of the Registry of Deeds of Pangasinan be annulled; that TCT No. 151066 and TCT No. 151067 of the Registry of Deeds of Pangasinan in the name of the petitioner be cancelled; and that the petitioner be ordered to pay them PI 19,912.00, representing the net value of the properties, plus legal interest.[4]

In its answer, the petitioner contended that it had foreclosed the mortgages because of the failure of the respondents to pay their loans upon maturity and despite repeated demands; that it had acquired the properties as the highest bidder in the foreclosure sale; that the respondents had misrepresented to it the untenanted status of the properties by submitting affidavits of non-tenancy to support their loan application; that it had found out later on that the lands were really tenanted; that the properties, which were already registered in its name, were sold to the tenants in actual possession and cultivation of the lands; that the claim of the respondents was already barred by laches; that they were also guilty of forum shopping; and that their complaint did not state any factual or legal basis for the award of damages and attorney's fees.[5]

Ruling of the RTC

The RTC rendered its judgment dated July 15, 1995 dismissing the complaint of the respondents.[6] It opined that the petitioner only enforced the mortgage contract upon the default of the respondents; that nothing in the records showed that the conduct of the foreclosure and the ensuing sale had disregarded the law and the rules governing extrajudicial foreclosures; that the respondents' claim of having informed the petitioner about the existence of the tenants could not be believed; that the respondents were guilty of misrepresentation from the very beginning in obtaining the loan; and that the respondents were barred by estoppel on account of their misrepresentation, as well as by laches in view of the fact that their objection came too late and only after the properties had already been transferred in the names of the tenant-beneficiaries.

Decision of the CA

On appeal, the respondents argued that the rule on estoppel did not apply because the petitioner had been aware from the beginning of the existence of the tenants on their landholdings; that respondent Romeo M. Ceralde had testified that Atty. Dolores Acuña, the president of the petitioner, had directly informed him that their loan application would be granted if he could secure the certificate of non-tenancy from the Municipal Agrarian Reform Officer (MARO) whose office was just across from the petitioner's premises; that Romeo had further testified that their tenants were depositing their harvests in the warehouse owned by Atty. Acuña, thereby indicating that the petitioner had been well aware of the tenanted condition of the lands; and that because such testimonies were not controverted, objections thereto were already waived.

As earlier mentioned, on April 15, 2003, the CA reversed the RTC,[7] ruling thusly:

Appellants assert, in this appeal, that the court a quo committed error in finding them guilty of, or barred by, estoppel. They argue that the rule on estoppel does not apply to them because appellee rural bank was also aware from the beginning that they have tenants on their landholdings used as collateral for their loans. Thus, in granting the loans, appellee rural bank was also in bad faith. Appellant Romeo Ceralde testified that he was told by the president of appellee rural bank that their loan will be granted if he could secure a certificate of non-tenancy from the Municipal Agrarian Reform Leader whose office is just in front of the rural bank. He further testified that their tenants were the ones depositing their harvests in the warehouse owned by Atty. Dolores Acuna, the President of appellee rural bank, apparently to bolster the contention that appellee rural bank was aware that appellants' lands are tenanted.

The other appellant, Eduardo Ceralde, testified also along the same line. These testimonies were not controverted by appellee rural bank which, accordingly, is deemed to have waived its objection thereto. The argument is well taken considering that the rule on estoppel has no application where the knowledge or means of knowledge of both parties is equal, as in the instant case. Appellee is therefore likewise in estoppel. And having performed affirmative acts, advising them to submit certificates of non-tenancy upon which appellants based their subsequent actions, cannot thereafter refute its acts or renege on the effects of the same, to the prejudice of the latter. To allow it to do so would be tantamount to conferring upon it the liberty to limit its liability at its whim and caprice, which is against the very principles of equity and natural justice.

Appellants further asserted that the Court a quo erred in not declaring that the extrajudicial foreclosure by the appellee rural bank of the mortgages on their landholdings is contrary to law and, therefore, void ab initio.

