

PAG-ASA FISHPOND CORPORATION, PETITIONER, VS. BERNARDO JIMENEZ, ROBERT BELENBOUGH, LEONARD MIJARES, EDUARDO JIMENEZ, JOSE CRUZ, ELIZALDE EDQUIBAL, DOMINADOR ELGINCOLIN AND GERON...

G.R. No. 164912. June 18, 2008

Ponente: REYES, R.T., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-164912/>

REYES, R.T., J.:

FOCUS of this petition is the long-term effect of hiring by a civil law lessee of fishpond farmworkers with right to share in the fish harvests.

May karapatan bang manatili ang mga nasabing manggagawa kahit tapos na ang kontrata ng kumuha sa kanila sa may-ari ng palaisdaan?

Wala. Ito ang sagot namin sa katanungan sa kasong ito.

For Our review on certiorari is the Decision[1] of the Court of Appeals (CA) affirming that[2] of the Department of Agrarian Reform Adjudication Board (DARAB) in an action for maintenance of peaceful possession of a forty-hectare portion of a fishpond situated in Masinloc, Zambales.

The Facts

Petitioner PAG-ASA Fishpond Corporation is the owner of a 95.6123-hectare fishpond and saltbed situated at the Municipality of Masinloc, Province of Zambales. It is covered by Transfer Certificate of Title (TCT) No. T-1747 issued by the Register of Deeds of Zambales. On May 1, 1989, petitioner leased the subject fishpond to David Jimenez and Noel Hilario. The lease agreement, in full, provides:

CONTRACT OF LEASE

KNOW ALL MEN BY THESE PRESENT:

This Contract of Lease made and entered into this 27[th] day of April, 1989 by and between:

PAG-ASA FISHPOND CORPORATION, a corporation duly organized and existing in accordance with the laws of the Philippines, with principal office and business address at 465 A. Flores St., Ermita, Manila, herein represented by its President, Mr. SEGUNDO SEANGIO, of legal age, married, Filipino and with postal address at 465 A. Flores St., Ermita, Manila, herein known as the LESSOR;

- A N D -

DAVID JIMENEZ, of legal age, married to Pascuala Ramos Jimenez, Filipino and residing at 1173 Paco, Obando, Bulacan and Noel Hilario, of legal age, married to Teresita Santiago Hilario, Filipino and residence of Lawa, Obando, Bulacan, herein known as the LESSEES.

W I T N E S S E T H

WHEREAS, the Lessor is the registered and absolute owner of a Real Property, more particularly described as follows, to wit:

CERTIFICATE TITLE NO. T-1747

REGISTER OF DEEDS

PROVINCE OF ZAMBALES

A PARCEL OF LAND CONTAINING AN AREA OF NINETY-FIVE HECTARES, SIXTY-ONE ACRES AND TWENTY-THREE CENTARES SITUATED IN THE BARRIO OF STO. ROSARIO, MASINLOC, ZAMBALES.

WHEREAS, the Lessor has granted and the Lessees have accepted a lease of the above-described property under the terms and conditions hereinafter provided;

NOW, THEREFORE, for and in consideration of the above premises and in consideration of the terms and conditions hereinafter specified the parties herein do hereby agree and stipulate as follows:

- The terms of this lease shall be five (5) years effective May 1, 1989 and shall terminate on May 1, 1994 and is not renewable after said term unless renewed in writing by both parties;
- The Lessees have agreed to lease five (5) lots of fishponds, one nursery pond, all the 331 saltbeds and the "Paalatan" located within the described property under Certificate Titles No. T-1747;
- The lease does not include the bodega located within the leased premises which is to be used exclusively by the Lessor unless with written approval of the Lessor, the Lessee may share in the use of the bodega;
- The Lessees shall make a deposit of ONE HUNDRED THOUSAND PESOS (P100,000.00) Philippine Currency upon signing of this Contract of Lease. Said deposit is without interest and shall answer for any unpaid rental of the Lessees at the termination of this lease, penalties or any liabilities which may incur during the effectivity of this Contract. The Lessees cannot apply the aforesaid deposit as rental payment before the cancellation, termination or expiration of this agreement;
- The Lessees shall pay to the Lessor immediately upon signing of this Contract the amount of THREE HUNDRED FIFTY THOUSAND PESOS (P350,000.00), Philippine Currency as rental for the year May 1, 1989 to May 1, 1990. This payment is not refundable and will be forfeited in the event the Lessees cancel this Contract of Lease prior to May 1, 1990;
- The Lessees shall pay to the Lessor the yearly advance rental in Philippine Currency at the office of the Lessor which shall be due and payable on or before the 1st of March of every year for five (5) years without the necessity of express demand, therefore it being understood that in case of default of said Lessees in the payment of the said rental if and when the same becomes due and payable, the amount of rental owing shall bear interest at the rate of twenty-four percent (24%) per annum, to be computed daily from the date of such default until fully paid, payment of such interest to be considered as a penalty by reason of such default, without prejudice to the right of the owner to terminate this Contract and eject the Lessees, as hereinafter set forth;

That the Schedule of Payment of the annual lease cash payment of rentals are as follows:

- a) May 1, 1989 or upon signing of this Contract of Lease:
P350,000.00 rental for May 1, 1989 to May 1, 1990
- b) March 1, 1990 ... P400,000.00 rental for May 1, 1990 to May 1, 1991;
- c) March 1, 1991 ... P440,000.00 rental of May 1, 1991 to May 1, 1992;

d) March 1, 1992 ... P484,000.00 rental of May 1, 1992 to May 1, 1993;

e) March 1, 1993 ... P532,400.00 rental of May 1, 1994;

