

RAMONA R. LOCSIN, ACCOMPANIED BY HER HUSBAND RENATO L. LOCSIN; TERESITA R. GUANZON, ACCOMPANIED BY HER HUSBAND ROMEO R. GUANZON; CELINA R. SIBUG; ACCOMPANIED BY HER HUSBAND CARL...

G.R. No. 51333. February 19, 1991

Ponente: FELICIANO, J.

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FELICIANO, J.:

There are two (2) petitions for review before us: (1) G.R. No. 51333 which asks for review of the decision of the then Court of First Instance ("CFI") of Negros Occidental, Branch 3, in Civil Case No. 13823; and (2) G.R. No. 52289 which seeks review of the decision of the then Court of Agrarian Relations ("CAR"), 11th Judicial District, in CAR Case No. 76. Both the CFI of Negros Occidental and the CAR dismissed petitioner complaint for lack of jurisdiction. The Supreme Court, in a Resolution dated 16 June 1982 consolidated G.R. Nos. 51333 and 52289.

In a Resolution^[1] dated 18 May 1989, the Court partly resolved the consolidated petitions by declaring that the appropriate Regional Trial Court had jurisdiction over the two (2) cases.

The facts relevant for resolution of the remaining substantive aspects of the CFI case and the CAR case, may be summarized from the Court's Resolution of 18 May 1989 - -

"Petitioner Ramona R. Locsin, Teresita Guanzon, Celia R. Sibug, Maria Rosa R. Perez, Editha Ylanan and Ana Marie R. Benedicto were co-owners of a large tract of agricultural land known as 'Hacienda Villa Regalado' located in Barrio Panubigan, Canlaon City, Negros Occidental. The tract of land was covered by Transfer Certificate of Title No. T-494 and there more particularly described in the following terms:

'TRANSFER CERTIFICATE OF TITLE
NO. T-494

A parcel of land x x x containing an area of THREE MILLION THIRTY-THREE THOUSAND AND FORTY-EIGHT (3,033,048) square meters, more or less. (Rollo, of G.R. No. 52289, p. 31).

A portion of this land, known as Lot No. 2-C-A-3 and consisting of an area of 60.07464 hectares, was subject to the lifetime usufructuary rights of respondent Helen Schon. The bulk of this lot was cultivated by the following lessees-tenants who customarily delivered the rentals to Helen Schon:

x x x x x x x x

(Rollo, of G.R. No. 51333, p. 4.)

On 22 October 1972, after the onset of the martial law administration of former President Marcos, Presidential Decree No. 27 was promulgated, decreeing the 'Emancipation of Tenant'. The tract of land owned in common by petitioners, including the portion thereof subject to Helen Schon's usufructuary rights, fell within the scope of the 'Operation Land Transfer'. In consequence, staff members of the Department of Agrarian Relations advised the

tenants-tillers of said land, and the necessary parcellary map sketch was made and submitted to the Bureau of Land Office in Dumaguete City. (Rollo, of G. R. No. 51333, Annex 'A' of Petition, pp. 19-20). Petitioners through counsel sought the opinion of the DAR as to who (petitioners or respondent Helen Schon) should be entitled to receive the rental payments which Continued to be made by the respondent tenants to Helen Schon. The DAR District Officer rendered an opinion on 13 May 1977 that the rental payments as of 22 October 1972 were properly considered as amortization payments for the land and as such should pertain to the landowners and not to the usufructuary. (Id., p. 5).

1. Civil Case No. 13828, Court of First Instance, Negros Occidental.

On 22 May 1978, petitioners filed against spouses Joseph and Helen Schon Case No. 13828 x x x, for collection of rentals plus damages with prayer for preliminary injunction. There petitioners claimed that since the land subject to Helen Schon's usufructuary rights was among the parcels of land which collectively had been declared by the DAR as a land reform area pursuant to Presidential Decree No. 27, the rental payments which the respondent spouses had been collecting from the tenants really pertained and should be delivered to the petitioners, beginning from 21 October 1972, as constituting or forming part of the amortization payments for the land to be made by the tenants. Petitioners sought in that case to recover from the Schons all such rentals or the money value thereof, and prayed for injunction to prevent respondents from collecting any further rental payments from the tenants of the land involved.

Upon the other hand, in the Answer filed on 12 July 1978, the respondents Schon contended that x x x, upon the assumption arguendo that the Court of First Instance did have jurisdiction. Article 609 of the Civil Code must in any case be applied by that court in resolving the case.

