HEIRS OF ANTONIO BOBADILLA, PETITIONERS, VS. JAIME CASTILLO, RESPONDENT.

G.R. NO. 165771. June 29, 2007

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

The present petition for review on certiorari assails the May 5, 2004 Decision and the October 20, 2004 Resolution of the Court of Appeals[1] in CA-G.R. CV No. 76575.

For over 20 years, Antonio Bobadilla (Bobadilla), Maria Del Mundo (Del Mundo) and Ernesto,[2] Danilo, Policarpio, all surnamed Serrano (the Serranos) have been leasing respective portions of a 348–square meter parcel of land located at the corner of Lakas ng Mahirap Street and Gen. Luna Street in Caloocan City. While the lease agreement was not reduced into writing, rentals were paid on a monthly basis.

Bobadilla, Del Mundo and the Serranos built their houses on the land, with the understanding that in case the owner-lessor, Virginia Rayo (Rayo), decides to sell it, she would first offer it to them.

After August 1991, Rayo offered to sell the land to Bobadilla for P3,000 per square meter, and had stopped accepting payment of rentals.[3] Bobadilla was interested in buying only the 148-square meter portion where his house stands and at a lower price, however, to which Rayo did not accede. Rayo just the same gave Bobadilla two months from September 9, 1992 to decide on her offer.

Since Rayo and Bobadilla heard nothing from each other, Rayo sold the land on November 12, 1992 to respondent, Jaime Castillo, who was on February 22, 1993 issued Transfer Certificate of Title No. 262687 by the Register of Deeds of Caloocan City.[4]

In separate final demand letters all dated March 15, 1995,[5] respondent required Bobadilla, Del Mundo and the Serranos to vacate the land after failing to heed his previous demands to pay a monthly rental of P10 per square meter.

Refusing to vacate the property and insisting on exercising his preemptive right, Bobadilla instituted a complaint at the Caloocan City Regional Trial Court (RTC) to annul the sale between Rayo and respondent based on fraud and bad faith, docketed as Civil Case No. C-15888.

Respondent in turn filed a complaint at the Caloocan RTC against Del Mundo, the Serranos, and herein petitioners-heirs of Bobadilla,[6] for recovery of possession with damages, docketed as Civil Case No. C-16952. Branch 124 of the Caloocan RTC rendered judgment in favor of respondent, by Decision of April 19, 2001 the dispositive portion of which reads:

> WHEREFORE, discussion considered, judgment is hereby entered in PLAINTIFF'S favor and against the defendants, declaring the month-to-month lease agreement between the plaintiff, Jaime C. Castillo, and the defendants, Heirs of Antonio Bobadilla, Danilo Serrano, Policarpio Serrano, Gil Serrano and Luz Serrano-Maniego (conjunctively, the "Serranos") and Maria del Mundo, TERMINATED, hereby directing the

> defendants and all persons claiming right under them:
>
> (1) to VACATE the subject property/leased premises, located at Lakas ng Mahirap corner Gen. Luna Street, Caloocan City, described in Transfer Certificate of Title No. 262687 of the Register of Deeds, Caloocan City, and to SURENDER peaceful possession thereof to the plaintiff;
>
> (2) to PAY to plaintiff rentals, at the rate of TEN PESOS (P10.00) per square meter, starting from March, 1993, until peaceful possession is surrendered to the plaintiff. In this regard, defendants are ordered to allow plaintiff to survey, at his own expense, the leased premises where defendants' houses are erected;
>
> (3) to PAY to plaintiff, jointly and severally, attorney's fees in the amount of THIRTY THOUSAND PESOS (P30,000.00); and
>
> (4) Costs.
>
> Plaintiff's claim for moral damages is DENIED for lack of merit.
>
> Defendants' counterclaims are DENIED for lack of merit.
>
> SO ORDERED.[7]

The Serranos and petitioners appealed[8] to the appellate court which, by the assailed Decision and Resolution, affirmed the trial court's decision except with respect to the award of attorney's fees which it deleted.

Hence, petitioners'[9] present petition raising the following issues:

> - WHETHER OR NOT THE HONORABLE COURT OF APPEALS HAS ERRONEOUSLY DECLARED THAT PD 1517 COULD NOT BE APPLIED TO THE CASE FILED BY PLAINTIFF[-]APPELLEE, JAIME CASTILLO, AGAINST DEFENDANTS-APPELLANTS, HEIRS OF ANTONIO BOBADILLA; and
>
> - WHETHER OR NOT THE DECISION RENDERED BY THE REGIONAL TRIAL COURT, BRANCH 122, CALOOCAN CITY, IN CIVIL CASE NO. C-15888 ANNULLING THE SALE BETWEEN RAYO AND CASTILLO WHICH WAS FILED BY DEFENDANTS-APPELLANTS HEIRS OF ANTONIO BOBADILLA SERVES AS RE[S] JUDICATA.[10]