The Lessees shall in addition to the cash rental referred to the above, pay to the Lessor Seven Thousand (7,000) cavans of salt measured at four (4) tin cans, size of four gallons of 16 liters per can, per cavan yearly, starting the year 1990 up to and including the year 1994. The Lessees shall deliver the aforesaid salt to the Lessor from the time the Lessees commences to harvest salt, provided that the 7,000 cavans should already be delivered to the Lessor by the end of the harvest season in May of a particular year. In the event that the Lessees cannot or fail to deliver the 7,000 cavans of salt in full or in part, the Lessees are obliged to pay whatever difference in cash at the prevailing market value at the end of harvest in May of a particular year;

- That the personal character and integrity of the Lessees and the nature of the occupancy of the leased property as above restricted are special considerations and inducements for granting this lease by the Lessor; consequently, the Lessees shall not sub-let the property, nor allow any person, firm or corporation to occupy the same in whole or in part, nor shall the Lessees assign in whole or in part any of their right under this Contract and no right or interest thereto or therein shall be conferred on or vested in anyone by the Lessees, either by operation of law or otherwise;

- Failure on the part of the Lessees to pay within its stipulated due period or failure to observe any of the conditions of this Agreement, shall entitle the Lessor to terminate this Agreement immediately and to forfeit the deposit of One Hundred Thousand Pesos (P100,000.00) and demand that the Lessees vacate the leased property;

- In the event that the Lessees shall elect to terminate this Agreement before its expiration, the One Hundred Thousand Pesos (P100,000.00) deposit will be forfeited in favor of the Lessor;

- The Lessees shall at their own expense, improve and develop the aforesaid fishponds and to keep up and maintain in good repair and condition all fences, dikes, saltbeds and other improvements existing thereon by (a) raising and keeping the elevation of the "pilapil" inside the fishpond to 1 1/2 meters high and 2 meters height to the "pilapil" constituting the boundary of the fishponds and those fronting the river and a width of 2 meters for all the "pilapil"; (b) to repair all the 331 saltbeds with "tisa" and wooden division saltbeds; (c) to clean and clear the whole area of the leased premises by removing all the bushes, weeds and cogons, provided, moreover, that the Lessees are obliged to maintain throughout the effectivity of this Lease, the said elevation and cleanliness of the leased premises. The Lessees shall make improvements not less than 25% every year and thereafter for the duration of this contract. That all the improvements and development made by the Lessees shall after the expiration of this Lease belong to the Lessor.

In the event that the Lessees shall fail and/or refuse to make the aforesaid improvements and/or clean the leased premises as herein provided, the Lessor shall have the right to cancel and terminate this Agreement without prejudice to the right of the Lessor or itself make the required improvements, and cleaning and utilizing for said purpose, the deposit of P100,000.00 in which event, the Lessor is obliged to notify the Lessees of said use, and the amount so used within

fifteen (15) days from said notice, the Lessees shall be obliged to replenish the said amount of deposit of P100,000.00. Failure of the Lessees to replenish the said amount shall entitle the Lessor to cancel or terminate this Agreement;

- Except as heretofore stipulated on, the Lessees are prohibited from using the property or portion thereof for any other purpose except as fishpond or saltbeds and from subleasing the property herein lease, or any other portion thereof, or from assigning their rights under this Contract of Lease, or mortgaging or otherwise encumbering the same, without the express written consent of the Lessor;

- That the Contract of Lease between the Lessor and the Lessees is entirely a civil lease of a fishpond and not in any manner to be construed or misunderstood to be agrarian in nature and extent. Labor disputes and wages regarding hired workers or laborers of the Lessees in the operation and maintenance of the Lease, shall not be the responsibility of the Lessor, including any claim pertaining to labor problems but the Lessees will be held solely liable for the settlement and/or payment of the wages and claims;
- The Lessor shall be solely liable for the payment of only the realty taxes on the leased premises while the Lessees shall answer and be liable for the payment of the fees for business licenses and permits and other business taxes be due to the government from the operation of fishponds and saltbeds;
- The Lessor, through its authorized representative, is entitled to make an inspection of the leased premises at any time during the day time;
- In the event, the Lessees cancel or terminate this Contract of Lease on their own volition prior to May 1, 1994, they are not entitled to any refund of any rentals already paid by them to the Lessor, as well as to the deposit;
- Upon the termination, expiration or cancellation of this Contract of Lease, the Lessor shall automatically take possession of the leased premises and the Lessees shall, without need of any demand and without any need of court action, vacate the premises and surrender possession thereof to the Lessor, including the improvements shall appertaining complete ownership to the Lessor, upon the introduction of the said improvements;
- In the event that the Lessees violated and/or fail to refuse to abide by and comply with the terms and conditions of this Agreement or failure to pay within its stipulated due period, the deposit of the Lessees in the amount of P100,000.00 shall be forfeited in favor of the Lessor and the latter shall have the right to cancel and terminate this Contract immediately and to secure from the Court a writ of execution or other order for the enforcement of the terms hereof against the Lessees, all expenses including sheriff's fees, incurred by the Lessor for securing said writ or/and for enforcing the same as well as liquidated damages shall be borne solely by the Lessees;
- That in the event the Lessees fail to vacate or leave the leased premises voluntarily after the termination of the leased contract, notwithstanding demands made on them by the Lessor, and insist and ignore the demands, the Lessees shall pay the Lessor jointly and severally unrealized income and profit in point of unpaid rentals for overstaying in the leased premises without any legal right or interest whatsoever, in the amount of the reasonable use and benefit of the leased premises to be computed by the Lessor, based on double the rentals of the last year of Contract of Lease plus legal interest, until the Lessees vacate the leased premises;
- That if the said property is not surrendered to the Lessor in the manner provided for in this Contract, the Lessees shall be responsible to the Lessor for all damages which the Lessor may suffer by reason thereof and shall indemnify the Lessor against any and all claims made by the succeeding tenants against the Lessor, resulting from delay by the Lessor in delivering possession of the property;
- In case of the default of the Lessees in their obligations under this Contract of Lease, the Lessees agrees to pay the sum equivalent of 25% of the amount due from them as liquidated damages as attorney's fee aside from court costs, should the Lessor be constrained to resort to court from the enforcement of its rights under the Contract;
- In case the Philippine Pesos is officially devalued, all payments to be made by the Lessees to the Lessor after such devaluation shall be made in amounts properly readjusted and proportionately increased in accordance with or on the basis of the official value of the peso at the time of the execution of this lease contract;
- The Lessees hereby agree that any question which may arise between the Lessor and the Lessees by reason of this document and which has to be submitted for decision to the court of justice, may at the option of the Lessor

be brought before the court of competent jurisdiction in the City of Manila, waiving for this purpose other proper venue;