2. CAR Case No. 76, Court of Agrarian Relations

Approximately five (5) months after filing their complaint, before the Negros Occidental Court of First Instance, petitioners filed a second complaint on 13 October 1978, this time with the Court of Agrarian Relations, 11th Judicial District, San Carlos City. In this complaint before the Agrarian Court, petitioners impleaded as co-respondents of the spouses Schon the tenants who were cultivating the land burdened with the usufruct of Helen Schon. Petitioners prayed that the respondent tenants be required to pay to petitioners (rather than to the spouses Schon) all future rentals beginning with the crop year of 1978 and every year thereafter, until full payment of the amortization payment computed by the DAR. In their Answer, the respondents Schon once again asserted lack of jurisdiction over the subject matter of the case, this time on the part of the Court of Agrarian Relations. x x x

The respondent tenants, for their part, agreed with the Schons that there was no tenancy relationship existing in respect of the land cultivated by them, since such land had already been brought within the ambit of 'Operation Land Transfer', and prayed that the petitioners and the usufructuary be required to litigate among themselves their respective rights before the proper court"[2]

As noted earlier, the Agrarian Court rendered a decision dismissing petitioners' complaint in CAR Case No. 76, declaring itself as bereft of jurisdiction to decide that case.

On appeal by petitioners, the Court of Appeals ruled that since the only issue presented in the appeal was whether or not the CAR had subject matter jurisdiction over the case, the appeal raised "a pure question of law" and certified the case to this Court for disposition.

On 16 March 1979, the CFI of Negros Occidental dismissed petitioners' complaint upon the ground that jurisdiction to hear and decide that case was vested in the CAR. This order was brought directly to this Court by

petitioners.

In our Resolution dated 18 May 1989, the Court, after declaring that jurisdiction over the two (2) cases was lodged in the appropriate Regional Trial Court by virtue of the provisions of Section 19 (7) of Batas Pambansa Blg. 129, required the petitioners and private respondents in G.R. Nos. 51333 and 52289 to file simultaneous memoranda on the remaining non-jurisdiction issues. At the same time, the Court directed the Solicitor General to file a motion for intervention on behalf of the Government and to submit a memorandum on the same issues. Both parties and the Solicitor General complied.

The substantive issues to be resolved here are the following:

(1)

As between the naked owners and the usufructuary, who should be entitled to the amounts paid by the tenants beginning 21 October 1972? and

(2)

What is the legal character of the payments made by the tenants beginning 21 October 1972 -- payments on the price of the land itself or civil fruits of the land?

The two (2) above issues are obviously interrelated and the Court will discuss them together.

Petitioners insist that the payments made by private respondent tenants to private respondent Helen Schon beginning on 21 October 1972 should be considered as amortization payments for the price of the land and as such should belong to the landowners and not to the usufructuary. Upon the other hand, private respondent Helen Schon urges that those amounts should pertain to her considering that her rights as usufructuary persist during her lifetime and have not been extinguished by operation of the Land Reform Law. She further argues that assuming her usufructuary rights had been extinguished, the provisions of Article 609 of the Civil Code should be applied, and that thereunder she would be entitled either to replacement of the land burdened with her usufruct (the fruits of which would then be payable to her) or payment of legal interest on the amount of the purchase price of the land.

Presidential Decree No. 27, issued on 21 October 1972, declared the "emancipation of tenants" tilling agricultural lands primarily devoted to rice and corn. It stated that:

"x x x x x x x x x x

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1 dated September 22, 1972 as amended do hereby decree and order the emancipation of all tenant farmers as of this day, October 21, 1972;

This shall apply to tenant farmers of private agricultural lands primarily devoted to rice and corn under a system of sharecrop or lease-tenancy, whether classified as landed estate or not;

The tenant-farmer, whether in land classified as landed estate or not, shall be deemed owner of a portion constituting a family-size farm of five (5) hectares if not irrigated and three (3) hectares if irrigated;

In all cases, the landowner may retain an area of not more than seven (7) hectares if such landowner is cultivating, such area or will now cultivate it;

For the purpose of determining the cost of the land to be transferred to the tenant-farmer pursuant to this

Decree, the value of the land shall be equivalent to two and one-half (2 1/2) times the average harvest of three normal crop years immediately preceding the promulgation of this Decree:

The total cost of the land, including interest at the rate of six (6) percentum per annum, shall be paid by the tenant in fifteen (15) years [in] fifteen (15) equal annual amortizations;

x x x x x x x x"

(Emphasis supplied)

Presidential Decree No. 57, dated 19 November 1972, amended Presidential Decree No. 27 and prescribed in part as follows:

"P.D. No. 57.

x x x x x x x x

SECTION 1. To further accelerate the attainment of objectives set forth in Presidential Decree No. 27, the following provisions are hereby incorporated, to wit:

1. Landowner shall be exempt from the capital gains tax on the proceeds of the amortization paid him by the tenant-purchaser and likewise from income tax due on the accruing interests paid as an addition to the total cost of the land.