It is undisputed that when informed by appellee rural bank of the impending foreclosure of their mortgages, appellant Romeo Ceralde went to see the manager of appellee rural bank to inform her that the Land Bank of the Philippines will be the one to pay their mortgage obligations. Notwithstanding the information and apparent objection to the impending foreclosure, appellee went ahead with the foreclosure proceedings and, thereafter, sought the registration of the properties in its name. Eventually, appellee sold the same to the tenants for a total sum of P140,000.00, in the process depriving appellants of their right to receive the sum of P119,912.00 representing the net value of their landholdings after deducting the amount of P28,088.00 for which the properties were sold to appellee rural bank at the public auction sale.

Again, appellants' argument appears to be well taken. The pertinent provision of the Agrarian Reform Code provides, as follows:

"In the event there is existing lien or encumbrance on the land in favor of any Government lending institution at the time of acquisition by the Bank, the landowner shall be paid the net value of the land (i.e., the value of the land determined under Proclamation No. 27 minus the outstanding balance/s of the obligation/s secured by the line/s or encumbrance/s), and the outstanding balance/s of the obligations to the lending institution/s shall be paid by the Land Bank in Land Bank bonds or other securities existing charters of these institutions to the contrary notwithstanding. A similar settlement may be negotiated by the Land Bank in the case of obligations secured by liens or encumbrances in favor of private parties or institutions." (Underscoring supplied)

As stated by the Secretary of Justice in his Opinion No. 92, series of 1978, in a similar case or situation, "the Land Bank is thus charged with the obligation to settle or negotiate the settlement of the obligations secured by the mortgage, lien or encumbrance whether the lender is a government or a private lending institution. This assumes that the right of the mortgagee (appellee) to enforce its lien through foreclosure proceedings against appellants' landholdings no longer subsists." Verily, therefore, appellee violated the law, Section 80 of the Agrarian Reform Code, when it enforced its lien against appellants properties through foreclosure proceedings.

In respect of the lower court's findings that appellants are guilty of laches, the same cannot be allowed to prosper. "The question of laches is addressed to the sound direction of the court and since laches is an equitable doctrine, its application is controlled by equitable considerations. It cannot be applied to defeat justice or to perpetuate fraud." Besides, it appears that the properties were sold or the mortgages foreclosed on 12 July 1983 while the complaint was filed on 12 July 1993. As provided for under Article 1142 of the Civil Code, "A mortgage action prescribes after ten years." Obviously, appellants' right of action has not yet prescribed.

Apparently, as the foregoing discussion indicates the trial court has indeed committed errors which warrant the reversal of its decision in the present aforementioned case.

WHEREFORE, premises considered, the appealed decision is hereby REVERSED and SET ASIDE and a new one ENTERED ordering appellee to pay the appellants the sum of P119,912.00, plus interest at the legal rate computed from 12 July 1993, the time when their complaint was filed.

SO ORDERED.[8]**Issues**

Undaunted, the petitioner appeals, insisting that:

I

THAT IT WAS ERROR FOR THE COURT OF APPEALS TO RULE THAT PRIVATE RESPONDENTS ARE NOT GUILTY OF LACHES AND ESTOPPEL;

II

THAT IT WAS ERROR FOR THE COURT OF APPEALS IN RULING (sic) THAT PETITIONER RURAL BANK VIOLATED THE AGRARIAN LAWS;

III

THAT IT WAS ERROR FOR THE COURT OF APPEALS TO DECLARE THAT PRIVATE RESPONDENTS ARE STILL ENTITLED TO BE PAID THE SUM OF P119,912.00 WITH INTEREST WHICH IS THE ALLEGED NET VALUE OF THEIR LANDHOLDINGS.[9]

Ruling

The appeal lacks merit.