- The Lessees shall jointly and severally be liable for any liability or liabilities pertaining to the Lessor concerning the relationship and its stipulations entered into in this Contract of Lease;

- This Contract of Lease cancelled and superseded, the Contract of Lease signed by the Lessor and Mr. David Jimenez on May 20, 1985 and notarized by Francisco Agustin for and in behalf of the City of Manila and appearing in the notarial register as Document No. 431, Page No. 45, Book No. XII, Series of 1985;

- The parties herein hereby attest and confirm that the terms and conditions of the Contract of Lease and the effect thereof have been explained to them to their satisfaction and that they fully understand the same.

IN WITNESS WHEREOF, the parties have hereunto affixed their signatures this 28th day of April, 1989 at the City of Manila, Philippines.

PAG-ASA FISHPOND CORPORATION

Sgd.

Lessor

NOEL HILARIO - Lessee

By:

Sgd.

Sgd.

MR. SEGUNDO SEANGIO-President

DAVID JIMENEZ-Lessee

WITNESSES

Sgd.

Sgd.

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES) S.S.
CITY OF MANILA)

BEFORE ME, a Notary Public for and in the City of Manila, Philippines, personally appeared the following persons with their respective Residence Certificates, to wit:

SEGUNDO SEANGIO

A-4328120

Manila, January 3, 1989

DAVID JIMENEZ**A-03704324**

Bulacan, Obando

February 17, 1989

NOEL HILARIO**A-11107684**

Lawa, Obando, Bulacan

May 5, 1989

known to me and to me known to be the same persons who executed the foregoing instrument and have acknowledged before me that the same is their free and voluntary act and deed.

This document consists of eight (8) pages, signed by the parties and their instrumental witnesses on every page refers to a Contract of Lease that Real Property situated at Sto. Rosario, Masinloc, Zambales.

WITNESS MY HAND AND SEAL THIS 9TH DAY OF MAY, 1989.

ROBERTO M. MENDOZA

Notary Public

Until December 31, 1989

PTR No. 52454710

TAN 4784-113-M

Doc. No. 422

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Book No. XIX

Series of 1989.[3]

It is an important sense of the agreement that the fishpond will be managed by the two lessees jointly. Jimenez was charged with the management of a 40-hectare portion of the fishpond, situated at Sitio Simelyahan, Barangay Sto. Rosario, and in Sitios Mapait and Elman, Barangay Bamban, all in the Municipality of Masinloc, Zambales. The remaining portions of petitioner's landholding were to be managed by Hilario.

In the meantime, the Philippine Congress enacted Republic Act (R.A.) No. 6657, the Comprehensive Agrarian Reform Law (CARL).[4] The social legislation was founded on the right of farmers and regular farmworkers, who are landless, to own directly or collectively the lands they till or, in the case of other farm workers, to receive a just share of the fruits thereof. It aimed to undertake the just distribution of all agricultural lands, having taken into account ecological, developmental, and equity considerations, and subject to the payment of just compensation.[5]

On September 26, 1989, petitioner, through its president Segundo Seangio, applied for exemption from the coverage of the agrarian reform program.[6] The request was reiterated via a letter dated October 17, 1989, addressed to Justice Milagros A. German, Senior Special Consultant and Adviser in Legal Affairs, Department of Agrarian Reform (DAR).[7]

On November 10, 1989, the DAR, speaking through Justice German, acted favorably on petitioner's application for exemption. Consequently, the DAR advised the Municipal Agrarian Reform Officer (MARO) of Masinloc to observe the status quo and defer the inclusion of petitioner's fishpond in the compulsory acquisition program.

Sometime in 1990, Jimenez hired respondents, namely: Bernardo Jimenez, Robert Belenbough, Leonard Mijares, Eduardo Jimenez, Jose Cruz, Elizalde Edquibal, Dominador Elgincolin and Geronimo Darilag, to work as farmworkers in the fishpond.[8] As farmworkers, respondents each received a monthly allowance of P1,500.00 from David Jimenez, as well as 50% of the fishpond's net proceeds from the total fish harvests, which they divided equally among themselves.[9]

In April 1994, they were required by David Jimenez to vacate the fishpond on or before May 1, 1994. The demand to vacate was made due to the impending expiration of Jimenez's civil law lease over the property with petitioner.[10]

Respondents were not agreeable to the demand to vacate. Accordingly, on April 25, 1994, they filed a complaint directly against petitioner for maintenance of possession before the Provincial Agrarian Reform Adjudication Board (PARAD) in Iba, Zambales.[11] In their complaint, they contended, inter alia, that they are entitled to security of tenure; and that the fishpond is covered by the Comprehensive Agrarian Reform Program (CARP) under R.A. No. 6657.