x x x x x x x x"

It is also important to adduce Department Circular No. 8, dated 1 April 1975, issued by the Department of Agrarian Reform pursuant to Presidential Decree No. 27 and which constitutes contemporaneous administrative construction of Presidential Decrees Nos. 27 and 57. Department Circular No. 8 stated that:

"x x x x x x x x

3. Tenant-farmers are deemed owners of the land they till as of October 21, 1972, subject to the rules and regulations to be hereafter promulgated. On lands already covered by Operation Land Transfer, the leasehold system shall be provisionally maintained and the lease rentals paid by the tenant-farmers to the landowner [shall] be credited as amortization payments. Payment of rentals shall be stopped when the Land Bank shall have paid the cost of land. On lands not yet covered by Operation Land Transfer, leasehold shall continue to govern the relationship between the landowner and his tenant-tillers." (Emphasis supplied)

Finally, after the effective date of the 1987 Constitution, Executive Order No. 228 dated 17 July 1987 was promulgated and provided in part as follows:

"SECTION 1. All qualified farmer beneficiaries are now deemed full owners as of October 21, 1972 of the land they acquired by virtue of Presidential Decree No. 27 (hereinafter referred to as P.D. No. 27).

SECTION 2. Henceforth, the valuation of rice and corn lands covered by P.D. No. 27 shall be based on the average gross production determined by the Barangay Committee on Land Production in accordance with Department Memorandum Circular No. 26, series of 1973, and related issuances and regulations of the Department of Agrarian Reform. The average gross production per hectare shall be multiplied by two and a half (2.5), the product of which shall be multiplied by Thirty Five Pesos (P35.00), the government support price for one cavan of 50 kilos of palay on October 21, 1972, or Thirty One Pesos (P31.00), the government support price for one cavan of 50 kilos of corn on October 21, 1972, and the amount arrived at shall be the value of the rice and corn land, as the case may be, for the purpose of determining its cost to the farmer and compensation to the landowner pursuant to Department of Agrarian Reform Memorandum Circular No. 26, series of 1973, and other pertinent issuances. In the event a party questions in court the resolution of the dispute, the landowner's compensation claim shall still be processed for payment and the proceeds shall be held

in trust by the Trust Department of the Land Bank in accordance with the provisions of Section 5 hereof, pending the resolution of the dispute before the court." (Emphases supplied)

Reading the foregoing provisions together, we observe that under Presidential Decree No. 27 the basic statute the tenant-farmer became owner of a family-size farm of five (5) hectares or, if the land was irrigated three (3) hectares, and that the tenant-owner had to pay for the cost of the land within fifteen (15) years by paying fifteen (15) equal annual amortization payments. Thus, it appears clear that ownership over lands (like Lot No. 2-C-A-3) subjected to Operation Land Transfer moved from the registered owner (the old landowner) to the tenants (the new landowners). The fifteen (15) annual amortizations to be paid by the tenants-owner were intended to replace the landholdings which the old landowners gave up in favor of the new landowners, the tenants-owners.[3] It follows that in respect of land subjected to Operation Land Transfer, the tenants-farmers became owners of the land they tilled as of the effective date of Presidential Decree No 27, i.e., 21 October 1972. Pending full payment of the cost of the land to the old landowner by the Land Bank of the Philippines, the leasehold system was "provisionally maintained" but the "lease rentals" paid by the tenants-farmers prior to such full payment by the Land Bank to the old landowner, would be credited no longer as rentals but rather as "amortization payments" of the price of the land, the un-amortized portion being payable by the Land Bank. In respect of lands brought within the coverage of Operation Land Transfer, the leasehold system was legally and effectively terminated immediately on 21 October 1972 (notwithstanding the curious statement in Department Circular No. 8 that it was "provisionally maintained"). It was in respect of lands not yet subjected to the terms and effects of Operation Land Transfer that the leasehold system did continue to govern the relationship between the "landowner and his tenant-tillers".

The exemption of the old landowner from the capital gains tax on the amortization payments made to him by the tenants-purchasers, under Presidential Decree No. 57(supra), underscores the fact, referred to above, that ownership or dominion over the land moved immediately from landowner to tenant-farmer, rather than upon completion of payment of the price of the land. In general, capital gains are realized only when the owner disposes of his property.

We believe and so hold that Lot No. 2-C-A-3 having been declared part of the land reform area and subjected to Operation Land Transfer, the payments made on and after 21 October 1972 by the private respondent tenants-farmers constituted amortization payments on the cost of the land that they were required to pay under Presidential Decree No. 27. These payments, therefore, legally pertain to petitioners, the former landowners as part of the compensation for the dominion over land of which they were deprived by operation of Presidential Decree No. 27. Those payments can not be characterized as rentals like those which had been paid to Helen Schon as usufructuary prior to the promulgation of Presidential Decree No. 27 and prior to the effectivity of Operation Land Transfer.

