



Republic of the Philippines  
Supreme Court  
Manila

SECOND DIVISION

AURELIA GUA-AN AND SONIA  
GUA-AN MAMON,

Petitioners,

- versus -

GERTRUDES QUIRINO,  
represented by ELMER QUIRINO,  
Respondent.

G.R. No. 198770

Present:

CARPIO, Chairperson,  
BRION,  
DEL CASTILLO,  
PEREZ, and  
PERLAS-BERNABE, JJ.

Promulgated:

NOV 12 2012

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DECISION

PERLAS-BERNABE, J.:

Assailed in the instant Petition for Review on *Certiorari* under Rule 45 of the Rules of Court are the Decision<sup>1</sup> dated February 25, 2011 and Resolution<sup>2</sup> dated September 15, 2011 rendered by the Court of Appeals (CA) in CA-G.R. SP. No. 00589-MIN which set aside the December 29,

<sup>1</sup> *Rollo*, pp. 33-42. Penned by Associate Justice Leoncia R. Dimagiba, Associate Justices Edgardo A. Camello and Nina G. Antonio-Valenzuela, concurring.

<sup>2</sup> *Id.* at 44-45. Penned by Associate Justice Edgardo A. Camello, with Associate Justices Melchor Quirino C. Sadang & Zenaida Galapate Laguilles, concurring.

2004 Decision<sup>3</sup> of the Department of Agrarian Reform Adjudication Board (DARAB) and afforded respondent the preferential right of redemption over the subject landholdings.

### **The Factual Antecedents**

Subject of the instant case is a 2.8800 hectare agricultural land situated in Batangan, Valencia, Bukidnon known as Lot 0899, covered by Certificate of Land Transfer (CLT) No. 0-025227 in the name of Prisco Quirino, Sr.<sup>+</sup> (Prisco<sup>+</sup>) issued by the Ministry (now Department) of Agrarian Reform on October 16, 1979 pursuant to Presidential Decree (P.D.) No. 27. On February 27, 1985, Prisco<sup>+</sup> executed a Deed of Conditional Sale (deed) covering the subject landholding to Ernesto Bayagna (Ernesto) under the following conditions:

x x x that the condition of this sale is that I, Prisco Quirino, Sr. and my heirs hereby [reserve our] right to redeem or repurchase the herein subject parcel of land by returning to Ernesto Bayagna or his heirs the same amount of Forty thousand Pesos (P40,000.00), Philippine currency, after the lapse of eight (8) years from the date of execution of this instrument and if the subject land is not redeemed or repurchased after the said eight years, there shall be an automatic extension of four (4) years from the date the [eighth] year expires, and if after the 4 term expires, and I, Prisco Quirino, Sr., or my heirs still [fail] to redeem or repurchase the herein subject land, Ernesto Bayagna or his heirs shall continue to possess and enjoy the subject land until it is finally redeemed or repurchased. After the P40,000.00 is returned to Ernesto Bayagna or his heirs, the latter shall be obligated to return peacefully the subject land without any tenant or lessee.<sup>4</sup>

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<sup>3</sup> Id. at 25-31.

<sup>4</sup> Id. at 34.

Ernesto thereupon possessed and cultivated the subject land for more than 10 years before Prisco<sup>+</sup> offered to redeem the same in 1996, which was refused. Instead, Ernesto allowed the former owner of the land, petitioner Aurelia Gua-An (Aurelia), through her daughter, petitioner Sonia Gua-An Mamon (Sonia), to redeem the lot. Subsequently, Prisco<sup>+</sup> passed away.

On January 30, 1998, respondent Gertrudes Quirino, Prisco's widow, represented by their son, Elmer, filed before the Office of the Agrarian Reform Regional Adjudicator (RARAD) a Complaint for Specific Performance, Redemption, Reinstatement and Damages with Application for Writ of Preliminary Injunction and TRO against Ernesto and petitioners.

In their Answer, petitioners averred that Prisco's<sup>+</sup> right over the subject land was merely inchoate for failure to establish payment of just compensation to the landowner; the deed was null and void for being violative of the law and public policy; and that the failure to consign the redemption money effectively bars the redemption prayed for.

For his part, Ernesto averred that he allowed petitioners to redeem the lot because Prisco<sup>+</sup> failed to appear on the agreed date for redemption and on the information that the subject land was erroneously awarded to the latter.

On May 6, 1998, the RARAD dismissed the complaint for lack of merit.

