

WILLIAM L. BEACH, PLAINTIFF AND APPELLANT, VS. PACIFIC COMMERCIAL COMPANY AND THE PROVINCIAL SHERIFF OF NUEVA ECIJA, DEFENDANTS AND APPELLEES.

G. R. No. 25111. September 07, 1926

Ponente: STREET, J.

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STREET, J.:

This action was instituted in the Court of First Instance of the Province of Nueva Ecija by William L. Beach, for the purpose of annulling the sale under execution of a parcel of land claimed by him as exempt under section 116 of Act No. 2874 of the Philippine Legislature. Upon hearing the cause the trial court absolved the defendant from the complaint, and from this judgment the plaintiff appealed.

It appears that on March 27, 1914, the plaintiff filed with the Bureau of Lands his application for a homestead entry covering the land which is the subject of this controversy. The application was approved by the Director of Lands in May of the same year; and on March 31, 1919, the plaintiff, having complied with all the requirements of law and paid the necessary fees, submitted his final proof. On April 10, 1919, the Director of Lands gave his approval to the grants and on November 2, 1920, patent No. 23099 was issued to the plaintiff. On December 10, 1920, thereafter, the certificate of title No. 766 was issued to him (Exhibit A).

On March 22, 1921, Beach and one Welch executed their joint and several promissory note for the amount of P5,670 in favor of the defendant, Pacific Commercial Company, the same bearing interest at 12 per cent per annum and containing a stipulation for the payment of 10 per centum of the amount due in case of default in satisfaction of attorney's fees and costs, in case the obligors should default in the making of payment. This note not having been paid according to its terms, a civil action (No. 24346) was instituted in the Court of First Instance of Manila by the Pacific Commercial Company against the two obligors, and judgment thereon was rendered on September 13, 1923, requiring the defendants jointly and severally to pay to the plaintiff in said action the sum of P5,555.80, with interest at 12 per cent per annum from April 3, 1922, plus the further sum of P351.87 as attorney's fees and expenses, together with the costs of the proceeding. An execution having been issued upon said judgment, the same was levied by the sheriff on the land covered by title No. 766, belonging to the plaintiff, and on December 26, 1923, said land was sold by the sheriff at public auction. At this sale the Pacific Commercial Company became purchaser of the property. The present action was instituted by Beach on January 26, 1925, for the purpose stated in the opening paragraph of this opinion.

The contention of the plaintiff to the effect that the land in question is exempt is in our opinion well founded, and the reason is found in section 116 of Act No. 2874, which reads as follows:

"Lands acquired under the free patent or homestead provisions shall not be subject to encumbrance or alienation from the date of the approval of the application and for a term of five years from and after the date of issuance of the patent or grant, nor shall they become liable to the satisfaction of any debt contracted prior to the expiration of said period; but the improvements or crops on the land may be mortgaged or pledged to

qualified persons, associations, or corporations."

This Act was approved on November 29, 1919, effective from July 1st of the same year. It will be noted that under the section quoted lands acquired under the homestead provisions do not become liable to the satisfaction of any debt contracted prior to the expiration of the term of five years from and after the date of issuance of the patent. Beach's patent, as we have already seen, was issued November 2, 1920; and the promissory note, which originated the obligation upon which judgment was rendered against him in civil case No. 24346 of the Court of First Instance of Manila, was not executed until March 22, 1921, or more than a year after Act No. 2874 became effective. It will be further observed that the promissory note was executed within five years after the patent issued. The situation therefore falls precisely within the terms of section 116 of Act No. 2874, above quoted.

The contention made by the appellee, and which was accepted by the trial court as correct, may be exhibited as follows: The application for homestead was filed before Act No. 2874 was enacted, and while the predecessor Act No. 926 was still in force. The only provision in Act No. 926, creating an exemption with respect to lands acquired under the homestead provisions, is contained in section 4 of said Act which declares that no lands acquired under the provisions of said Act shall be liable for the satisfaction of any debt contracted prior to the issuance of a patent therefor. It is pointed out for the appellee that Beach's final proof was submitted on March 31, 1919. This step, it is insisted, fulfilled all of the requirements of law and conferred upon Beach a vested right with respect to the land and the obtaining of his patent. All that remained to be done thereafter was the issuance of the patent by the Government, and this step was of a purely ministerial nature not affecting Beach's title. It is therefore insisted that the right of exemption is governed by the earlier Act (No. 926) and not by the later (No. 2874).

It is certainly true that if the earlier Act should be held to control the case, the right of exemption would not exist, since the debt which originated the obligation in this case was contracted subsequent to the issuance of the patent and the only exemption conferred by that Act was against debts contracted prior to the issuance of the patent. But the contention for the appellee is in our opinion not well founded; for even assuming that Beach had acquired a vested right to a patent by the filing of his final proof—a proposition that we are not disposed to question,—this fact supplies no obstacle whatever to prevent the Legislature from creating a more extended right of exemption in favor of the homesteader than that which he had previously possessed. Such a statute, being more favorable to the debtor, is entirely valid as against obligations created in the future, though invalid as against debts in existence at the time of the passage of the law (29 C. J., 855)

The error underlying the contention of the appellee possibly has its origin in a failure to distinguish between two entirely different ideas expressed in section 116 of Act No. 2874. The first has reference to the power of the homesteader to encumber or alienate the homestead by his voluntary act, while the second has reference to the subjection of the property to the satisfaction of debts against the will of the homesteader. There might possibly be something in the contention of the appellee that the homesteader's right became vested when he submitted his final proof if the case were one where he had attempted to alienate the property by voluntary exercise of the power of an owner; but we are not called upon to pass upon this point. We are here concerned exclusively with the power of the creditor to seize the property of the owner against his will. That the property cannot be so taken follows in our opinion necessarily from the language of section 116.

It should not be overlooked that Act No. 2874 is not in the main new law. For the most part it is a consolidation of statutes that have been in existence for many years; and the provisions relating to homestead are merely a continuation of the former law relating to this topic, with certain amendments. The language of the provision referred to is broad. It expressly declares that lands acquired under the free patent or homestead provisions shall not be liable to the satisfaction of any debt contracted prior to the expiration of five years from the date of the

issuance of the patent. It does not say that lands acquired under the free patent or homestead provisions of this Act shall be so exempt, but that all lands acquired under the free patent or homestead provisions shall be so exempt. The intention of the Legislature was evidently to confer the right of exemption whether the homestead was acquired under this or the prior Act.

The judgment appealed from must be reversed; the execution sale is declared void, and the defendants are perpetually enjoined from disturbing the plaintiff in the possession of the land described in certificate No. 766. So ordered, with costs against the appellee.

Avanceña, C. J., Ostrand, and Romualdez, JJ., concur.

Johnson, J., reserves his vote.

Villamor, J., dissents.

CONCURRING

JOHNS, J.,

It will be noted that section 116 of Act No. 2874 says that lands acquired by a homesteader are not "subject to encumbrance or. alienation from the date of the approval of the application and for a term of five years from and after the date of the issuance of the patent or grant." Although it is true that, legally speaking, when a patent is issued to Government lands, that under the patent, the title relates back and becomes vested as of the date of the original filing upon the land, even so, there is a very marked distinction between the legal force and effect of a patent after it is issued and the legal force and effect of the date of the actual issuance of the patent. The Legislature fixed the time as of the date of the issuance of the patent and not of its legal force and effect.

Upon such grounds and for such reasons, I concur in the opinion of Justice Street.

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