



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

FILINVEST LAND, INC., EFREN
C. GUTIERRE and LINA DE
GUZMAN-FERRER,

Petitioners,

G.R. No. 174715

Present:

-versus-

VELASCO, JR., J., *Chairperson*,
PERALTA,
ABAD,
PEREZ,* and
MENDOZA, JJ.

ABDUL BACKY, ABEHERA,
BAIYA, EDRIS, HADJI GULAM,
JAMELLA, KIRAM, LUCAYA,
MONER, OMAR, RAMIR,
ROBAYCA, SATAR, TAYBA ALL
SURNAMED NGILAY, EDMER
ANDONG, UNOS BANTANGAN
and NADJER ESQUIVEL,

Respondents.

Promulgated:

11 October 2012

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DECISION

PERALTA, J.:

For this Court's consideration is the Petition for Review on *Certiorari* under Rule 45, dated November 9, 2006, of petitioner Filinvest Land, Inc.,

* Designated Acting Member, per Special Order No. 1299 dated August 28, 2012.

which seeks to set aside the Decision¹ dated March 30, 2006 and Resolution² dated September 18, 2006 of the Court of Appeals (CA) partially reversing the Decision³ dated October 1, 2003 of the Regional Trial Court, Las Piñas, Branch 253 (RTC).

The factual antecedents, as found in the records follow.

Respondents were grantees of agricultural public lands located in Tambler, General Santos City through Homestead and Fee patents sometime in 1986 and 1991 which are covered by and specifically described in the following Original Certificates of Title issued by the Register of Deeds of General Santos City:

OCT No.	Area (sq. m.)	Grantee	Date Granted
P-5204	38,328	Abdul Backy Ngilay	November 11, 1986
P-5205	49,996	Hadji Gulam Ngilay	November 11, 1986
P-5206	49,875	Edris A. Ngilay	November 11, 1986
P-5207	44,797	Robayca A. Ngilay	November 11, 1986
P-5209	20,000	Omar Ngilay	November 11, 1986
P-5211	29,990	Tayba Ngilay	November 11, 1986
P-5212	48,055	Kiram Ngilay	November 11, 1986
P-5578	20,408	Nadger Esquevel	November 24, 1991
P-5579	35,093	Unos Bantangan	November 24, 1991
P-5580	39,507	Moner Ngilay	November 24, 1991
P-5582	44,809	Baiya Ngilay	November 24, 1991
P-5583	10,050	Jamela Ngilay	November 24, 1991
P-5584	49,993	Ramir Ngilay	November 24, 1991
P-5586	40,703	Satar Ngilay	November 24, 1991
P-5590	20,000	Abehara Ngilay	November 24, 1991
P-5592	41,645	Lucaya Ngilay	November 24, 1991
P-5595	13,168	Edmer Andong	November 24, 1991

Negotiations were made by petitioner, represented by Lina de Guzman-Ferrer with the patriarch of the Ngilays, Hadji Gulam Ngilay sometime in 1995. Eventually, a Deed of Conditional Sale of the above-enumerated properties in favor of petitioner Filinvest Land, Inc. was executed. Upon its execution, respondents were asked to deliver to petitioner

¹ Penned by Associate Justice Vicente S.E. Veloso, with Associate Justices Portia Aliño-Hormachuelos and Amelita G. Tolentino, concurring; *rollo*. pp. 40-57.
² *Id.* at 60-62.
³ Penned by Presiding Judge Jose F. Caoibe, Jr., *id.* at 335-343.

the original owner's duplicate copy of the certificates of title of their respective properties. Respondents received the downpayment for the properties on October 28, 1995.

A few days after the execution of the aforestated deeds and the delivery of the corresponding documents to petitioner, respondents came to know that the sale of their properties was null and void, because it was done within the period that they were not allowed to do so and that the sale did not have the approval of the Secretary of the Department of Environment and Natural Resources (DENR) prompting them to file a case for the declaration of nullity of the deeds of conditional and absolute sale of the questioned properties and the grant of right of way with the RTC, Las Piñas, Branch 253.