I

Action was not barred by
either prescription, laches or estoppel

The petitioner maintains that the CA wrongly relied on Article 1142 of the Civil Code because it was Article 1149 of the Civil Code that applied; and that the respondents were already barred by estoppel by virtue of their misrepresentation about the lands not being tenanted.

The petitioner is correct about the erroneous reliance on Article 1142 of the Civil Code, a legal provision on prescription that states: "A mortgage action prescribes after ten years." The phrase mortgage action used in Article 1142 refers to an action to foreclose a mortgage, and has nothing to do with an action to annul the foreclosure of the mortgage,[10] like this one.

Nonetheless, we find to be untenable the petitioner's contention in its motion for reconsideration that Article 1149 of the Civil Code ("All other actions whose periods are not fixed in this Code or in other laws must be brought within five years from the time the right of action accrues.") was instead applicable.[11] This action to annul the foreclosure of the mortgage was not yet barred by prescription because the applicable period of prescription was 10 years from the time the right of action accrued by virtue of the action being upon a written contract.[12] Indeed, the reckoning of the period of prescription should start from July 12, 1983, when the foreclosure of the mortgage was made, indicating that this action, being commenced on July 12, 1993, was not barred by prescription.

Similarly, the petitioner's argument that the respondents were already barred by laches had no substance. It would be wrong and unjust to bar the respondents from recovering what was rightfully and legally theirs. In this regard, we adopt with approval the CA's declaration to the effect that the rule on laches, being an equitable doctrine whose application was controlled by equitable considerations, could not be applied to defeat justice or to perpetrate fraud. Indeed, the Court should implement the better rule, which is that the courts, under the principle of equity, are not to be guided strictly by the statute of limitations or the doctrine of laches when a manifest wrong

or injustice would result from doing so.[13]

The petitioner posits that the respondents' misrepresentation on the non-tenancy of the lands subject of the mortgage estopped them from recovering the just compensation from the petitioner.

The petitioner's position does not merit serious consideration. Estoppel is applied when the following elements concur, namely:

xxx first, the actor who usually must have knowledge, notice or suspicion of the true facts, communicates something to another in a misleading way, either by words, conduct or silence; second, the other in fact relies, and relies reasonably or justifiably, upon that communication; third, the other would be harmed materially if the actor is later permitted to assert any claim inconsistent with his earlier conduct; and fourth, the actor knows, expects or foresees that the other would act upon the information given or that a reasonable person in the actor's position would expect or foresee such action.[14]

The petitioner's insistence on having been misled into approving the loan application by the respondents' submission of the affidavit of non-tenancy was entirely belied by the records. To begin with, the CA itself found that the petitioner had been well aware of the conditions of the landholding, including the existence of the tenants thereon. Secondly, the CA concluded that the petitioner was also in bad faith, for, based on the testimony of Romeo, it was the president herself of the petitioner who had told him that the loan application would be granted if only he could secure a certificate of non-tenancy from the MARO whose office had been located just in front of the petitioner's premises.[15] And, thirdly, the tenants deposited the harvests in the warehouse owned by the president of the petitioner, thereby signifying that the petitioner had actual knowledge of the existence of the tenants on the lands under mortgage.

The established circumstances of the case rendered the doctrine of estoppel absolutely inapplicable. There was no question that the petitioner had not been misled by any misrepresentation on the status of tenancy on the lands. The submission of the affidavit of non-tenancy by the respondents had been at the behest of its president who was then acting in its behalf. It is plain, moreover, that because its business of rural banking involved the duty and the responsibility to investigate the conditions of the lands being tendered as collaterals, the petitioner should have discovered the presence of the tenants in due time and quickly enough by its exercise of due diligence.

II

The petitioner argues that it did not violate Republic Act No. 3844, because Operation Land Transfer (OLT) of the Department of Agrarian Reform (DAR) had not yet been implemented at the time the title was consolidated in its name.