Petitioners assert the right of first refusal of their predecessor-in-interest Bobadilla under Presidential Decree (PD) No. 1517 (issued on June 11, 1978) otherwise known as the Urban Land Reform Act, Section 6 of which reads:

> Land Tenancy in Urban Land Reform Areas. – Within the Urban Zones legitimate tenants who have resided on the land for ten years or more who have built their homes on the land and residents who have legally occupied the lands by contract, continuously for the last ten years shall not be dispossessed of the land and shall be allowed the right of first refusal to purchase the same within a reasonable time and at reasonable prices, under terms and conditions to be determined by the Urban Zone Expropriation and Land Management Committee created by Section 8 of this Decree. (Underscoring supplied)

As the decree is not self-executing,[11] Proclamation No. 1967 (issued on May 14, 1980) was issued identifying 244 specific sites[12] in Metropolitan Manila as Areas for Priority Development (APD) and Urban Land Reform Zones (ULRZ). It amended Proclamation No. 1893 (issued on September 11, 1979) by expressly limiting the operation and narrowing the coverage of PD No. 1517 from the entire Metropolitan Manila to the specific areas declared as APD/ULRZ.[13]

In Caloocan City where the land is situated, only 11 such areas/zones[14] were identified, none of which was found to encompass the subject land. Such finding of fact, as affirmed by the appellate court, is final, conclusive and binding on this Court.

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Only legitimate tenants then who have resided for ten years or more on specific parcels of land, and who have built their homes thereon, have the right not to be dispossessed therefrom and the "right of first refusal" to purchase them under reasonable terms and conditions to be determined by the appropriate government agency.[15] If the land is not embraced in an APD/ULRZ, no preemptive right under PD No. 1517 can be invoked.[16]

There being no showing that the subject land is located within any of the APD/ULRZ, the lower courts correctly ruled that the right of first refusal did not, and could not have accrued in petitioners' favor.

In fine, respondent is clearly entitled to recover possession of the land.

Petitioners nevertheless submit that the decision in Civil Case No. C-15888, the case for annulment of sale which their predecessor-in-interest Bobadilla filed against respondent and Rayo, serves as res judicata but that the appellate court glossed over the same.

The records show that petitioners raised the issue of res judicata only in their motion for reconsideration of the appellate court's decision, despite the fact that the decision of the trial court in the annulment case was promulgated long before the filing of the appellants' brief.

In any event, petitioners' invocation of the trial court's decision in the annulment case is not only grossly misleading but also utterly baseless. For the trial court dismissed the complaint for annulment for lack of cause of action which dismissal was affirmed by the appellate court.[17]

A note on respondent's attitude on the present petition.

This Court observes the perfunctory manner by which respondent complied with this Court's Resolution requiring him to comment on the petition. In his terse comment incorporated in his Compliance, he pithily averred in one sweeping paragraph that the allegations contained in the petition are all rehash or reiterations of the issues and arguments already passed upon by the appellate court. With such lackadaisical outlook, respondent blinded himself with what appeared to be gross misrepresentation foisted by petitioners, which would have otherwise put him on guard.

At this juncture, it is apropos to firmly remind lawyers of their duties, as officers of the court, to exercise utmost care and complete candor in the preparation of pleadings and to lay before the court the pertinent facts with methodical and meticulous attention, without any suppression, obscuration, misrepresentation or distortion thereof.

WHEREFORE, the petition is DENIED. The assailed Decision and Resolution of the Court of Appeals are affirmed.

Cost against petitioners.

SO ORDERED.

Carpio, Tinga, and Velasco, Jr. JJ., concur.
Quisumbing, (Chairperson), on official leave.

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[1] Both assailed orders were penned by Justice Vicente S.E. Veloso, with Justices Rodrigo V. Cosico and Amelita G. Tolentino, concurring.

[2] Ernesto Serrano was no longer occupying the property when the complaint was filed since he left the premises

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in 1990. His other siblings, Gil Serrano and Luz Serrano-Maniego, however, remained occupying the property. (TSN, June 24, 1999, pp. 5, 11; August 11, 1999, p. 6)

[3]Records, pp. 297-298.

[4] Exhibits "A" & "B," folder of exhibits. The Deed of Absolute Sale was notarized on December 8, 1992.

[5] Exhibits "D," "E" and "F," folder of exhibits.

[6] Bobadilla earlier died on May 29, 1995. In compliance with the trial court's Order, respondent filed an Amended Complaint dated March 8, 1996 impleading in substitution the heirs of Bobadilla represented by Luzviminda (also referred to as "Luz") Bobadilla. The heirs include the widow Rosario M. Bobadilla, Dante Bobadilla, Jessielyn (also referred to as "Jesselyn") B. Evangelista, Zenaida B. Pasion, Myrna B. Limun, Mercedes (also referred to as "Ched") B. Carreon, Elsa B. Quipao, and Linaflor M. Bobadilla. Vide records, pp. 49-51, 53-55, 65; rollo, p. 44.

