

**CARLOS CABALLERO, PETITIONER, VS. COURT OF APPEALS,  
GREGORIO S. VASQUEZ, JOSE RABOT AND CARMELITA CALMA,  
RESPONDENTS.**

*G.R. No. 59888. January 29, 1993*

Ponente: MELO, J.

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**MELO, J.:**

This has reference to a petition for review of the decision rendered by the Fifth Division of the Court of Appeals dated December 16, 1981 in CA-G.R. No. 56704-R penned by Justice B.S. de la Fuente, with whom Justices Coquia and Villaluz concurred, the decretal portion of which reads as follows:

"Wherefore, we affirm that portion of the appealed judgment relating to the award of 1/3 of Lot No. 2, Block E99, to appellee Jose Rabot, including cancellation of TCT No. 66994 so that the awarded portion could be excluded from said title and the order to appellant PHHC to return to appellee Caballero his payments corresponding to said 1/3 portion, but the judgment insofar as it relates to appellees Gregorio Vasquez and Carmelita Calma is reversed and they are hereby ordered to vacate the portions respectively occupied by them and to remove their constructions and improvements thereon. No pronouncement as to costs." (pp. 69-70, Rollo of CA-G.R. No. 56704-R; p. 84, Rollo.)

The original complaint (Civil Case No. 16171), which was raffled to Branch 16 of the then Court of First Instance of Rizal stationed at Quezon City was an action instituted by plaintiffs Gregorio Vasquez, Carmelita Calma, and Jose Rabot for cancellation of sale made by the defunct People's Homesite and Housing Corporation (PHHC for short) to herein petitioner Carlos Caballero involving a 712-square meter parcel of land designated as Lot No. 2, Block E99 of the Subdivision Plan Psd 68807, Malaya Subdivision, Quezon City.

It appears that plaintiffs below, now private respondents, are the actual occupants of the lot in question. On October 21, 1957 PHHC sold in bulk about 602 lots, the lot in question included, to the Central Bank Staff Housing Corporation (CBSHC for short). Manuel Bienvenida, a Central Bank employee was awarded the lot subject of this controversy. Bienvenida negotiated with herein petitioner Carlos Caballero for the sale of the lot awarded to him by the CBSHC. Subsequently, Caballero applied with the PHHC and requested that the lot be transferred to him. PHHC approved said proposed transfer. Thereafter, Manuel Bienvenida executed a Deed of Transfer (pp. 49-50, Record on Appeal, found at p. 18, Rollo of CA-G.R. No. 56704-R) conveying all his rights and interests to purchase Lot 2, Block E99 to Carlos Caballero. The controversy arose sometime in 1965 when herein private respondents asserted their claims as actual occupants of the lot in question. The Board of Directors of PHHC referred the matter for investigation, study, report, and recommendation to its Committee on Investigation and Legal Matters. On June 16, 1966, the Board of Directors of the PHHC passed a resolution approving the recommendation of the Committee recognizing the transfer made by Bienvenida to herein petitioner Caballero. On August 3, 1966, a Conditional Contract of Sale (p. 52, Record on Appeal) was executed by PHHC with Caballero making the initial deposit. On September 16, 1968, a Deed of Sale (p. 67, Record on Appeal) was executed between the parties after full payment of the purchase price and consequently, Transfer Certificate of

Title No. 66994 was issued in the name of Carlos Caballero by the Register of Deeds of Quezon City.

Private respondents, as plaintiffs below, argued that they are the occupants of the lot in question even before the lot was formally subdivided and that the PHHC acted in a capricious and whimsical manner by disregarding its policy of giving priority to occupants. The court of origin, in its decision on March 18, 1974, ruled in favor of the complainants and, among other things, ordered: (1) the PHHC to cancel the awards made in favor of Manuel Bienvenida and defendant Carlos Caballero covering the lot in question and to award the same to plaintiffs, at one-third portion for each plaintiff corresponding to the portion occupied by them; (2) the Register of Deeds of Quezon City to cancel Transfer Certificate of Title No. 66994 issued in the name of defendant Carlos Caballero; and (3) the PHHC to return to defendant Carlos Caballero whatever payments the latter may have paid to the former. Carlos Caballero appealed to the Court of Appeals.