On the other hand, petitioner claims that sometime in 1995, the representative of Hadji Ngilay approached petitioner to propose the sale of a portion of his properties. Thereafter, representatives of petitioner flew to General Santos City from Manila to conduct an ocular inspection of the subject properties. Petitioner was willing to purchase the properties but seeing that some of the properties were registered as land grants through homestead patents, representatives of petitioner informed Ngilay that they would return to General Santos City in a few months to finalize the sale as ten (10) certificates of title were issued on November 24, 1991.

According to petitioner, Ngilay and his children prevailed upon the representatives of petitioner to make an advance payment. To accommodate the Ngilays, petitioner acceded to making an advance with the understanding that petitioner could demand anytime the return of the advance payment should Ngilay not be able to comply with the conditions of the sale. The Ngilays likewise undertook to secure the necessary approvals of the DENR before the consummation of the sale.

The RTC ruled in favor of Filinvest Land, Inc. and upheld the sale of all the properties in litigation. It found that the sale of those properties whose original certificates of title were issued by virtue of the 1986 Patents was valid, considering that the prohibitory period ended in 1991, or way before the transaction took place. As to those patents awarded in 1991, the same court opined that since those properties were the subject of a deed of conditional sale, compliance with those conditions is necessary for there to be a perfected contract between the parties. The RTC also upheld the grant of right of way as it adjudged that the right of way agreement showed that the right of way was granted to provide access from the highway to the properties to be purchased. The dispositive portion of the Decision dated October 1, 2003 reads:

WHEREFORE, premises considered, the Court upholds the sale of all the properties in litigation. It likewise upholds the grant of right of way in favor of the respondent. Consequently, the petition is DISMISSED.

No pronouncement as to damages for failure to prove the same.

Costs against the petitioners.

SO ORDERED.⁴

Respondents elevated the case to the CA in which the latter modified the judgment of the RTC. While the CA upheld the validity of the sale of the properties the patents of which were awarded in 1986, including the corresponding grant of right of way for the same lots, it nullified the disposition of those properties granted through patents in 1991 and the right of way on the same properties. As to the “1991 Patents,” the CA ruled that the contract of sale between the parties was a perfected contract, hence, the parties entered into a prohibited conveyance of a homestead within the prohibitive period of five years from the issuance of the patent. The CA Decision dated March 30, 2006 disposed the case as follows:

⁴ *Rollo*, pp. 342-343.

WHEREFORE, the assailed Decision dated October 1, 2003 is MODIFIED:

a) The Deed of Conditional Sale and Deed of Absolute Sale for the properties covered by the **“1991 Patents”**, as well as the Right of Way Agreement thereto, are declared null and void. The Register of Deeds of General Santos City is consequently directed to cancel the certificates of title covered by the “1991 Patents” issued in favor of appellee Filinvest and to issue new titles in favor of herein appellants.

b) The sale of the properties covered by the **“1986 Patents”**, including the corresponding grant of way for said lots, are declared **valid**.

SO ORDERED.⁵

Petitioners filed a Motion for Partial Reconsideration, but it was denied by the CA.

Hence, the present petition.

The grounds relied upon are:

1.

A CONDITIONAL SALE INVOLVING THE 1991 PATENTS DID NOT VIOLATE THE PROHIBITION AGAINST ALIENATION OF HOMESTEADS UNDER THE PUBLIC LAND ACT SINCE NO ACTUAL TRANSFER OR DISPOSITION WAS PERFECTED UNTIL ALL THE CONDITIONS OF THE DEED ARE FULFILLED.

2.

REGISTRATION IS THE OPERATIVE ACT THAT CONVEYS OR DISPOSES RIGHTS IN REAL PROPERTY. BEING UNREGISTERED, THE DEED OF CONDITIONAL SALE DID NOT CONVEY OR DISPOSE OF THE 1991 HOMESTEADS OR ANY RIGHTS THEREIN IN VIOLATION OF THE PUBLIC LAND ACT.

3.

ASSUMING THE NULLITY OF THE SALE OF THE 1991 PATENTS, THE HONORABLE COURT OF APPEALS SHOULD HAVE ORDERED RESPONDENTS AS A MATTER OF LAW TO RETURN TO PETITIONERS WHAT THEY HAVE RECEIVED.⁶

⁵ *Id.* at 56-57. (Emphasis supplied)

⁶ *Id.* at 21-22.