They prayed that the entire fishpond of petitioner be placed under the coverage of the CARP; that they be considered as farmer beneficiaries who are entitled to be awarded the fishpond; and that they be allowed to remain in possession of the fishpond.[12]

In its Answer, petitioner averred that its lessees over the fishpond were only David Jimenez and one Noel Hilario and that its lease agreement with said lessees was not agrarian but civil in nature. It also posited that the fishpond, being a commercial one, is not yet subject to compulsory acquisition under the CARP pursuant to Section 11 of R.A. No. 6657.[13] Petitioner alleged that respondents' entry into and occupation of the fishpond, as well as their enjoyment of the fish produced, was without its knowledge and consent.[14]

On July 18, 1994, the PARAD ruled in favor of petitioner (defendant) and against respondents (plaintiffs), dismissing the complaint for lack of merit. The fallo of the PARAD's decision reads:

WHEREFORE, this Forum is constrained to rule out plaintiffs' allegation as a regular farmworker pursuant to R.A. 6657 and/or tenants of herein defendant and to deny prayer for placing the landholding of the defendant under CARP coverage which is purely administrative and only cognizable by the Department of Agrarian Reform, as there are no concrete evidence. Thus, a judgment is hereby rendered DISMISSING plaintiffs' complaint for lack of merit.

SO DECIDED.[15]

The PARAD ruled that respondents are not agricultural leasehold tenants who may be entitled to security of tenure. According to the PARAD, petitioner, as landowner, did not consent to the hiring of respondents, as farmworkers, by its civil law lessee, David Jimenez. The PARAD declared:

The original lessees in the Contract of Lease (Annex "A") with the lessor-defendant are David Jimenez and Noel Hilario, who are both residents of Obando, Bulacan. The said contract expired on May 01, 1994. Paragraph 7 of the contract of lease provides that, "consequently, the lessees shall not sublet the property, nor allow any person, firm or corporation to occupy the same in whole or in part nor shall the lessees assign in whole or in part any of their right under this Contract and no right or interest thereto or therein shall be conferred or vested in anyone by the lessees either by operation of law or otherwise." The provision was totally violated by the lessee David Jimenez when the plaintiff(s) were admittedly hired as farmworkers. The plaintiffs

consist of David Jimenez' sons Bernardo and Eduardo Jimenez, his son-in-law Leonard Mijares and Robert Belenbough, Jose Cruz, Elizalde Edquibal, Dominador Elgincolin and Geronimo Darilag. Noticeable from the evidence submitted that all the plaintiffs are not residents of Zambales where the subject landholding are situated.

Consequently, because of the violation of the contract, the plaintiffs are not even recognized by the defendant. Plaintiffs' allegation to be (sic) tenant necessarily failed and has no leg to stand. (sic). Plainly, consent of a landowner which is an essential element of tenancy is not attendant.[16]

On appeal to the DARAB, the PARAD's decision was reversed and set aside. The dispositive part of the DARAB decision reads:

WHEREFORE, premises considered and finding reversible errors, (sic) committed by the Adjudicator a quo, the assailed decision is hereby REVERSED and a new judgment is rendered directing the PAG-ASA Fishpond Corporation, Incorporated (sic) through its President and Officers, to respect the peaceful possession, cultivation and enjoyment of the subject landholding by the petitioners-appellants who are the tenants thereof.

SO ORDERED.[17]

The DARAB ruled that respondents are agricultural leasehold tenants of the subject property who deserve the protective mantle of the law despite the fact that only the civil law lessee installed them as such. It ratiocinated:

x x x plaintiffs-appellants are, by operation of law, tenant-farmers of the subject landholding, notwithstanding that it was a civil law lessee, who installed them therein. When all the elements the (sic) tenancy relation are present, then the protective mantle of the security of tenure as guaranteed by the 1987 Charter shall be available to them. x x x

x x x x

Verily, Sections 6 and 7 of Republic Act (RA) No. 3844 explicit (sic) provides, thus:

"Section 6. Parties to Agricultural Leasehold Relation. - The agricultural leasehold relation shall be limited to the person who furnished the landholding, either as owner, civil law lessee, usufructuary, or legal possessor and the person who personally cultivates the same."

and

Section 7. Tenure of Agricultural Leasehold Relation. - The Agricultural leasehold relation once established shall confer upon the agricultural lessee the right to continue working on the landholding until such leasehold relation is extinguished, the agricultural lessee shall be entitled to security of tenure on his landholding and cannot be ejected therefrom unless authorized by the Court for causes herein provided."[18]

When petitioner's motion for reconsideration was denied[19] by the DARAB on January 17, 2001, they appealed to the CA via petition for review under Rule 43 of the 1997 Rules of Civil Procedure.

Petitioner insisted that respondents were not tenants on the property. It argued anew that it was not a party to any tenancy relationship with anyone vis-à-vis the subject property; and that it had not received any share in the fishpond's harvests from respondents.

CA Disposition

In a Decision dated March 30, 2004, the CA affirmed the DARAB decision, disposing as follows:

Once a tenancy relationship is established, therefore, the tenant is entitled to security of tenure and cannot be ejected unless upon judicial authority for causes provided by law. The reliance of the petitioner on *Sanchez v. Court of Appeals*, supra, is, consequently misplaced, since that doctrine was applicable only to the hired laborers of a civil law lessee, not to bona fide share or leasehold tenants like the respondents.

WHEREFORE, the appealed decision is AFFIRMED.

SO ORDERED.[20]

The CA opined that although petitioner was not privy to a tenancy relationship with respondents, its civil law lessee, David Jimenez, made respondents the agricultural leasehold tenants in the property. The CA concluded that David Jimenez, being the legal possessor of the fishpond as defined under Section 42 of R.A. No. 1199, has the authority to hire agricultural leasehold tenants and to bring about agricultural leasehold relations. This relation, according to the appellate court, is binding upon the landowner, petitioner, which effectively became obliged to respect the rights of the tenants. Among said rights is the right to security of tenure.

The CA pointed out:

Finally, although the petitioner is correct in positing that the lease was one under the civil law, rather than an agricultural lease, the expiration of the lease did not negate the right of the respondents to security of tenure as the bona fide tenants.