Respondent court decided the appeal on the question of whether or not plaintiffs were "bona fide" occupants of the lot in question within the contemplation of the directive in 1957 of then President Magsaysay granting preferential rights to registered or "bona fide" squatters. According to the Court of Appeals, only Jose Rabot is a registered squatter, thus:

"In the case at bar, appellees Vasquez and Calma are not such 'registered' squatters, or occupants, prior to the 1957 census. Vasquez was admittedly, renting just a room in the house of Sgt. Ravarra who bought the same from A. Ferro, the original squatter-house owner. In 1962, Vasquez in turn bought said dwelling from Ravarra. (Exh. D). Ferro, the original occupant who built the shanty later on sold to Ravarra, was listed in the 1957 Census of the PHHC; accordingly, Ferro's claim of 'priority' as a 'registered' squatter or bona fide occupant had factual basis. It was only after Vasquez purchased said house from Sgt. Ravarra, in 1962 that the former could assert in his own right that he became a squatter with the bona fide intention to buy a PHHC homelot in the said area. In 1954, it appears that Vasquez while still a tenant of Ferro, had written to the PHHC requesting accommodation in a 'low cost housing project'; this would show that definitely he could not be an applicant in regard to the portion of the lot in question squatted upon and occupied by Ferro's house."

In the case of Carmelita Calma, the house built on a portion of lot 2 was bought by her father, Jesus Calma, from Irene Mendoza on June 21, 1962 (Exh. F). Said house was owned by said person and Antonio Dalupang, original squatters. She has resided or lived in said house since 1959. Upon her father's death in 1968, she and her mother continued their occupancy of the said house. It is plain that, like Vasquez, Calma was a squatter of quite recent vintage and not one of the original 'registered' squatters listed in the Census of 1957 by the PHHC." (pp. 65-66, Rollo of CA-G.R. No. 56704-R pp. 80-81, Rollo.)

It is only the one-third portion claimed by Jose Rabot which was recognized by the appellate court which noted:

"As regards appellee Rabot, it appears that he has been living in his house since 1952 (Exh. J), which has occupied a portion of the land in question ... and that the name Rabot was duly noted on the sketch plan or Census of the squatters in the Central Bank area." (p. 69, Rollo of CA--G.R. No. 56704; p. 84, Rollo.)

Vasquez and Calma whose claims over the lot were rejected have not appealed. But Caballero, following the denial by the Court of Appeals of his Motion for Partial Reconsideration, and dissatisfied with the award of a 1/3-portion of the lot to Rabot, has instituted the instant petition. Unfortunately, on January 15, 1988, herein petitioner died but he has been duly substituted by his heirs.

The petition has merit.

The pivotal query that must be resolved is the question of whether or not Rabot indeed has priority in the purchase of the lot in question. Should the answer be in the affirmative, then it may be said that PHHC violated the presidential directive in 1957 granting bona fide squatters the preferential right to purchase PHHC lots. However,

we are of the opinion and thus hereby hold that private respondent Jose Rabot has no priority at all.

The statutory power of the PHHC to sell lands is derived from the charter creating it which is Commonwealth Act No. 648, as amended by Executive Order No. 399 dated January 5, 1951. Section 11(a), Annex A of the Executive Order grants the PHHC the authority:

"a) to acquire, develop, improve, subdivide, lease and sell lands and construct, lease, sell buildings or any interest therein in the cities and populous towns in the Philippines with the object of providing decent housing for those who may be unable to provide themselves therewith."

Under such authority, the PHHC subdivides lots and awards them either to deserving squatters or to middle income families. In the instant case, when the PHHC sold in bulk 602 lots to the CBSHC the purpose was for the former to generate funds to finance its projects (p. 84, Rollo). Clearly then, this act of the PHHC signifies its intention to segregate the lots sold from the class of lands intended for squatters. Be it noted that the power to dispose of the lands placed under the administration of the PHHC is lodged in said body as laid down in the case of *Raymundo vs. PHHC* (114 SCRA 712 [1982]). Therefore, when the PHHC sold the big estate which included the lot in dispute, private respondent Rabot lost whatever priority he had over the lot occupied by him. In the case of *Guardiano vs. Encarnacion* (29 SCRA 326 [1969]), this Court upheld the preferential right of a "registered squatter" over a non-occupant because it was shown that as per policy of the PHHC the lot involved is situated in an area intended to be allocated to deserving squatters. However, the situation therein does not obtain in the case at bar.

Even granting for the sake of argument that private respondent has indeed priority to purchase the land, the PHHC may not be accused of disregarding his preferential right when it sold the lot to Caballero, a non-occupant, because priority alone is not sufficient to entitle a squatter-applicant to purchase a lot. The intention of the presidential directive in 1957 was to award lots to prior and deserving squatters. As per PHHC regulation, an applicant must have an income of not less than five times the monthly installments for the lot (Office Order dated September 5, 1958). In the case at bar, private respondent failed to display the financial capacity required of him. At the time the lot was sold, the approximate monthly salary of Rabot, a soldier, was only P100. This was admitted by him during the trial (p. 109, Record on Appeal), while the income required of him was at least P416.35 a month. The monthly installment then was P83.27. This court has recognized the validity of this requirement in the case of *Raymundo vs. PHHC* (114 SCRA 712 [1982]) where we said:

"Furthermore, inasmuch as what was executed between petitioner and respondent PHHC was merely an application to purchase, then it is subject to revocation in case the applicant (petitioner herein) is found not to possess the qualifications necessary. Respondent PHHC found that petitioner is not qualified to acquire the lot because her stated income of P300.00 appearing in the 'Sworn Application to Purchase a Lot', dated December 3, 1964 is below the minimum monthly income requirement for the lot in question."