In their Comment⁷ dated March 5, 2007, respondents stated the following counter-arguments:

- (1) The Honorable Court of Appeals did not err in holding that the Deed of Conditional Sale and Deed of Absolute Sale for the properties covered by the 1991 Patents, as well as the Right of Way Agreement thereto is null and void for the simplest reason that the said transactions were violative of the Public Land Act.
- (2) The questions raised by the Petitioner, Filinvest Land Inc. (FLI) are unsubstantial to require consideration.⁸

In its Reply⁹ dated July 30, 2007, petitioner insists that the prohibition against alienation and disposition of land covered by Homestead Patents is a prohibition against the actual loss of the homestead within the five-year prohibitory period, not against all contracts including those that do not result in such an actual loss of ownership or possession. It also points out that respondents themselves admit that the transfer certificates of title covering the ten parcels of land are all dated 1998, which confirms its declaration that the lands covered by 1991 Homestead Patents were not conveyed to Filinvest until after the five-year prohibitory period.

The petition is unmeritorious.

The five-year prohibitory period following the issuance of the homestead patent is provided under Section 118 of Commonwealth Act No. 141, as amended by Commonwealth Act No. 456, otherwise known as the Public Land Act.¹⁰ It bears stressing that the law was enacted to give the homesteader or patentee every chance to preserve for himself and his family

⁷ *Id.* at 428-437.

⁸ *Id.* at 428.

⁹ *Id.* at 445-455.

¹⁰ Sec. 118. Except in favor of the Government or any of its branches, units, or institutions, lands acquired under free patent or homestead provisions shall not be subject to encumbrance or alienation from the date of the approval of the application and for a term of five years from and after the date of issuance of the patent or grant, nor shall they become liable to the satisfaction of any debt contracted prior to the expiration of said period, but the improvements or crops on the land may be mortgaged or pledged to qualified persons, associations, or corporations.

No alienation, transfer, or conveyance of any homestead after five years and before twenty-five years after issuance of title shall be valid without the approval of the Secretary of Agriculture and Commerce, which approval shall not be denied except on constitutional and legal grounds. (Emphasis supplied)

the land that the State had gratuitously given to him as a reward for his labour in cleaning and cultivating it.¹¹ Its basic objective, as the Court had occasion to stress, is to promote public policy that is to provide home and decent living for destitute, aimed at providing a class of independent small landholders which is the bulwark of peace and order.¹² Hence, any act which would have the effect of removing the property subject of the patent from the hands of a grantee will be struck down for being violative of the law.¹³

In the present case, the negotiations for the purchase of the properties covered by the patents issued in 1991 were made in 1995 and, eventually, an undated Deed of Conditional Sale was executed. On October 28, 1995, respondents received the downpayment of ₱14,000.000.00 for the properties covered by the patents issued in 1991. Applying the five-year prohibition, the properties covered by the patent issued on November 24, 1991 could only be alienated after November 24, 1996. Therefore, the sale, having been consummated on October 28, 1995, or within the five-year prohibition, is as ruled by the CA, void.

Petitioner argues that the correct formulation of the issue is not whether there was a perfected contract between the parties during the period of prohibition, but whether by such deed of conditional sale there was “alienation or encumbrance” within the contemplation of the law. This is wrong. The prohibition does not distinguish between consummated and executory sale. The conditional sale entered into by the parties is still a conveyance of the homestead patent. As correctly ruled by the CA, citing *Ortega v. Tan*:¹⁴

And, even assuming that the disputed sale was not yet perfected or consummated, still, the transaction cannot be validated. The prohibition of the law on the sale or encumbrance of the homestead within five years after the grant is MANDATORY. The purpose of the

¹¹ *Flore v. Marciano Bagaoisan*, G.R. No. 173365, April 15, 2010, 618 SCRA 323, 330, citing *Heirs of Venancio Bajenting v. Bañez*, G.R. No. 166190, September 20, 2006, 502 SCRA 531, 553.