According to Sec. 8, Republic Act No. 3844, otherwise known as The Agricultural Land Reform Code, a leasehold relation, once established, can be terminated on the following grounds, to wit:

- Abandonment of the landholding without the knowledge of the agricultural lessor;
- Voluntary surrender of the landholding by the agricultural lessee, written notice of which shall be served 3 months in advance; or
- Absence of an heir to succeed the lessee in the event of his/her death of permanent incapacity.

Aggrieved, petitioners moved for reconsideration. The motion was, however, denied by the appellate court via Resolution[21] dated August 5, 2004. Hence, the present recourse under Rule 45.

Issues

Petitioner now contends that:

I
THE COURT OF APPEALS GRAVELY ERRED IN NOT APPLYING THE HONORABLE COURT'S RULING IN THE RECENT CASE OF VALENCIA VS. COURT OF APPEALS, ET AL., 401 SCRA 666, WHICH APPLIES SQUARELY TO THE FACTS IN THE INSTANT CASE, THAT SECTION 6 OF REPUBLIC ACT NO. 3844, AS AMENDED, DOES NOT AUTOMATICALLY AUTHORIZE A CIVIL LAW LESSEE TO EMPLOY A TENANT WITHOUT THE CONSENT OF THE LANDOWNER. ACCORDINGLY, AFTER THE EXPIRATION OF THE CIVIL LAW LEASE, PETITIONER WAS NOT BOUND BY THE ALLEGED TENANCY RELATIONSHIP BETWEEN RESPONDENTS AND THE CIVIL LAW LESSEE WHICH WAS ENTERED INTO WITHOUT ITS CONSENT.

II
THE COURT OF APPEALS GRAVELY ERRED IN CONCLUDING THAT RESPONDENTS ARE SHARE TENANTS WHO ARE ENTITLED TO SECURITY OF TENURE.

III
THE COURT OF APPEALS GRAVELY ERRED IN NOT APPLYING THE RULING OF THE HONORABLE COURT IN THE CASE OF SANCHEZ VS. COURT OF APPEALS, 129 SCRA 717 TO THE INSTANT CASE.[22]

Our Ruling

Before We begin to consider the issues hoisted by petitioner, the Court takes cognizance of a pivotal question of

jurisdiction. We resolve this issue *motu proprio*, even if it was not raised by the parties nor threshed out in their pleadings.[23]

The jurisdiction of the PARAD, DARAB and the CA on appeal, is limited to agrarian disputes or controversies and other matters or incidents involving the implementation of the CARP under R.A. No. 6657, R.A. No. 3844 and other agrarian laws.[24] An agrarian dispute is defined as any controversy relating to tenurial arrangements, whether leasehold, tenancy, stewardship or otherwise, over lands devoted to agriculture, including disputes concerning farm workers associations or representation of persons in negotiating, fixing, maintaining, changing or seeking to arrange terms or conditions of such tenurial arrangements.[25]

As early as February 20, 1995, private lands actually, directly and exclusively used for prawn farms and fishponds were exempted from the coverage of the CARL by virtue of R.A. No. 7881.[26] Section 2 of the said law expressly provides:

Sec. 2. Section 10 of Republic Act No. 6657 is hereby amended to read as follows:

"Sec. 10. Exemptions and Exclusions. -

a) Lands actually, directly and exclusively used for parks, wildlife, forest reserves, reforestation, fish sanctuaries and breeding grounds, watersheds and mangroves shall be exempt from the coverage of this Act.

b) Private lands actually, directly and exclusively used for prawn farms and fishponds shall be exempt from the coverage of this Act: Provided, That said prawn farms and fishponds have not been distributed and Certificate of Land Ownership Award (CLOA) issued to agrarian reform beneficiaries under the Comprehensive Agrarian Reform Program.

In cases where the fishponds or prawn farms have been subjected to the Comprehensive Agrarian Reform Law, by voluntary offer to sell, or commercial farms deferment or notices of compulsory acquisition, a simple and absolute majority of the actual regular workers or tenants must consent to the exemption within one (1) year from the effectivity of this Act. When the workers or tenants do not agree to this exemption, the fishponds or prawn farms shall be distributed collectively to the worker-beneficiaries or tenants who shall form a cooperative or association to manage the same.

In cases where the fishponds or prawn farms have not been subjected to the Comprehensive Agrarian Reform Law, the consent of the farm workers shall no longer be necessary, however, the provision of Section 32-A hereof on incentives shall apply.

c) Lands actually, directly and exclusively used and found to be necessary for national defense, school sites and campuses, including experimental farm stations operated by public or private schools for educational purposes, seeds and seedling research and pilot production center, church sites and convents appurtenant thereto, mosque sites and Islamic centers appurtenant thereto, communal burial grounds and cemeteries, penal colonies and penal farms actually worked by the inmates, government and private research and quarantine centers and all lands with eighteen percent (18%) slope and over, except those already developed, shall be exempt from the coverage of this Act."

Admittedly, there is no express repeal of R.A. No. 3844 as a whole. Its provisions that are not inconsistent with R.A. No. 6657 may still be given supplementary effect. Nonetheless, there is now irreconcilable inconsistency or repugnancy between the two laws as regards the treatment of fishponds and prawn farms. Such repugnancy leads to the conclusion that the provisions of R.A. No. 6657 supersede the provisions of R.A. No. 3844 insofar as fishponds and prawn farms are concerned. In any event, Section 76 of R.A. No. 6657, as amended, provides that all other laws, decrees, issuances, or parts thereof inconsistent thereto are repealed or amended accordingly.[27]

Verily, the DARAB finding of agricultural leasehold tenancy relations between petitioner's civil law lessee David

Jimenez and respondents have no basis in law. The rule is well-entrenched in this jurisdiction that for tenancy relations to exist, the following requisites must concur: (a) the parties are the landholder and the tenant; (b) the subject is agricultural land; (c) there is consent; (d) the purpose is agricultural production; and (e) there is consideration.[28]

The absence of one element makes an occupant of a parcel of land, or a cultivator thereof, or a planter thereon outside the scope of the CARL. Nor can such occupant, cultivator or planter be classified as a de jure agricultural tenant for purposes of agrarian reform law. And unless a person has established his status as a de jure tenant, he is not entitled to security of tenure nor is he covered by the Land Reform Program of the Government under existing agrarian reform laws.[29]

In the case under review, the subject fishpond is not an agricultural land subject to compulsory CARP coverage. Neither was there a sharing of the harvests between petitioner and respondents. That respondents shared the harvests of the fishpond only with the civil law lessee David Jimenez is uncontroverted. Evidently, there is no agrarian tenancy relationship between petitioner and respondents.

