Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

NGEI MULTI-PURPOSE COOPERATIVE INC. AND HERNANCITO RONQUILLO, Petitioners,	**G.R. No. 184950**
	Present:
	VELASCO, JR., *J., Chairperson,*
	PERALTA,
	ABAD,
- versus -	PEREZ,* and,
	MENDOZA, *JJ.*
FILIPINAS PALMOIL PLANTATION INC. AND DENNIS VILLAREAL, Respondents.	Promulgated:
	11 October 2012

X ---------- X

DECISION

MENDOZA, *J.*:

This is a petition for review on certiorari under Rule 45 of the Rules of Court assailing the May 9, 2008 Decision[1] of the Court of Appeals *(CA)* in CA-G.R. SP No. 99552 and its October 3, 2008 Resolution[2] denying the motion for reconsideration thereof.

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* Designated additional member, per Special Order No. 1299, dated August 28, 2012.

[1] Annex "D" of Petition, *rollo*, pp. 50-59. Penned by Associate Justice Magdangal M. De Leon with Associate Justice Josefina Guevara-Salonga and Associate Justice Normandie B. Pizarro, concurring.

[2] Annex "E" of Petition, id. at 60-61.

The Facts

On December 2, 1988, the petitioner NGEI Multi-Purpose Cooperative Inc. *(NGEI Coop),* a duly-registered agrarian reform workers' cooperative, was awarded by the Department of Agrarian Reform *(DAR)* 3,996.6940 hectares of agricultural land for palm oil plantations located in Rosario and San Francisco, Agusan del Sur.

On March 7, 1990, NGEI Coop entered into a lease agreement with respondent Filipinas Palmoil Plantation, Inc. *(FPPI),* formerly known as NDC Gutrie Plantation, Inc., over the subject property commencing on September 27, 1988 and ending on December 31, 2007. Under the lease agreement, FPPI (as lessee) shall pay NGEI Coop (as lessor) a yearly fixed rental of ₱635.00 per hectare plus a variable component equivalent to 1% of net sales from 1988 to 1996, and ½% from 1997 to 2007.[3]

On January 29, 1998, the parties executed an Addendum to the Lease Agreement *(Addendum)* which provided for the extension of the lease contract for another 25 years from January 1, 2008 to December 2032. The *Addendum* was signed by Antonio Dayday, Chairman of the NGEI Coop, and respondent Dennis Villareal *(Villareal)*, the President of FPPI, and witnessed by DAR Undersecretary Artemio Adasa. The annual lease rental remained at ₱635.00 per hectare, but the package of economic benefits for the *bona fide* members of NGEI Coop was amended and increased, as follows:

[3] Id. at 51.

Years Covered	Amount (Per Hectare)
1998 – 2002	₱1,865.00
2003 – 2006	₱2,365.00
2007 – 2011	₱2,865.00
2012 – 2016	₱3,365.00
2017 – 2021	₱3,865.00
2022 – 2026	₱4,365.00
2027 – 2031	₱4,865.00
2032	₱5,365.00[4]

On June 20, 2002, NGEI Coop and petitioner Hernancito Ronquillo *(Ronquillo)* filed a complaint for the Nullification of the Lease Agreement and the Addendum to the Lease Agreement before the Department of Agrarian Reform Adjudication Board *(DARAB)* Regional Adjudicator of San Francisco, Agusan del Sur *(Regional Adjudicator).* The case was docketed as DARAB Case No. XIII (03)–176. The petitioners alleged, among others, that the *Addendum* was null and void because Antonio Dayday had no authority to enter into the agreement; that said *Addendum* was approved neither by the farm worker-beneficiaries nor by the Presidential Agrarian Reform Council *(PARC)* Executive Committee, as required by DAR Administrative Order *(A.O.)* No. 5, Series of 1997; that the annual rental and the package of economic benefits were onerous and unjust to them; and that the lease agreement and the *Addendum* unjustly deprived them of their right to till their own land for an exceedingly long period of time, contrary to the intent of Republic Act *(R.A.)* No. 6657, as amended by R.A. No. 7905.

[4] Id. at 52.

In its Decision,[5] dated February 3, 2004, the Regional Adjudicator declared the *Addendum* as null and void for having been entered into by Antonio Dayday without the express authority of NGEI Coop, and for having been executed in violation of the Rules under A.O. No. 5, Series of 1997.

FPPI filed a motion for reconsideration. The Regional Adjudicator, finding merit in the said motion, reversed his earlier decision in an Order, dated March 22, 2004. He dismissed the complaint for the nullification of the *Addendum* on the grounds of prescription and lack of cause of action. The Regional Adjudicator further opined that the *Addendum* was valid and binding on both the NGEI Coop and FPPI and, the petitioners having enjoyed the benefits under the *Addendum* for more than four (4) years before filing the complaint, were considered to have waived their rights to assail the agreement.

The petitioners moved for a reconsideration of the said order but the Regional Adjudicator denied it in the Order dated April 28, 2004.