The argument is absolutely devoid of factual foundation. The records of the case indicate that the expropriation by the Government preceded the consolidation of title in the name of the petitioner. The landholdings were placed under the OLT in 1980 and 1981, and the certificates of land transfer (CLTs) were then issued as a consequence.[16] Although the respondents had obtained the loans from the petitioner in 1978, 1980, 1981 and 1982, the petitioner had foreclosed the mortgages only on July 12, 1983, and the title was consolidated in the name of the petitioner only on August 14, 1984. It also appears that the respondents had informed the petitioner prior to the actual foreclosure on July 12, 1983 that the mortgage obligation would be paid by the Land Bank of the Philippines.

Still, the petitioner, insisting that it did not violate Section 80 of Republic Act No. 3844, submits that it was Section 71 of Republic Act No. 6657 that should govern. It contends that because Section 71 did not disallow it as a banking or financial institution to hold any mortgage rights, it could then validly acquire title to the mortgaged

properties.

The contention of the petitioner cannot be upheld.

Section 80 of Republic Act No. 3844, as amended by Section 7 of Presidential Decree No. 251, declares:

Section 80. Modes of Payment. The Bank shall finance the acquisition of farm lots under any of the following modes of settlement:

1. Cash payment of 10% and balance in 25-year tax-free 6% Land Bank bonds;
2. Payment of 30% in preferred shares of stock issued by the Bank and balance in 25-year tax-free 6% Land Bank bonds;
3. Full guarantee on the payment of the fifteen (15) equal annual amortizations to be made by the tenant/farmer;
4. Payment through the establishment of annuities or pensions with insurance;
5. Exchange arrangement for government stocks in government-owned controlled corporations or private corporations where the government has holdings;
6. Such other modes of settlement as may be further adopted by the Board of Directors and approved by the President of the Philippines.

In the event there is existing lien or encumbrance on the land in favor of any Government lending institution at the time of acquisition by the Bank, the landowner shall be paid the net value of the land (i.e., the value of the land determined under Proclamation No. 27 minus the outstanding balance/s of the obligation/s secured by the lien/s or encumbrance/s), and the outstanding balance/s of the obligations to the lending institution/s shall be paid by the Land Bank in Land Bank bonds or other securities; existing charters of those institutions to the contrary notwithstanding. A similar settlement may be negotiated by the Land Bank in the case of obligations secured by liens or encumbrances in favor of private parties or institutions.

Whenever the Bank pays the whole or a portion of the total cost of farm lots, the Bank shall be subrogated by reason thereof, to the right of the landowner to collect and receive the yearly amortizations on farm lots or the amount paid including interest thereon, from tenant/farmers in whose favour said farm lots had been transferred pursuant to Presidential Decree No. 27, dated October 21, 1972.

The profits accruing from payment shall be exempt from the tax on capital gains.

Section 71 of Republic Act No. 6657 reads:

Section 71. Bank Mortgages. — Banks and other financial institutions allowed by law to hold mortgage rights or security interests in agricultural lands to secure loans and other obligations of borrowers, may acquire title to these mortgaged properties, regardless of area, subject to existing laws on compulsory transfer of foreclosed assets and acquisition as prescribed under Section 13 of this Act.

The texts show that Section 80 of Republic Act No. 3844 and Section 71 of Republic Act No. 6657 were not inconsistent with each other, but actually complemented each other. Section 80, as amended by Presidential Decree No. 251, only stated that the Land Bank of the Philippines would be the institution to pay the private lending institutions. Equally relevant was that Section 75[17] of Republic Act No. 6657 stipulated that the provisions of Republic Act No. 3844 would have suppletory effect to Republic Act No. 6657. Absent the inconsistency between Section 80 of Republic Act No. 3844 and Section 71 of Republic Act No. 6657, the bases of the CA in declaring the petitioner to have violated Republic Act No. 3844 remained.

The respondents, citing MOJ Opinion No. 092, Series of 1978, have asserted that the petitioner still could not foreclose because of Section 80 of Republic Act No. 3844.