This is not a case of first impression. The Court has had occasion to affirm the exemption of fishponds from the coverage of the CARP in *Atlas Fertilizer Corp. v. Secretary, Department of Agrarian Reform*[30] and in *Romero v. Tan*.[31] In *Romero*, the Court scored the PARAD for taking cognizance of a complaint for maintenance of peaceful possession over a fishpond filed by a tenant-lessee. The Court held then:

On the jurisdictional issue, we find that it was reversible error for the PARAB to have taken cognizance of petitioners' complaint. The jurisdiction of the PARAB in this case is limited to agrarian disputes or controversies and other matters or incidents involving the implementation of the Comprehensive Agrarian Reform Program (CARP) under Rep. Act No. 6657, Rep. Act No. 3844 and other agrarian laws. An agrarian dispute is defined as any controversy relating to tenurial arrangements, whether leasehold, tenancy, stewardship or otherwise, over lands devoted to agriculture, including disputes concerning farm workers associations or representation of persons in negotiating, fixing, maintaining, changing or seeking to arrange terms or conditions of such tenurial arrangements.

Although Section 166(1) of Rep. Act No. 3844 had included fishponds in its definition of agricultural land within its coverage, this definition must be considered modified in the light of Sec. 2 of Rep. Act No. 7881, which amended Section 10 of Rep. Act No. 6657; otherwise known as the Comprehensive Agrarian Reform Law (CARL). Expressly, the amendment has excluded private lands actually, directly and exclusively used for prawn farms and fishponds from the coverage of the CARL. In fact, under Section 3(c) of R.A. No. 6657, as amended, defines an agricultural land as that which is devoted to agricultural activity and not otherwise classified as mineral, forest, residential, commercial or industrial land. In turn, Section 3(b) thereof defines agricultural activity as the cultivation of the soil, planting of crops, growing of fruit trees, including the harvesting of such farm products, and other farm activities, and practices performed by a farmer in conjunction with such farming operations done by persons whether natural or juridical. Clearly, by virtue of the amendments to the CARL, the operation of a fishpond is no longer considered an agricultural activity, and a parcel of land devoted to fishpond operation is not agricultural land as therein defined.[32]

It may well be argued that respondents have acquired a vested right to security of tenure arising from the alleged existing tenancy relations. The complaint before the PARAD was filed on April 14, 1994, way before the passage and effectivity of R.A. No. 7881 on February 20, 1995. However, a claim to any vested right has no leg to stand on. Section 2(b) of R.A. No. 7881[33] now contains a proviso, precisely to protect vested rights of those who have already been issued a Certificate of Land Ownership Award (CLOA). Without such CLOA, no vested right can accrue to persons claiming it. Here, the record is bereft of any proof that respondents were issued individual certificates to evidence the award of the property in their favor.

Even assuming, *ex gratia argumenti*, that the PARAD, DARAB and the CA had jurisdiction, the complaint for maintenance of peaceful possession lodged by respondents still fails for triple reasons.

First. Intent is material in tenancy relations.

The DARAB and the CA anchored its finding of tenancy relations on the legal possession of David Jimenez, the civil law lessee, over the subject property. According to them, as the legal possessor, Jimenez's installation of respondents as tenants binds petitioner.

The rule is well-entrenched in this jurisdiction that tenancy is not a purely factual relationship, it is also a legal relationship.[34] The intent of the parties, the understanding when the tenant is installed, their written agreements, provided they are not contrary to law, are crucial.

In *Valencia v. Court of Appeals*,[35] the Court voided the CA finding of tenancy relations between the landowner and the tenants of the civil law lessee for lack of intent. The Court held in *Valencia*:

The substantive issue to be resolved may be expressed in this manner: Can a contract of civil law lease prohibit a civil law lessee from employing a tenant on the land subject matter of the lease agreement? Otherwise stated, can petitioner's civil law lessee, Fr. Flores, install tenants on the subject premises without express authority to do so under Art. 1649 of the Civil Code, more so when the lessee is expressly prohibited from doing so, as in the instant case?

Contrary to the impression of private respondents, Sec. 6 of R.A. No. 3844, as amended, does not automatically authorize a civil law lessee to employ a tenant without the consent of the landowner. The lessee must be so specifically authorized. For the right to hire a tenant is basically a personal right of a landowner, except as may be provided by law. But certainly nowhere in Sec. 6 does it say that a civil law lessee of a landholding is automatically authorized to install a tenant thereon. A different interpretation would create a perverse and absurd situation where a person who wants to be a tenant, and taking advantage of this perceived ambiguity in the law, asks a third person to become a civil law lessee of the landowner. Incredibly, this tenant would technically have a better right over the property than the landowner himself. This tenant would then gain security of tenure, and eventually become owner of the land by operation of law. This is most unfair to the hapless and unsuspecting landowner who entered into a civil law lease agreement in good faith only to realize later on that he can no longer regain possession of his property due to the installation of a tenant by the civil law lessee.