[7]Rollo, pp. 162-163.

[8] The RTC Decision as against Del Mundo became final, she having failed to appeal. The pertinent Writ of Execution was implemented with the turnover of possession of the specific portion of the property to respondent. Vide records, pp. 471-476.

[9]Meanwhile, Serrranos' petition docketed as G.R. No. 165758 was dismissed by the Supreme Court, by Resolution of February 14, 2005, for failure to state the date when the Motion for Reconsideration was filed with the Court of Appeals. The dismissal became final on July 11, 2005 after reconsideration thereof was denied, by Resolution of June 6, 2005. Vide CA rollo, p. 258.

[10]Rollo, p. 37.

[11] Lagmay v. Court of Appeals, G.R. No. 84929, July 23, 1991, 199 SCRA 501.

[12] Per PROCLAMATION No. 2284 issued on April 13, 1983, Dagat-Dagatan was included as an additional APD/ULRZ.

[13] Sps. Frilles v. Sps. Yambao, 433 Phil. 715 (2002).

[14]Caloocan City:

1) Bagong Barrio – An area bounded by Reparo Street on the north, North Diversion Road on the East, Tinio Street on the west and Malolos Avenue on the south.

2) Bagong Silang – A parcel of land located in Bagong Silang Dist., Caloocan City, bounded on the east by 5th Street, on the southeast La Loma Cemetery and Maria Clara Street on the west.

3) Camarin II – A 74.8 has./NHA Property bounded by Tala Estate on the north, Jacineto Property on the East, del Rey Subdivision on the south and Maligaya Park Subdivision on the west.

4) Isla San Juan – A parcel of land bounded on the north by the Roman Catholic Property, on the east and northeast by Libis Nadurato, Libis Ortega, Kabulusan, Libis Asistio, the San Diego Subdivision Bagong Sibul Street, Pateros Street, San Matero St. and the Casile Creek, on the south by the Caloocan, Manila boundary and on the west by the Dagat-Dagatan.

5) Bo. Rodriguez – A parcel of land bounded by 11th Avenue on the north, 10th Street on the east, 10th Avenue on the south, (illegible portion) Street on the west.

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6) 5th and 6th Avenue – A parcel of land bounded by 8th Avenue on the north, 6th Street on the east, 5th Avenue on the south, 5th Street on the west.

7) Panaca-Huling Sigaw – A parcel of land located in Sangandaan Dist., Caloocan City bounded on the Northwest by the Panaca Creek, on the east by the Bisig ng Kabataan, on the south by the Huling Sigaw Street and on the southwest by A. Mabini Street.

8) Panaca-A. Mabini – An area bounded on the northwest by Gen. San Miguel Caloocan – Malabon Boundary, A. Julian Felipe Mabini, Gen. San Miguel and Julian Felipe on the east and on the southwest by Dagat-Dagatan.

9) Caloocan, West District – An area bounded on the north by Samson Road, on the southeast by Francisco Street, Florencia Street, 12th Avenue and P. Sevilla Street, on the south by 10th Avenue and on the west by Heros Street up to Samson Road in front of the PNR Hospital.

10) Libis-Espina, Balong – A parcel of land located in Sangandaan Bato Dist., bounded on the north by the property of Pedro Baello, on the east by Libis Talisay, Libis Espina and Balong-Bato, on the south by the Property of Salustrano Lerma and on the west by the Dagat-Dagatan.

11) Marulas District – A parcel of land located in Marulas, Caloocan City bounded on the north by L. Lupa Street, on the northeast by Flores Street and portion of C. Name Street on the south by the Caloocan-Manila boundary by the west-southwest by PNR Track and Casile Creek.

[15] Guzman v. Court of Appeals, G.R. No. 81949, September 15, 1989, 177 SCRA 604.

[16] Nactor v. Intermediate Appellate Court, No. L-74122, March 15, 1988, 158 SCRA 635; Malabanan v. Gaw Ching, G.R. Nos. 74938-39, January 17, 1990, 181 SCRA 84; Solanda Enterprises, Inc. v. Court of Appeals, 365 Phil. 194 (1999); Sen Po Ek Marketing Corp. v. Martinez, 382 Phil. 92 (2000); Alcantara v. Reta, Jr., 423 Phil. 623 (2001); Frilles v. Yambao, supra; Vidal v. Escueta, G.R. No. 156228, December 10, 2003, 417 SCRA 617; Mendoza v. Bautista, G.R. No. 143666, March 18, 2005, 453 SCRA 691.

[17] Records, pp. 456-465; Exhibit "C," folder of exhibits.

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