### **The DARAB Ruling**

In the Decision<sup>5</sup> dated December 29, 2004, the DARAB denied respondent's appeal and declared Prisco<sup>+</sup> to have violated agrarian laws and of having abandoned the land by his failure to cultivate the same continuously for a period of more than two (2) calendar years. It canceled CLT No. 0-025227 in Prisco's<sup>+</sup> name and ordered the Municipal Agrarian Reform Officer (MARO) to reallocate the subject landholding to a qualified beneficiary.

### **The CA Ruling**

On petition for review, the CA reversed and set aside<sup>6</sup> the DARAB's decision. It ruled that the *pacto de retro* sale between Prisco<sup>+</sup> and Ernesto was a mere equitable mortgage, hence, not a prohibited transaction under P.D. 27, which is limited to “transfers or conveyances of title to a landholding acquired under the Land Reform Program of the Government.” Having acquired the subject land as a “qualified beneficiary,” Prisco<sup>+</sup> and his heirs possess security of tenure thereon and could not be dispossessed thereof except for cause and only through a final and executory judgment. Thus, the CA afforded the heirs of Prisco<sup>+</sup> the preferential right of redemption over the subject landholding.

In the instant petition, petitioners insist that since respondent failed to tender and consign the redemption money, the latter has no cause of action against them. Moreover, considering that Prisco<sup>+</sup> was not the absolute

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<sup>5</sup> Supra note 3.

<sup>6</sup> Supra note 1.

owner of the subject property, he cannot validly mortgage the same. Besides, Prisco<sup>+</sup> had lost his rights as a farmer-beneficiary when he transacted with Ernesto in violation of the provisions of Section 73(f)<sup>7</sup> of Republic Act (R.A.) No. 6657, as amended (Comprehensive Agrarian Reform Law of 1988).

### Our Ruling

The petition is meritorious.

It bears to stress that upon the promulgation of P.D. 27, farmer-tenants were deemed owners of the land they were tilling and given the rights to possess, cultivate and enjoy the landholding for themselves.<sup>8</sup> Thus, P.D. 27 specifically prohibited any transfer of such landholding except to the government or by hereditary succession. Section 27<sup>9</sup> of R.A. 6657 further allowed transfers to the Land Bank of the Philippines (LBP) and to other qualified beneficiaries. Consequently, any other transfer constitutes a violation of the above proscription and is null and void for being contrary to

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<sup>7</sup> Sec. 73. *Prohibited Acts and Omissions.* — The following are prohibited:

x x x x

(f) The sale, transfer or conveyance by a beneficiary of the right to use or any other usufructuary right over the land he/she acquired by virtue of being a beneficiary, in order to circumvent the provisions of this Act.

<sup>8</sup> *Estolas v. Mabalot*, G.R. No. 133706, May 7, 2002, 381 SCRA 702, 708.

<sup>9</sup> Sec. 27. *Transferability of Awarded Lands.* — Lands acquired by beneficiaries under this Act or other agrarian reform laws shall *not be sold, transferred or conveyed except through hereditary succession, or to the government, or to the LBP, or to other qualified beneficiaries through the DAR for a period of ten (10) years*: Provided, however, That the children or the spouse of the transferor shall have a right to repurchase the land from the government or LBP within a period of two (2) years. Due notice of the availability of the land shall be given by the LBP to the BARC of the barangay where the land is situated. The PARCCOM, as herein provided, shall, in turn, be given due notice thereof by the BARC. (Emphasis supplied)

x x x x

law.<sup>10</sup> Relevant on this point is Ministry of Agrarian Reform Memorandum Circular No. 7, series of 1979 which provides:

“Despite the x x x prohibition, x x x many farmer-beneficiaries of P.D. 27 have transferred their ownership, rights and/or possession of their farms/homelots to other persons or have surrendered the same to their former landowners. All these transactions/surrenders are violative of P.D. 27 and therefore null and void.”

A perusal of the Deed of Conditional Sale reveals the real intention of the parties not to enter into a contract of sale but merely to secure the payment of the ₱40,000.00 loan of Prisco<sup>+</sup>. This is evident from the fact that the latter was given the right to repurchase the subject property even beyond the 12-year (original and extended) period, allowing in the meantime the continued possession of Ernesto pending payment of the consideration. Under these conditions and in accordance with Article 1602<sup>11</sup> of the Civil Code, the CA did not err in adjudging the *pacto de retro* sale to be in reality an equitable mortgage.