On the other hand, under the express provision of Art. 1649 of the Civil Code, the lessee cannot assign the lease without the consent of the lessor, unless there is a stipulation to the contrary. In the case before us, not only is there no stipulation to the contrary; the lessee is expressly prohibited from subleasing or encumbering the land, which includes installing a leasehold tenant thereon since the right to do so is an attribute of ownership. Plainly stated therefore, a contract of civil law lease can prohibit a civil law lessee from employing a tenant on the land subject matter of the lease agreement. x x x[36]

Here, petitioner never intended to install respondents as tenants. As in *Valencia*, the contract of lease petitioner executed with David Jimenez expressly prohibits the lessees to "sublet the property, nor allow any person, firm or corporation to occupy the same in whole or in part, nor shall the lessee assign in whole or in part any of their right under this contract." [37] It is elementary that possession can be limited by express agreement of the parties.[38] In the case before Us, the lessees were expressly prohibited from subleasing or encumbering the land in any manner. Of course, this includes the installation of tenants on the subject property.

The Court notes that in *Joya v. Pareja*[39] and again in *Ponce v. Guevarra*,[40] agricultural leasehold tenancy relations were affirmed despite a similar prohibition in the lease agreement. However, in the said cases, the landowners were deemed to have consented to, and ratified the, installation of the tenants. The landowners there

extended the terms of the lease and negotiated for better terms with the tenants themselves. They were thus held in estoppel and the tenants considered de jure occupants.

In the case under review, the record is bereft of any indication that petitioner dealt with respondents in the same manner. As adverted to earlier, petitioners were consistent that they contracted only with their civil law lessees. They were not privy to the transactions entered into by its lessee with respondents.

Second. A stream cannot rise higher than its source. The civil law lessee, David Jimenez, was not authorized to enter into a tenancy relationship with respondents.

The DARAB and the CA ruled that Section 6 of R.A. No. 3844 authorizes a legal possessor, such as David Jimenez, to employ a tenant even without the consent of the landowner.

Again, they are mistaken. The Court, in Valencia, traced the origin and outlined the rationale of the polemical provision. Said the Court:

When Sec. 6 provides that the agricultural leasehold relations shall be limited to the person who furnishes the landholding, either as owner, civil law lessee, usufructuary, or legal possessor, and the person who personally cultivates the same, it assumes that there is already an existing agricultural leasehold relation, i.e., a tenant or agricultural lessee already works the land. The epigraph of Sec. 6 merely states who are "Parties to Agricultural Leasehold Relations," which assumes that there is already a leasehold tenant on the land; not until then. This is precisely what we are still asked to determine in the instant proceedings.

To better understand Sec.6, let us refer to its precursor, Sec. 8 of R.A. No. 1199, as amended. Again, Sec. 8 of R.A. No. 1199 assumes the existence of a tenancy relation. As its epigraph suggests, it is a "Limitation of Relation," and the purpose is merely to limit the tenancy "to the person who furnishes the land, either as owner, lessee, usufructuary, or legal possessor, and to the person who actually works the land himself with the aid of labor available from within his immediate farm household." Once the tenancy relation is established, the parties to that relation are limited to the persons therein stated. Obviously, inherent in the right of landholders to install a tenant is their authority to do so; otherwise, without such authority, civil law lessees as landholders cannot install a tenant on the landholding. Neither Sec. 6 of R.A. No. 3844 nor Sec. 8 of R.A. No. 1199 automatically authorizes the persons named therein to employ a tenant on the landholding.

According to Mr. Justice Guillermo S. Santos and CAR Executive Judge Artemio C. Macalino, respected authorities on agrarian reform, the reason for Sec. 6 of R.A. No. 3844 and Sec. 8 of R.A. No. 1199 in limiting the relationship to the lessee and the lessor is to "discourage absenteeism on the part of the lessor and the custom of co-tenancy" under which "the tenant (lessee) employs another to do the farm work for him, although it is he with whom the landholder (lessor) deals directly. Thus, under this practice, the one who actually works the land gets the short end of the bargain, for the nominal or 'capitalist' lessee hugs for himself a major portion of the harvest." This breeds exploitation, discontent and confusion x x x. The kasugpong, kasapi, or katulong also works at the pleasure of the nominal tenant. When the new law, therefore, limited tenancy relation to the landholder and the person who actually works the land himself with the aid of labor available from within his immediate farm household, it eliminated the nominal tenant or middleman from the picture.

Another noted authority on land return, Dean Jeremias U. Montemayor, explains the rationale for Sec. 8 of R.A. No. 1199, the precursor of Sec. 6 of R.A. No. 3844:

Since the law establishes a special relationship in tenancy with important consequences, it properly pinpoints the persons to whom said relationship shall apply. The spirit of the law is to prevent both landholder absenteeism and tenant absenteeism. Thus, it would seem that the discretionary powers and important duties of the landholder, like the choice of crop or seed, cannot be left to the will or capacity of an agent or overseer, just as the cultivation of the land cannot be entrusted by the tenant to some other people. Tenancy relationship has been held to be of a personal character.

Section 6 as already stated simply enumerates who are the parties to an existing contract of agricultural tenancy, which presupposes that a tenancy already exists. It does not state that those who furnish the landholding, i.e., either as owner, civil law lessee, usufructuary, or legal possessor, are automatically authorized to employ a tenant on the landholding. The reason is obvious. The civil lease agreement may be restrictive. Even the owner himself may not be free to install a tenant, as when his ownership or possession is encumbered or is subject to a lien or condition that he should not employ a tenant thereon. This contemplates a situation where the property may be intended for some other specific purpose allowed by law, such as, its conversion into an industrial estate or a residential subdivision.

x x x x

From the foregoing discussion, it is reasonable to conclude that a civil law lessee cannot automatically institute tenants on the property under Sec. 6 of R.A. No. 3844. The correct view that must necessarily be adopted is that the civil law lessee, although a legal possessor, may not install tenants on the property unless expressly authorized by the lessor. And if a prohibition exists or is stipulated in the contract of lease the occupants of the property are merely civil law sublessees whose rights terminate upon the expiration of the civil law lease agreement.[41]

Evidently, securing the consent of the landowner is a condition sine qua non for the installation of tenants. Here, petitioner's consent was not obtained prior to the engagement of respondents by the civil law lessee, David Jimenez. Worse, the lease agreement expressly prohibited the assignment of the lease to third persons. Verily, respondents can acquire no better right than their predecessor-in-interest, David Jimenez.