We turn to the question of what rights, if any, were retained by Helen Schon as a usufructuary, after the effectivity of Presidential Decree No. 27. We believe that the usufruct which had theretofore existed as a *jus in re aliena* in favor of Helen Schon was effectively extinguished by Presidential Decree No. 27. To hold, as private respondent Helen Schon apparently urges, that her usufruct was not extinguished but rather remained impressed upon the land passing on to the new owners, would obviously defeat the very purpose of the land reform statute. Presidential Decree No. 27 was enacted to "emancipate" the tenants from the "bondage of the soil" by giving to tenants-farmers ownership of the land which they were cultivating upon the assumption that they would work harder to improve their lot in life if they became landowners rather than mere tillers of somebody else's land. To hold Helen Schon as entitled to continue enjoying, as usufructuary, the natural or civil fruits of Lot No. 2-C-A-3, would be to set at naught the major purpose projected by Presidential Decree No. 27 and maintained by Executive

Order No. 228.

This is not to say that respondent Helen Schon lost any and all rights upon the promulgation of Presidential Decree No. 27. In a legal, technical sense, it may be difficult to hold that Presidential Decree No. 27 resulted in the lands brought within the scope of Operation Land Transfer being "expropriated for public use", as this term is used in Article 609 of the Civil Code, which reads thus:

"Art. 609. Should the thing in usufruct be expropriated for public use, the owner shall be obliged either to replace it with another thing of the same value and of similar conditions, or to pay the usufructuary the legal interest on the amount of the indemnity for the whole period of the usufruct. If the owner chooses the latter alternative, he shall give security for the payment of the interest."

For it was not the Government or any of its agencies which took over ownership of the land nor was such land devoted subsequently to "public use", since ownership was transferred directly from former landowner to the tenant-tiller as new landowner, for the use and benefit exclusively of the new landowner. While, however, Article 609 of the Civil Code may not be strictly applicable, we believe that the situation contemplated in Article 609 is sufficiently close to that which resulted from application of Presidential Decree No. 27 to the land here involved. Bearing in mind that refusal to decide an otherwise unavoidable issue upon the ground of non liquet ("it is not clear") is not a permissible response by a court where there is no provision of law clearly and specifically applicable to the facts at hand,[4] we believe that Article 609 should be applied to the present set of facts by analogy.

It follows that respondent Helen Schon, so long as her rights as usufructuary persist under the instrument which gave birth to such rights, would be entitled to a replacement reasonably equivalent to the land previously burdened with her usufructuary right, or to legal interest on the amount of the indemnity or cost of the land paid by private respondent tenants-farmers and the Land Bank. While the option or choice belongs to petitioners, considering that Helen Schon had already received part of the purchase price of the land previously owned by petitioners from private respondent tenants-farmers and in the interest of expeditious justice, we consider it the second alternative that should be given effect. Thus, from the monies that she actually received from private respondent tenants-farmers on and after 21 October 1972, respondent Helen Schon is entitled to retain an amount equivalent to the legal interest on said amounts for every year that the usufruct would by its own terms have continued to exist had it not been extinguished by operation of Presidential Decree No. 27; the balance of such amounts received by her shall be turned over to petitioners. She is also entitled to the same right in respect of the balance of the price of the land petitioners presumably received from the Land Bank.

WHEREFORE, for all the foregoing, private respondent spouses Joseph and Helen Schon are hereby DIRECTED to deliver to petitioners the amounts paid to them by private respondent tenants-farmers beginning on 21 October 1972, after deducting therefrom an amount equivalent to simple legal interest thereon computed at six (6%) percent per annum on the amount received each year. No pronouncement as to costs.

SO ORDERED.

Fernan, C.J., (Chairman), Gutierrez, Jr., and Bidin, JJ., concur.
Davide, Jr., J., no part.

[1] 173 SCRA 454 (1989).

[2] 173 SCRA at 455-459.

[3] Presidential Decree No. 27 apparently assumed that the new owners (the tenants) would pay directly to the old landowner. The Land Bank later assumed the task of financing land reform by paying the old owners and reimbursing itself by collecting from the tenant-owners. See Presidential Decree No. 251, dated 21 July 1973.

[4] Article 9 of the Civil Code provides that:

"No judge or court shall decline to render judgment by reason of silence, obscurity or insufficiency of laws."

On the non liquet problem, see generally J. Stone, *Legal Systems and Lawyers' Reasonings*, pp. 186, 188-192; 213-214 (1964).

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