However, contrary to the finding of the CA, the subject transaction is covered by the prohibition under P.D. No. 27 and R.A. No. 6657 which include transfer of possession of the landholding to the vendee *a retro*, Ernesto, who, not being a qualified beneficiary, remained in possession

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<sup>10</sup> *Vide Maylem v. Ellano*, G.R. No. 162721, July 13, 2009, 592 SCRA 440, 452; *Sta. Monica Industrial and Development Corporation v. Department of Agrarian Reform Regional Director for Region III*, G.R. No. 164846, June 18, 2008, 555 SCRA 97, 106.

<sup>11</sup> Art. 1602. The contract shall be presumed to be an equitable mortgage, in any of the following cases:

- (1) When the price of a sale with right to repurchase is unusually inadequate;
- (2) When the vendor remains in possession as lessee or otherwise;
- (3) When upon or after the expiration of the right to repurchase another instrument extending the period of redemption or granting a new period is executed;
- (4) When the purchaser retains for himself a part of the purchase price;
- (5) When the vendor binds himself to pay the taxes on the thing sold;
- (6) *In any other case where it may be fairly inferred that the real intention of the parties is that the transaction shall secure the payment of a debt or the performance of any other obligation.* (Emphasis supplied)

In any of the foregoing cases, any money, fruits, or other benefit to be received by the vendee as rent or otherwise shall be considered as interest which shall be subject to the usury laws.

thereof for a period of eleven (11) years. Hence, notwithstanding such possession, the latter did not acquire any valid right or title thereto, especially since he failed to take any positive measure to cause the cancellation of Prisco's<sup>+</sup> CLT No. 0-025227 despite the long lapse of time.

On the other hand, the redemption made by petitioner Aurelia was ineffective and void since reversion of the landholding to the former owner is likewise proscribed under P.D. No. 27 in accordance with its policy of holding such lands under trust for the succeeding generations of farmers.<sup>12</sup>

However, while CLT No. 0-025227 remains in Prisco's<sup>+</sup> name, the Court cannot turn a blind eye to the fact that Prisco<sup>+</sup> surrendered possession and cultivation of the subject land to Ernesto, not for a mere temporary period, but for a period of 11 years without any justifiable reason. Such act constituted abandonment despite his avowed intent to resume possession of the land upon payment of the loan. As defined in DAR Administrative Order No. 2, series of 1994, abandonment is a willful failure of the agrarian reform beneficiary, together with his farm household, "to cultivate, till, or develop his land to produce any crop, or to use the land for any specific economic purpose continuously for a period of two calendar years." It is a ground for cancellation by the DARAB of an award to the agrarian reform beneficiary. Consequently, respondent and/or Prisco's<sup>+</sup> heirs had lost any right to redeem the subject landholding.

In fine, we find the DARAB Decision finding Prisco<sup>+</sup> to have violated agrarian laws, canceling his CLT and ordering the reallocation of the subject land to be more in accord with the law and jurisprudence.

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<sup>12</sup> *Del Castillo vs. Orciga*, G.R. No. 153850, August 31, 2006, 500 SCRA 498, 508 & 511.

**WHEREFORE**, the assailed Decision dated February 25, 2011 and Resolution dated September 15, 2011 of the Court of Appeals in CA-G.R. SP. No. 00589-MIN are hereby **SET ASIDE**. The DARAB Decision dated December 29, 2004 is **REINSTATED**.

**SO ORDERED.**

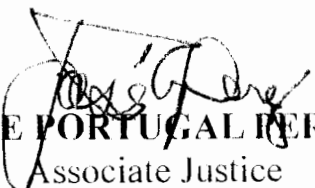
  
**ESTELA M. PERLAS-BERNABE**  
Associate Justice

**WE CONCUR:**

  
**ANTONIO T. CARPIO**  
Associate Justice  
Chairperson

  
**ARTURO D. BRION**  
Associate Justice

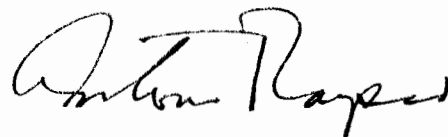
  
**MARIANO C. DEL CASTILLO**  
Associate Justice

  
**JOSE PORTUGAL PEREZ**  
Associate Justice



**ATTESTATION**

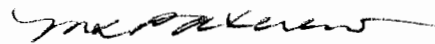
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

**ANTONIO T. CARPIO**

Associate Justice  
Chairperson, Second Division

**CERTIFICATION**

I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

**MARIA LOURDES P. A. SERENO**

Chief Justice