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Petitioner, however, by failing to comply with the specific requirement as required of her, violated such rules and regulations. And the fact that she offered to pay in full the purchase price of the lot will not obliterate the violation committed by her. Respondent PHHC, therefore, was justified in cancelling the award made in petitioner's favor." (at p. 717)

The allegation of private respondent that the sale was effected in a capricious and whimsical manner is untenable.

PHHC executed the sale only after compliance with its standard procedures. We are not inclined to disturb the findings of respondent court as to the propriety of the 'bulk' sale made to the CBSHC. An officer of the PHHC has testified that the PHHC has likewise sold lots in bulk to the UP Employees, RFC Veterans, etc. (p. 125, Record on Appeal). There is no evidence that petitioner herein purchased the lot for any purpose other than to own a homelot. According to him, he has been renting houses since 1944 when he got married (p. 16, t.s.n., October 3, 1973) and that he has no land either in Manila, Quezon City, or anywhere else (p. 13, t.s.n., October 3, 1973). In the absence of factual circumstances that would invite suspicion of fraud or irregularity, we sustain the validity of the sale.

The status of Rabot as a "registered squatter", therefore, merely conferred upon him the preferential right to purchase other unsold lots allocated by the PHHC to squatters. We quote the Office Order of the PHHC dated September 5, 1958 (Exh. N) governing the priority of distribution of lots at the East Avenue and Malaya Subdivisions, to wit:

"Upon completion of the census, the Management Department shall submit to the General Manager the tentative allocation of those unsold repossessed lots in favor of the squatters covered by the census, subject to the following conditions:

- 1) award shall be made only to squatters whose family income is not less than five times the monthly installments of the lots being awarded;
- 2) all pre-war squatters in the East Avenue be given priority to buy lots in these two subdivisions, irrespective of whether or not they are actually occupying the lot being awarded;
- 3) after taking care of the pre-war squatters, other unsold lots should be allocated to the squatters occupying the same, provided that where there are two or more squatters in the same lot, should be awarded to the squatter whose occupancy is the longest;
- 4) squatters on road lots should be considered only after the squatters whose houses are inside road lots shall have been given allocations.

All other squatters in this East and Malaya Subdivisions who cannot be allocated pursuant to the preceding arrangement shall be allocated lots to the Kamaring Subdivision, subject of course to condition No. 1 above.

(Sgd.) Sergio Ortiz Luis

Acting General Manager"

(pp. 64-65, Rollo)

Jose Rabot, therefore, did not acquire any right better than herein petitioner's with respect to the lot in question. He is still a squatter, plain and simple. He admits that the lot was owned by PHHC (p. 95, Record on Appeal) In the case of *EB Marcha Transport Co. vs. IAC*, (147 SCRA 276 [1987]), it was ruled that petitioners being mere squatters on the land, they did not acquire a vested right to lease or buy the property. In *Florendo vs. Coloma*, (129 SCRA 304 [1984]), this Court said:

"The PHHC was correct when it stated that squatters and intruders who clandestinely enter into titled government property cannot, by such act, acquire any legal right to said property. There is no showing in the records that the entry of the private respondents into the lot was effected legally and properly. An act which was illegal from the start cannot ripen into lawful ownership simply because the usurper has occupied and possessed the government lot for more than ten (10) years, cleared it of cogon grass, fenced it and built a house on the premises. No vested right should be allowed to arise from the social blights and lawless acts of squatting and clandestine entrance. True, the government by an act of magnanimity and in the interest of buying social

peace through the quieting of mass unrest may declare usurped property as a 'relocation' area for the squatters. However, the records fail to show that there has been such action insofar as the disputed lot is concerned or that the private respondents fall within such policy or that they have complied with the usual requirements before the benefits of relocation may be given them. At any rate, this is for the PHHC, now the NHA, to decide and not the city court." (at p. 313)

WHEREFORE, the petition is hereby **PARTIALLY GRANTED**. The Decision of the Court of Appeals, in so far as it (a) required the PHHC to award one-third of Lot No. 2, Block No. E99 in favor of Jose Rabot; b) ordered cancelled Transfer Certificate of Title No. 66994 in the name of Carlos Caballero; (c) directed the PHHC to return Caballero's payments corresponding to said one-third portion, is hereby **SET ASIDE**. The judgment appealed from, concerning Gregorio Vasquez and Carmelita Calma, is hereby **AFFIRMED** and the complaint is **DISMISSED**. No special pronouncement is made as to costs.

**SO ORDERED.**

Gutierrez, Jr., (Chairman), Bidin, Davide, Jr., and Romero, JJ., concur.

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