Third. The compulsory acquisition of petitioner's landholding pursuant to the agrarian reform program was held in abeyance pending evaluation by its application for exemption.

The records unveil that on September 26, 1989, petitioner applied for exemption from the coverage of the agrarian reform program.[42] On November 10, 1989, the DAR, speaking through Justice Milagros A. German, Senior Special Consultant and Adviser in Legal Affairs,[43] acted favorably on petitioner's application for exemption. Along this line, the MARO of Masinloc, Zambales, was advised to observe the status quo and defer the inclusion of petitioner's fishpond in the compulsory acquisition program.

In sum, respondents' claim of security of tenure founded on their installation as tenants of petitioner's civil law lessee is without basis in law. Procedurally, fishponds and prawn farms were expressly exempted from the coverage of the agrarian reform program. Substantially, the civil law lessee was not authorized to enter into leasehold-tenancy relations.

WHEREFORE, the appealed Decision is REVERSED AND SET ASIDE. A new one is entered DISMISSING the complaint for maintenance of peaceful possession and inclusion for compulsory CARP coverage of petitioner's landholding for lack of jurisdiction and lack of merit.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, Chico-Nazario, and Brion, JJ., concur.

* Vice Associate Justice Antonio Eduardo B. Nachura. Justice Nachura is on official leave per Special Order No. 507 dated May 28, 2008.

[1] Rollo, pp. 35-44. Dated March 30, 2004 in CA-G.R. SP No. 64532, entitled "PAG-ASA Fishpond Corporation v. Bernardo Jimenez, et al." Penned by Associate Justice Lucas P. Bersamin, with Associate Justices Godardo A. Jacinto and Elvi John S. Asuncion, concurring.

- [2] Records, pp. 241-248. Dated July 31, 1998 in DARAB Case No. 2906.
- [3] Id. at 34-41.
- [4] Approved June 10, 1988.
- [5] Republic Act No. 6657, Sec. 2.
- [6] Rollo, p. 144.
- [7] Id. at 148.
- [8] Id. at 35-36.
- [9] Id. at 36.
- [10] Id.
- [11] Records, pp. 1-7.
- [12] Id. at 4-6, 122-123.
- [13] Id.
- [14] Rollo, p. 36.
- [15] Records, p. 117.
- [16] Id. at 117-118.
- [17] Id. at 241.
- [18] Id. at 242-244.
- [19] Id. at 328-331.
- [20] Rollo, pp. 43-44.
- [21] Id. at 45.
- [22] Id. at 19.
- [23] *Katon v. Palanca, Jr.*, G.R. No. 151149, September 7, 2004, 437 SCRA 565, 573-574, citing *Gumabon v. Larin*, 422 Phil. 222, 230-231 (2001); *Filoteo, Jr. v. Sandiganbayan*, 331 Phil. 531, 568-569 (1996); *Government v. American Surety Company*, 11 Phil. 203 (1908).
- [24] Rules of Procedure Governing Proceedings Before the DAR Adjudication Board and Different Regional and Provincial Adjudicators, Rule II, Sec. 1.
- [25] Republic Act No. 6657, Sec. 3(d), as amended.
- [26] Entitled "An Act Amending Certain Provisions of Republic Act No. 6657," entitled "An Act Instituting A Comprehensive Agrarian Reform Program To Promote Social Justice and Industrialization, Providing the Mechanism for Its Implementation, and for Other Purposes."
- [27] *Romero v. Tan*, G.R. No. 147570, February 27, 2004, 424 SCRA 108, 120.
- [28] *Mon v. Court of Appeals*, G.R. No. 118292, April 14, 2004, 427 SCRA 165, 175.

[29] *Romero v. Tan*, supra note 27; *Caballes v. Department of Agrarian Reform*, G.R. No. L-78214, December 5, 1998, 168 SCRA 247, 254; *Tiongson v. Court of Appeals*, G.R. No. L-62626, July 18, 1984, 130 SCRA 482, 488.

[30] G.R. Nos. 93100 & 97855, June 19, 1997, 274 SCRA 30, 36.

[31] Supra note 27.

[32] *Romero v. Tan*, id. at 119-120.

[33] Republic Act No. 7881, Sec. 2(b) states:

x x x x

"b) Private lands actually, directly and exclusively used for prawn farms and fishponds shall be exempt from the coverage of this Act: Provided, That said prawn farms and fishponds have not been distributed and Certificate of Land Ownership Award (CLOA) issued to agrarian reform beneficiaries under the Comprehensive Agrarian Reform Program.

[34] *Tuazon v. Tuazon*, G.R. No. 168438, August 28, 2006, 499 SCRA 791; *Cano v. Jumawan*, G.R. No. 153860, February 6, 2006, 481 SCRA 582.

[35] G.R. No. 122363, April 29, 2003, 401 SCRA 666.

[36] *Valencia v. Court of Appeals*, id. at 684.

[37] Records, pp. 39-40; Contract of Lease, par. 7.

[38] Civil Code, Art. 1649 states that "the lessee cannot assign the lease without the consent of the lessor, unless there is a stipulation to the contrary."

[39] 106 Phil. 645 (1959).

[40] 119 Phil. 923 (1961).

[41] *Valencia v. Court of Appeals*, supra note 35, at 685-687, 689.

[42] Rollo, p. 144.

[43] Id. at 148.

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