¹² *Id.*

¹³ *Id.*

¹⁴ G.R. No 44617, January 23, 1990, 181 SCRA 350; 260 Phil. 371 (1990).

law is to promote a definite policy, *i.e.*, “to preserve and keep in the family of the homesteader that portion of the public land which the State has gratuitously given to him.” Thus, **the law does not distinguish between executory and consummated sales. Where the sale of a homestead was perfected within the prohibitory period of five years, the fact that the formal deed of sale was executed after the expiration of the staid period DID NOT and COULD NOT legalize a contract that was void from its inception.** To hold valid such arrangement would be to throw the door open to all possible fraudulent subterfuges and schemes which persons interested in the land given to a homesteader may devise in circumventing and defeating the legal provisions prohibiting their alienation within five years from the issuance of the patent.¹⁵

To repeat, the conveyance of a homestead before the expiration of the five-year prohibitory period following the issuance of the homestead patent is null and void and cannot be enforced, for it is not within the competence of any citizen to barter away what public policy by law seeks to preserve.¹⁶

Nevertheless, petitioner does not err in seeking the return of the down payment as a consequence of the sale having been declared void. The rule is settled that the declaration of nullity of a contract which is void *ab initio* operates to restore things to the state and condition in which they were found before the execution thereof.¹⁷ Petitioner is correct in its argument that allowing respondents to keep the amount received from petitioner is tantamount to judicial acquiescence to unjust enrichment. Unjust enrichment exists “when a person unjustly retains a benefit to the loss of another, or when a person retains money or property of another against the fundamental principles of justice, equity and good conscience.”¹⁸ There is unjust enrichment under Article 22 of the Civil Code when (1) a person is unjustly benefited, and (2) such benefit is derived at the expense of or with damages to another.¹⁹ Thus, the sale which created the obligation of petitioner to pay

¹⁵ Rollo, pp. 53-54. (Emphasis supplied)

¹⁶ *Saltiga de Romero v. Court of Appeals*, G.R. No. 109307, November 25, 1999, 319 SCRA 180, 192; 377 Phil. 189, 201.

¹⁷ *Development Bank of the Philippines v. CA, et al.*, G.R. No. 110053, October 16, 1995, 249 SCRA 331, 337; 319 Phil. 447, 454-455 (1995).

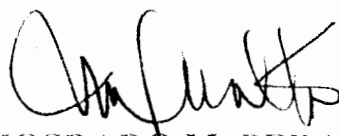
¹⁸ *Car Cool Philippines, Inc. v. Ushio Realty and Development Corporation*, G.R. No. 138088, January 23, 2006, 479 SCRA 404, 412; 515 Phil. 376, 384 (2006).

¹⁹ *H.L. Carlos Corporation, Inc. v. Marina Properties Corporation*, G.R. No. 147614, January 29, 2004, 421 SCRA 428, 437, citing *MC Engineering, Inc. v. Court of Appeals*, G.R. No. 104047, April 3, 2002, 380 SCRA 116, 138; 466 Phil. 182, 197 (2004).


the agreed amount having been declared void, respondents have the duty to return the down payment as they no longer have the right to keep it. The principle of unjust enrichment essentially contemplates payment when there is no duty to pay, and the person who receives the payment has no right to receive it.²⁰ As found by the CA and undisputed by the parties, the amount of the down payment made is ₱14,000,000.00 which shall also be the amount to be returned by respondents.

WHEREFORE, the Petition for Review on *Certiorari* dated November 9, 2006 of petitioner Filinvest Land, Inc. is hereby **DENIED**. Consequently, the Decision dated March 30, 2006 and Resolution dated September 18, 2006 of the Court of Appeals are hereby **AFFIRMED** with the **MODIFICATION** that respondents return the amount of ₱14,000,000.00 given by petitioner as down payment for the sale which is ruled to be void *ab initio*.


SO ORDERED.


DIOSDADO M. PERALTA
Associate Justice

WE CONCUR:


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

²⁰ *Gil Miguel T. Puyat v. Ron Zabarte*, G.R. No. 141536, February 26, 2001, 352 SCRA 738, 750; 405 Phil. 413, 431 (2001).



ROBERTO A. ABAD
Associate Justice


JOSE PORTUGAL PEREZ
Associate Justice


JOSE CATRAL MENDOZA
Associate Justice

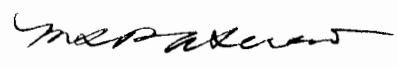
ATTESTATION

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.


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, 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