

INVESTMENT AND DEVELOPMENT, INC., PETITIONER, VS. COURT OF APPEALS, RAYMUNDO GATPAYAT, AGENCIA DE EMPENOS DE AGUIRRE, AND AGUIRRE INCORPORATED, RESPONDENTS.

G.R. No. 51377. June 27, 1988

Ponente: GUTIERREZ, JR., J.

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GUTIERREZ, JR., J.:

This petition seeks a modification of the decision of the Court of Appeals which affirmed in toto that of the Court of Agrarian Relations, Seventh Regional District, Branch I, Pasig, Rizal insofar as the complaint against Raymundo Gatpayat was ordered dismissed.

The facts of the case are not disputed.

On January 14, 1965, private respondent Raymundo Gatpayat sold the land subject matter of this case to petitioner Investment and Development, Inc. (IDI) for P122,769.50 payable in three installments of P36,830.85, P24,533.90 and P61,384.75, the last amount to be paid within one year from and after the date of issuance of the Original Certificate of Title over the property which respondent Gatpayat obligated himself to secure. On February 20, 1966, Original Certificate of Title No. 5019 was issued in the name of respondent Gatpayat. On January 30, 1967, Transfer Certificate of Title No. 180376 was issued in Investment and Development, Inc.'s name.

The subject land is agricultural with an area of three-and-a-half hectares, more or less, located in Talon, Las Piñas, Rizal. Originally, the land was owned by one Francisca Tolentino. It had Sotero Domingo Ramirez as tenant. When old age ensued,

Sotero asked for his replacement in the person of his son, Jose Ramirez.

In 1964, respondent Gatpayat bought the land from the original owner on the condition that the annual rental often cavans of palay given by tenant Ramirez would pertain to Gatpayat only after full payment of the purchase price. Subsequently, respondent Gatpayat completed his payments for the land and entered into an agreement with tenant Ramirez that the latter shall sell the ten cavans of palay and give the proceeds to him.

On March 8, 1971, the petitioner sold the land to respondent Agencia de Empenos de A. Aguirre, Inc. for the amount of P456,001.60. As a result thereof, Transfer Certificate of Title No. 317815 was issued in the vendee's name. On April 6, 1973, Transfer Certificate of Title No. 403109 was issued in the name of the present owner, respondent A. Aguirre, Inc.

In April 1972, tenant Ramirez was forced to stop cultivating the land in question because of the bulldozing caused by respondent A. Aguirre, Inc.

In a complaint filed by tenant Ramirez against the petitioner and the private respondent, payment for disturbance compensation was prayed for as a consequence of the bulldozing of the land. The petitioner, in turn, filed a

cross-claim against respondent Gatpayat in case of a judgment adverse to it while respondents Agencia and Aguirre, Inc. filed a cross-claim against the petitioner.

After the case was submitted for decision, the agrarian court rendered a decision in favor of tenant Ramirez with the following dispositive portion, to wit:

'FOR ALL THE FOREGOING CONSIDERATIONS, judgment is hereby rendered in the tenor the disposition herein below provided:

"1. Declaring plaintiff Jose Ramirez as the true and lawful agricultural tenant of Raymundo Gatpayat over the landholding in question with an approximate area of 35,077 square meters situated at Talon, Las Piñas, Metro Manila and presently owned by defendant A. Aguirre, Inc.;

"2. Ordering defendant A. Aguirre, Inc. to pay and deliver plaintiff the amount of P24,500.00 as payment for disturbance compensation;

"3. Ordering A. Aguirre, Inc. to pay plaintiff P2,000.00 as attorney's fees;

"4. Ordering Investment and Development Inc. to pay A. Aguirre, Inc. the amount of P24,000.00 as damages;

"5. Ordering Investment and Development Inc. to pay A. Aguirre, Inc. P2,000.00 as attorney's fees;

"6. Dismissing the complaint against defendant Raymundo Gatpayat;

"7. Dismissing plaintiff's claim for moral and exemplary damages for insufficiency of evidence; and

"8. Dismissing the claim of A. Aguirre, Inc. for moral and exemplary damages against Investment and Development, Inc.

"IT IS SO ORDERED." (pp. 11-12, Rollo)

From the above decision, only the petitioner appealed to the Court of Appeals alleging, among others, that respondent Gatpayat should have been liable to it considering that he violated his warranty "that the land is free from all liens and encumbrances"; that the agrarian court erred in declaring that tenant Ramirez was an agricultural lessee of petitioner; and that the court's ruling was contrary to law, equity and fair play in that it caused unjust enrichment on the part of respondent Gatpayat by ordering the payment of disturbance compensation at petitioner's expense.

