

ANIANO MATABUENA, PETITIONER, VS. HON. COURT OF APPEALS AND DEVELOPMENT BANK OF THE PHILIPPINES, RESPONDENTS.*G.R. No. 76542. May 05, 1989*

Ponente: SARMIENTO, J.

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From the decision[1] dated April 29, 1986 of the Court of Appeals in CA-G.R. CV No. 07067, entitled, “Development Bank of the Philippines, Plaintiff-Appellee, vs. Aniano Matabuena, Defendant-Appellant,” which affirmed with modification the decision rendered on February 25, 1985 by the Regional Trial Court Isabela, the defendant-appellant below comes now before us by this petition for review on certiorari.

The facts which propelled the instant petition are as follows:

On December 13, 1957, as security for a loan of P10,000.00 payable in ten (10) years, Candida Macaraeg mortgaged in favor of the Rehabilitation Finance Corporation, now the private respondent Development Bank of the Philippines (DBP), a parcel of land consisting of 5.4849 hectares situated at Barrio San Juan, Municipality of Alicia, Province of Isabela, and registered under Original Certificate of Title (O.C.T.) No. P-4380 in her name. This O.C.T. had been issued to Candida on February 26, 1955 pursuant to Homestead Patent No. V-5005, also in her name, and which patent, in turn, had been issued the year previous, or precisely on June 23, 1954.

Candida, however, failed to pay the balance of P590.13 on her loan, forcing private respondent DBP to foreclose the mortgaged property on August 26, 1968 and, subsequently, to sell it in an auction. The private respondent emerged as the highest bidder in the auction and as a consequence thereof, Transfer Certificate of Title (T.C.T.) No. 11308, cancelling Candida's O.C.T. No. P-4380, was issued in its favor on April 19, 1978.

Sometime later in 1978, in the course of having the property re-appraised, the private respondent discovered that petitioner Aniano Matabuena, who claimed ownership of the property, had taken possession of the same, cultivated it, and had even built his house thereon. Consequently, the private respondent, as plaintiff, lodged a complaint for the recovery of the possession of the property against the petitioner with the trial court. On February 29, 1985, the trial court rendered a decision in favor of the private respondent and ordered the petitioner to vacate the land in question and to remove any improvement he has placed thereon. The petitioner was further ordered by the trial court to pay the private respondent the amount of P166,250.00 as compensatory damages, and to pay the costs of the suit.

Finding the trial court's decision unacceptable, the petitioner elevated the case the respondent Court of Appeals. In its decision dated April 29, 1986, the respondent appellate court found that Candida Macaraeg's title was void for the reason that it was constituted over a parcel of land covered not by her patent application but by that of another person, Pedro Garan, who is the petitioner's alleged predecessor-in-interest. In fine, the area referred to in Macaraeg's torrens title was a portion of that already applied for and possessed by Pedro Garan, and later, by the petitioner. According to the respondent appellate court, this fact has been indubitably established in an investigation conducted by the Bureau of Lands through its District Land Office No. II-2 at Ilagan, Isabela.

Nonetheless, the appellate court despite its earlier finding, upheld the validity of the private respondent's title on the ground that the latter was a mortgagee in good faith and an innocent purchaser for value that had no knowledge of the defect of Macaraeg's title when it accepted the mortgage thereon until it foreclosed the property in question. Accordingly, except with the modification that the petitioner was ordered to pay only the amount of P20,000.00 as temperate or moderate damages, instead of the compensatory damages in the amount of P166,250.00 awarded by the trial court, the respondent appellate court affirmed the trial court's decision in all other respects.

The petitioner moved for a reconsideration of the respondent appellate court's decision but his motion was denied on October 22, 1986. Hence, this petition.

Before us, the petitioner postulates that the private respondent DBP has no valid title over the property in question. He argues that pursuant to the decision of the respondent Court of Appeals, Candida Macaraeg, the private respondent DBP's predecessor-in-interest, had no valid title over the mortgaged property. Since Macaraeg's title over the contested property was void ab initio, it could not "metamorphose" into a valid one in the hands of the private respondent. The petitioner likewise assails the respondent appellate court's finding that the private respondent DBP was a mortgagee in good faith because while the property was foreclosed on August 26, 1968, its sale was registered only on April 19, 1978, long after he, Matabuena, had taken possession thereof in January 1975.[2] From this premise, the petitioner argues that the private respondent at the time of the sale's registration, should have become aware of his (petitioner's) possession of the contested realty.[3]

On the other hand, the private respondent points out that the petition is based on the wrong premise that its (private respondent's) predecessor-in-interest's title over the property was void from the start. Contrary to the petitioner's contention and to the respondent appellate court's findings, Candida Macaraeg, the private respondent's predecessor-in-interest, not only had a valid title over the property but was likewise in physical possession of the same. Pedro Garan, whom petitioner Matabuena identified as his predecessor-in-interest, never had possession of the subject parcel of land. In fact, the trial court found that immediately after Macaraeg purchased the rights to the land from Ireneo Abrian's widow, she and her children took possession and cultivated it. When Candida died in 1962, her two children continued to till the land in the hope of paying the mortgage thereon. Poor harvests, however, prevented them from doing so resulting in the foreclosure of the mortgage in 1968. Even after the real estate mortgage had been foreclosed by, and sold at public auction to, the private respondent, Candida's sons continued possession of the same, instituting one Jose Allera as their tenant thereon. Jose Allera remained on the property until the petitioner, a retired army soldier, drove him away in 1974.[4] The private respondent argues for the repudiation of the findings of the Bureau of Land in this case claiming that the same had been arrived at after a dubious investigation, conducted ex parte, wherein the private respondent was not given any opportunity to be heard.[5] The private respondent likewise assails the findings of the respondent appellate court, insofar as they are based on the findings of the Bureau of Lands.