MOJ Opinion No. 092 was issued on July 5, 1978 by then Minister of Justice Vicente Abad Santos to respond to the request for a legal opinion from the Minister of Agrarian Reform regarding landholdings covered by Presidential Decree No. 27 that "have been previously mortgaged to banking institutions," specifically on the following issues, to wit:

- a) Whether or not lands covered by P.D. No. 27 may be the object of foreclosure proceedings after October 21, 1972;
- b) Whether or not the right of a landowner to receive payment from the Land Bank may be the object of foreclosure proceedings.

The response of the Minister of Justice was as follows:

I find merit in the position taken by that Ministry that lands covered by P.D. No. 27 may not be the object of foreclosure proceedings after the promulgation of said decree on October 21, 1972. With the peremptory declaration that the tenant farmer "shall be deemed owner" of the land he tills, and the declaration that lands acquired thereunder or under the land reform program of the government "shall not be transferable except by hereditary succession or to the government in accordance with the provisions of the Decree, the Code of Agrarian Reform, and other existing laws and regulations", I believe that whatever right the mortgagor has to the property is superseded by the statutory declaration transferring ownership from the mortgagor to the tenant by operation of law. Foreclosure of mortgage is a remedy by which the property covered may be subjected to sale to pay the debt for which the mortgage stands as security, and since the land is by law no longer transferable except to the heirs of the tenant-farmer or to the government, I do not see how the right to foreclose can subsist when the mortgaged property has ceased to be alienable property of the mortgagor, and the property cannot be transferred to the purchaser in the foreclosure proceedings. The situation is analogous to one where the mortgaged property is expropriated before foreclosure takes place, regarding which it has been held that the mortgagee loses his lien upon the expropriated property as "the land taken no longer belongs to the mortgagor, because it has been by virtue of a sovereign power, free of the mortgage", (*Chicago v. Salinger, et al.* 52 NE 2d-184 [1943]; see also *In Re Diliman*, 267 NW-623 [1936]; *In Re City of Rochester*, 32 NE 702 [1892])

This conclusion finds support in the provision of Section 80 of R.A. No. 3844 (Code of Agrarian Reform, as amended by P.D. No. 251), which provides insofar as pertinent:

"SEC. 80. Modes of Payment. — The Bank shall finance the acquisition of farm lots under any of the following modes of settlement:

x x x x

"In the event there is existing lien or encumbrance on the land in favor of any Government lending institution at the time of acquisition by the Bank, the landowner shall be paid the net value of the land (i.e., the value of the land determined under Presidential Decree No. 27 minus the outstanding balance/s of the obligation/s secured by the lien/s of encumbrance/s, and the outstanding balance/s of the obligations to the lending institution/s shall be paid by the Land Bank in Land Bank bonds or other securities; existing charters of those institutions to the contrary notwithstanding. A similar settlement may be negotiated by the Land Bank in the case of obligations secured by liens or encumbrances in favor of private parties or institutions.

x x x

The Land Bank is thus charged with the obligation to settle, or negotiate the settlement of, the obligations secure by the mortgage, lien or encumbrance whether the lender is a government or a private lending institution. This

assumes that the might of the mortgagor to enforce his lien through foreclosure proceedings against the property no longer subsists. I may add that with respect to cases where the mortgage might by now (but after October 21, 1972) have already been foreclosed, the titles of the purchaser at the auction sale having actually been perfected after the redemption period had expired, the foreclosure might have to be set aside through judicial proceedings.