On June 14, 1979, the Court of Appeals promulgated a decision affirming the agrarian court in all respects based on the following grounds:

"The warranty made by IDI in the 'Deed of Absolute Sale' in favor of Agencia dated March 8, 197 1, it provides among others that the property is 'free from all liens, adverse claim, encumbrances, claims of any tenant and or agricultural workers, either arising as compensation for disturbance or from improvements' including compliance "with all the requirements for the provisions of the Tenancy Law, the Land Reform Code and other pertinent laws of the Republic of the Philippines x x x.' With the findings that plaintiff is a true and lawful tenant and under the above-mentioned warranties, IDI should, therefore, be held liable for the same. Hence, the counterclaim of Agencia and Aguirre against IDI is proper and compensable." (pp. 15-16, Rollo)

"The warranty made by Gatpayat in favor of the IDI as contained in the 'Deed of Absolute Sale' duly executed on January 30, 1967 (Exhibit "2", IDI; Exhibit "2", Gatpayat and Exhibit "5", Aguirre) states that the property was 'free from all liens and encumbrances.' In Civil law and as used and understood in ordinary legal parlance, a lien and/or encumbrance is synonymous to 'gravamen,' 'carga,' 'hipoteca' or 'privilegium' and does not cover tenancy. In other words, unless so specifically stated, tenancy cannot be considered a lien or encumbrance. In the absence of such a showing, and inasmuch as Gatpayat did not warrant the existence of tenancy, he cannot

be held liable for violation of his warranty." (p. 16, Rollo)

"Since the leasehold relationship between the plaintiff and Gatpayat has been established on the land in question, the same cannot be terminated by the sale of the land to the appellant (IDI). x x x This is the underlying principle of security of tenure of the leaseholder enshrined in our agrarian laws." (pp. 18-19, Rollo)

The petitioner appealed to this Court by way of certiorari with a lone assignment of error that reads:

"THE HONORABLE COURT OF APPEALS ERRED IN NOT HOLDING THAT RESPONDENT RAYMUNDO GATPAYAT WAS LIABLE TO PETITIONER FOR BREACH OF SELLER'S WARRANTY UNDER ARTICLE 1547 (2) IN RELATION TO ARTICLE 18 OF THE CIVIL CODE." (p. 1, Petitioner's Brief)

The only issue presented in this petition is whether or not respondent Gatpayat as seller of the land in question violated his warranty to the petitioner which bought the land "free from all liens and encumbrances."

The petitioner no longer questions the finding of the appellate court that tenant Ramirez is entitled to a disturbance compensation. It only maintains that reimbursement by respondent Gatpayat of said compensation in its favor should be ordered because the tenancy relationship between respondent Gatpayat and tenant Ramirez falls under the term "hidden faults or defects" which respondent Gatpayat warranted against in the sale of the land to the petitioner by virtue of Article 1547, subparagraph (2) of the Civil Code.

We find no merit in the petitioner's position.

It is axiomatic that factual findings of the Court of Appeals are conclusive on the parties and reviewable by us only when the case falls within any of the recognized exceptions which is not the situation obtaining in this petition (See *Chua Giok Ong v. Court of Appeals*, 149 SCRA 115; *Dulos Realty and Development Corporation v. Court of Appeals, et al.*, G.R. No. 76668 promulgated on January 28, 1988). The appellate court in affirming the lower court's decision, has clearly dissected the facts and analyzed the phraseologies of the warranties contained in the contract between respondent Gatpayat and petitioner, on the one hand, and petitioner and respondent *Agencia de Empenos de Aguirre*, on the other. We agree with the disparity in the terms used and its consequent effects as pointed out in the questioned decision.

The petitioner does not dispute the fact that the Deed of Absolute Sale which it executed with Gatpayat simply warranted that the subject land was "free from all liens and encumbrances." Neither does the petitioner deny that to its buyer, respondent *Agencia de Empenos de Aguirre*, it warranted that the land was "free from al liens, adverse claims, encumbrances, claims of any tenant and/or agricultural workers, either arising as compensation for disturbance or from improvements." The distinction in the phraseology is not an idle one.

We have held in the case of *Pilar Development Corporation v. Intermediate Appellate Court* (146 SCRA 215), that:

"When the facts are undisputed, the question of whether or not the conclusion drawn therefrom by the Court of Appeals is correct, is a question of law cognizable by the Supreme Court (Comments on the Rules of Court, Moran 1979 Edition, Vol. II, p. 474 citing the case of *Commissioner of Immigration v. Garcia*, L-28082, June 28, 1974).

"However, all doubts, as to the correctness of such conclusions will be resolved in favor of the Court of Appeals (Id.), citing the case of *Luna v. Linatoc*, 14 Phil. 15."

The reimbursement of the payment for disturbance compensation by the petitioner to respondent *Agencia de Empenos de Aguirre* is clearly based on an express warranty as can be gleaned from the specific wordings of the

contract between them. The petitioner cannot claim reimbursement from its seller, respondent Gatpayat, on the basis of an implied warranty against hidden faults or defects under Article 1547, subparagraph (2) inasmuch as the term "hidden faults or defects" pertains only to those that make the object of the sale unfit for the use for which it was intended at the time of the sale. In the case at bar, since the object of the sale by Gatpayat to the petitioner is an agricultural land, the existing tenancy relationship with respect to the land cannot be a "hidden fault or defect." It is not a lien or encumbrance that the vendor warranted did not exist at the time of the sale. It is a relationship which any buyer of agricultural land should reasonably expect to be present and which it is its duty to specifically look into and provide for. Agencia saw to it that the warranty was specific when it, in turn, purchased the land.

WHEREFORE, PREMISES CONSIDERED, the instant petition is DENIED for lack of merit. The decision appealed from is hereby AFFIRMED. Costs against the petitioner.

SO ORDERED.

Fernan (Chairman), Feliciano, Bidin, and Cortes, JJ., concur.

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