Against this backdrop of conflicting allegations and arguments by the parties, we find the petition wanting in merit and consequently, deny it.

The private respondent correctly observes that the petition suffers from a fatal defect, it being based on the wrong premise, i.e., the private respondent's title as well as that of its predecessor-in-interest, Candida Macaraeg, is void ab initio. Ironically, this wrong premise was supplied by none other than the respondent Court of Appeals when it stated that "x x x Macaraeg did not acquire a valid title x x x." [6] The respondent appellate court's pronouncement was based on the findings of the Bureau of Lands which the respondent court held as conclusive on the matter.[7]

The respondent appellate court gravely erred in giving full credence to the Bureau of Land's findings of fact.

These findings are not conclusive as they are tainted with irregularities. As claimed by the private respondent -- and this is not in any way disproved or rebutted by the petitioner -- the investigation conducted by the District Land Office of the Bureau of Lands at Ilagan, Isabela, in 1978, or twenty-four (24) years after the issuance of the patent on June 23, 1954, was done ex parte and without the private respondent being given an opportunity to be heard. The question that arises is -- why did it take a long time for the investigation to be made? More importantly, there was a patent failure of due process in the proceedings conducted by the Bureau of Lands. It is a well-established rule that even in administrative adjudications, parties have certain "cardinal primary rights" which should be observed and respected to comply with the imperatives of due process. The right to a hearing is one such right.[8]

Significantly, the trial court, on the question of who had physical possession and valid title over the contested property, rendered the following findings which we hold as more credible than that of the Bureau of Lands:

The claim of defendant (petitioner) that he and his predecessor-in-interest have been in possession of the land for more than thirty (30) years and therefore, entitled to a judicial confirmation of his title finds no factual and legal basis. The land in question was titled in the name of Candida Macaraeg as early as June 23, 1954. The court can not also sustain the claim of defendant (petitioner) that in the event that his claim of ownership is denied, he should remain on the land because he was instituted thereon in 1975 as tenant by Agapito Garan, son of Pedro Garan. Agapito Garan is not the owner of the land in question. He was never (been) in possession thereof. He could not have instituted defendant as his tenant. (Sec. 6, Rep. Act 3844). If he did, the institution is not valid. Defendant is an intruder and a squatter.

Defendant (petitioner), a retired army man, took possession of the land in 1974 by driving away Jose Allera, the tenant of Bonifacio Ortaleza and Claudio Ortaleza, on the land in question. He was in bad faith. He had no authority to enter and cultivate the same. As such, he is liable for the reimbursement of the fruits he received and those which plaintiff (private respondent) could have received (Art. 549, Civil Code). x x x

It was in 1975 that defendant actually began to cultivate the land after driving away Jose Allera in 1974.[9]

It is therefore evident that the petitioner's claim must fail.

Further on this score, the respondent appellate court's act of formulating its own findings of fact is uncalled for and unjustifiable. Absent any substantial proof that the trial court's decision was grounded entirely on speculations, surmises or conjectures, the same must be accorded full consideration and respect.[10] This should be so because the trial court is, after all, in a much better position to observe and correctly appreciate the respective parties' evidence as they were presented. Thus, the trial court's finding that Candida Macaraeg, the private respondent's predecessor-in-interest, had physical possession and a valid title over the subject property, and that the petitioner is nothing but an "intruder and a squatter" thereon, must be respected.

Finally, while the obtaining circumstances point to the inevitable conclusion that damage was caused by the petitioner, the private respondent, however, failed to present satisfactory evidence to support its claim for damages in the amount of P166,250.00. The respondent appellate court thus acted correctly when it eliminated the award of compensatory damages.

WHEREFORE, the Petition is DENIED; the Decision of the Court of Appeals dated April 29, 1986 is hereby AFFIRMED. Costs against the petitioner.

SO ORDERED.

Melencio-Herrera, (Chairman), Paras, Padilla, and Regalado, JJ., concur.

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- [1] Camilon Serafin E., J., ponente: Pascual, C. Campos, J. C., Jr., and Jurado, D.P., JJ., concurring.
- [2] Rollo, 53.
- [3] Id., 51-55.
- [4] Id., 72.
- [5] Id., 70.
- [6] Id., 14.
- [7] Id.
- [8] Ang Tibay v. Court of Industrial Relations, 69 Phil. 635 (1940); Air Manila, Inc. v. Balatbat, G.R. No. L-29064, April 29, 1971, 38 SCRA 489.
- [9] Rollo, 13; pp. 8-9 of the trial court's decision and quoted in private respondent's Memorandum, p. 9.
- [10] Legaspi vs. Court of Appeals, No. L-45510, May 27, 1986, 142 SCRA 82.

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