I am aware that a ruling that lands covered by P.D. No. 27 may not be the object of the foreclosure proceedings after the promulgation of said decree on October 21, 1972, would concede that P.D. No. 27 had the effect of impairing the obligation of the duly executed mortgage contracts affecting said lands. There is no question, however, that the land reform program of the government as accelerated under P.D. No. 27 and mandated by the Constitution itself (Act XIV, Sec. 12), was undertaken in the exercise of the police power of the state. It is settled in a long line of decisions of the Supreme Court that the constitutional guaranty of non-impairment of obligations of contract is limited by the exercise of the police power of the state. [Pangasinan Transp. v. P.S.C. 70 Phil. 221 (1940); Phil. American Life Ins. Co. v. The Auditor General 22 SCRA, 135 (1968); De Ramos v. Court of Agrarian Relations, 1-19555, May 29, 1964; Stone v. Mississippi, 101 U.S. 814] One limitation on the contract clause arises from the police power, the reason being that public welfare is superior to private rights. [Since, Phil. Pol. Law, 11th ed. at p. 642] The situation here, is like that in eminent domain proceedings, where the state expropriates private property for public use, and the only condition to be complied with is the payment of just compensation. Technically the condemnation proceedings do not impair the contract or destroy its obligations, but merely appropriate of take it for public use [Long Is. Water Sup. Co. v. Brooklyn, 166 U.S. 635]. As the Land Bank is obliged to settle the obligations secured by the mortgage, the mortgagee is not left without compensation.

The first query is therefore answered in the negative.

Regarding query No. 2, I do not see how foreclosure proceedings can be instituted against the "right of the landowner to receive payment from the Land Bank". As the mortgage had ceased to exist upon the transfer of title to the tenant by virtue of the promulgation of P.D. No. 27 on October 21, 1972, there can be no mortgage to foreclose and therefore no subject for the foreclosure proceedings. Whatever equitable interest the mortgagee has in the land owners' right to receive payment is protected under Section 80, above-quoted, directing the Land Bank to settle existing liens and encumbrances affecting the property.

Without passing judgment on the merits of MOJ Opinion No. 092, Series of 1978, the Court only needs to remind that the legal opinion remained good only in so far as it was not inconsistent with the law it purported to interpret. It remains beyond question that Section 80 of Republic Act No. 3844, supra, did not prohibit the foreclosure of the mortgage of agricultural landholdings. It clearly only provided that the Land Bank of the Philippines would pay the landowners the net value of the land minus the outstanding balance of the obligations in favor of the lending institutions in the event of an existing lien or encumbrance on the land in favor of private parties or institutions. Hence, the opinion of the then Minister of Justice to the effect that banks were not allowed to foreclose lands covered by Presidential Decree No. 27, as amended, became legally untenable. Conformably with the tenets of statutory construction, the law as written should be applied absent any ambiguity.

The petitioner urges that the respondents violated Republic Act No. 3844 by mortgaging their lands to it despite such lands being already subject to the OLT. The urging lacks substance, however, because the petitioner did not cite any provision of law that prohibited agricultural lands subject of the OLT from serving as collateral in order to secure loans and other obligations of the landowners.

What is quite clear and uncontroverted is that both the petitioner and the respondents were guilty of bad faith. Although the coverage of the lands in question under the OLT was made known to the petitioner only after the execution of the mortgages albeit prior to the foreclosure, the latter was already put on notice of the coverage

under the OLT, and should have desisted from proceeding with the foreclosure in accordance with law.

Contrary to the petitioner's claim, Section 80 of Republic Act No. 3844 remained in effect after the effectivity of Republic Act No. 6657. The latter law expressly repealed only the following provisions, namely: Section 35 of Republic Act No. 3834;[18] Presidential Decree No. 316;[19] the last two paragraphs of Section 12 of Presidential Decree No. 946;[20] and Presidential Decree No. 1038.[21] Worthy to note, too, is that the repealed laws did not concern the subject matter of Section 80 of Republic Act No. 3844; hence, the catch-all repeal or amendment of all other laws, decrees, executive orders, rules and regulations, issuances or parts thereof inconsistent with Republic Act No. 6657 did not affect Section 80 of Republic Act No. 3844.

In view of the foregoing, Section 80 of Republic Act No. 3844 and Section 71 of Republic Act No. 6657 must be given equal application.

III

The foregoing elaborations also dispose of the final issue of whether or not the respondents were entitled to the net value of their landholdings. The petitioner contends that they were not because, firstly, the respondents had acted in bad faith by misrepresenting that the lands were not tenanted; and, secondly, title was already consolidated in its name when the lands came to be covered by OLT. We hold that the respondents were entitled to the net value of the lands not only by law but also by equity. As to equity, we need only to point out that when the parties are both at fault, the mistake of one is negated by the other's, and they are then returned to their previous status where the law will look at the facts as if neither is at fault. In such event, we can only apply the law, particularly Section 80 of Republic Act No. 3844, as amended, and such application favors the respondents, as we have already explained.

WHEREFORE, the Court AFFIRMS the decision promulgated on April 15, 2003; and ORDERS the petitioner to pay the costs of suit.

SO ORDERED.

Sereno, C.J., Velasco, Jr.,[*] Leonardo-De Castro, and Perez, JJ., concur.

[*] Vice Associate Justice Estela M. Perlas-Bernabe, per Special Order No. 2292 dated November 23, 2015.

[1] CA rollo, pp. 39-43.

[2] Rollo, pp. 28-34; penned by Associate Justice Danilo B. Pine (retired), with Associate Justice Godardo A. Jacinto (retired) and Associate Justice Renato C. Dacudao (retired) concurring.

[3] Id. at 28-29.

[4] Id. at 29.

[5] Id. at 29-30.

[6] Supra note 1.

[7] Supra note 2.

[8] Id. at 30-34.

[9] Rollo, p. 19.

[10] Philippine National Bank v. Rucamora, G.R. No. 164549. September 18, 2009, 600 SCRA 395, 411; Cando v. Olazo, G.R. No. 160741, March 22, 2007, 518 SCRA 741, 748; Nunez v. GSIS Family Bank, G.R. No. 163988, November 17, 2005, 475 SCRA 305, 321.

[11] Rollo, pp. 35-38.

[12] Article 1144 of the Civil Code slates:

Article 1144. The following actions must be brought within ten years from the time the right of action accrues:

- (1) Upon a written contract;
- (2) Upon an obligation created by law;
- (3) Upon a judgment, (n)

[13] Benatira v. Heirs of Evaristo Cuyos, G.R. No. 161220, July 30, 2008, 560 SCRA 478, 503.

[14] Philippine Bank of Communications v. Court of Appeals, G.R. No. 109803, April 20, 1998, 289 SCRA 178, 185-186, citing Dobbs, Law of Remedies, 2[nd] ed., [1983], p. 65..

[15] Rollo, p.31.

[16] Records, pp. 3-4 (per the certification issued on July 21, 1986 by the DAR attached to the respondents' complaint).

[17] Section 15. Suppletory Application of Existing Legislation. The provisions of Republic Act No. 3844 as amended, Presidential Decree Nos. 27 and 266 as amended, Executive Order Nos. 228 and 229, both Series of 1987; and other laws not inconsistent with this Act shall have suppletory effect.

[18] Republic Act No. 3834 - An Act to Amend the Last Paragraph of Section One of Commonwealth Act Numbered Sixty-Three, As Amended, Relating to Loss of Citizenship, June 22, 1963.

[19] Presidential Decree No. 316 - Prohibiting the Ejectment of Tenant-Tillers from their Farm Holdings Pending the Promulgation of the Rules and Regulations Implementing Presidential Decree No 27 October 22, 1973.

[20] Presidential Decree No. 946 - Reorganizing the Courts of Agrarian Relations, Streamlining their Procedures, and for other purposes, June 17, 1976.

[21] Presidential Decree No. 1038 - Strengthening the Security of Tenure of Tenant-Tillers in Non-Rice/Corn Producing Private Agricultural Lands, October 21, 1976.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.