On appeal, the DARAB Central Office rendered the October 9, 2006 Decision.[6] It found no reversible error on the findings of fact and law by the Regional Adjudicator and disposed the case as follows:

> WHEREFORE, premises considered, the instant Appeal is DENIED for lack of merit and the assailed Order dated March 22, 2004 is hereby affirmed.
>
> SO ORDERED.[7]

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[5] Annex "K" of Petition, id. at 100-106.
[6] Annex "M" of Petition, id. at 111.
[7] Id. at 117.

After their motion for reconsideration was denied, the petitioners appealed to the CA via a petition for review under Rule 43 of the Rules of Court.

On May 9, 2008, the CA rendered the assailed decision upholding the validity and binding effect of the *Addendum* as it was freely and voluntarily executed between the parties, devoid of any vices of consent. The CA sustained its validity on the basis of the civil law principle of mutuality of contracts that the parties were bound by the terms and conditions unequivocally expressed in the addendum which was the law between them.

In dismissing the petition, the CA ratiocinated that the findings of fact of the Regional Adjudicator and the DARAB were supported by substantial evidence. Citing the case of *Sps. Joson v. Mendoza*,[8] the CA held that such findings of the agrarian court being supported by substantial evidence were conclusive and binding on it.

The petitioners filed a motion for reconsideration of the said decision on the grounds, among others, that the findings of fact of the Regional Adjudicator were in conflict with those of the DARAB and were not supported by the evidence on record; and that the conclusions of law were not in accordance with applicable law and existing jurisprudence. The motion, however, was denied for lack of merit by the CA in its Resolution, dated October 3, 2008.

Hence, NGEI Coop and Ronquillo interpose the present petition before this Court anchored on the following

[8] 505 Phil. 208 (2005).

GROUNDS

(I)

THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN NOT HOLDING THAT THE ASSAILED ADDENDUM IS VOID AB-INITIO, THE SAME HAVING BEEN EXECUTED WITHOUT THE CONSENT OF ONE OF THE PARTIES THERETO (Petitioner NGEI-MPC), BY REASON OF THE ABSENCE OF AUTHORITY TO EXECUTE THE SAME GIVEN BY SAID PARTY TO THE SUBSCRIBING INDIVIDUAL (Dayday) AND THE FACT THAT THE ADDENDUM WAS NEVER RATIFIED BY THE GENERAL MEMBERSHIP OF NGEI-MPC.

(II)

THE HONORABLE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE ADDENDUM TO LEASE AGREEMENT IS NULL AND VOID FOR BEING CONTRARY TO LAW, MORALS, GOOD CUSTOMS, AND PUBLIC POLICY.

(III)

THE HONORABLE COURT OF APPEALS, WITH GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION, SERIOUSLY ERRED IN HOLDING THAT THE DECISION OF THE DARAB IS SUPPORTED BY SUBSTANTIAL EVIDENCE.

(IV)

WHETHER OR NOT PETITIONERS' CAUSE OF ACTION HAS PRESCRIBED.[9]

The sole issue for the Court's resolution is whether the CA committed reversible error of law when it affirmed the decision of the DARAB which upheld the order of the Regional Adjudicator dismissing the petitioners' complaint for the nullification of the *Addendum*.

The Court finds the petition bereft of merit.

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[9] *Rollo*, pp. 14-15.

The petitioners contend that the CA gravely erred in upholding the validity of the *Addendum*. They allege that the yearly lease rental of ₱635.00 per hectare stipulated in the *Addendum* was unconscionable because it violated the prescribed minimum rental rates under DAR A.O. No. 5, Series of 1997 and R.A. No. 3844 which mandate that the lease rental should not be less than the yearly amortization and taxes. They also argue that it constitutes an infringement on the policy of the State to promote social justice for the welfare and dignity of farmers and farm workers.

Relying on the same A.O. No. 5, the petitioners further argue that the *Addendum* with another 25 years of extension period was invalid for lack of approval by the PARC Executive Committee; that Antonio Dayday had no authority to enter into the *Addendum* on behalf of NGEI Coop; that the authority given, if any, was merely for a review of the lease agreement and to negotiate with FPPI on the specific issue of land lease rental through a negotiating panel or committee, to which Dayday was a member; that Dayday's act of signing for, and in behalf of, NGEI Coop being *ultra vires* was null and void; that it was Vicente Flora who was authorized to sign the *Addendum* as shown in Resolution No. 1, Series of 1998; that the *Addendum* was not ratified through the use of attendance sheets for meal and transportation allowance; that neither did NGEI Coop and its members ratify the *Addendum* by their receipt of its so-called economic benefits; and that their acceptance of the benefits under the agreement was not an indication of waiver of their right to pursue their claims against FPPI considering their consistent actions to contest the subject *Addendum*.

The respondents, on the other hand, posit in their Comment[10] and reiterated in their Memorandum[11] that by raising factual issues, the petitioners were seeking a review of the factual findings of the Regional

[10] Dated March 6, 2009, id. at 131-153.
[11] Dated October 2, 2009, id. at 322-352.

Adjudicator and the DARAB which is proscribed in a petition for review under Rule 45 of the Rules of Court. They add that the findings of the said administrative agencies, having been sustained by the CA in the assailed decision and supported by substantial evidence, should be respected.

The respondents further state that the CA correctly ruled that the *Addendum* was a valid and binding contract. They claim that the package of economic benefits under the *Addendum* was not unconscionable or contrary to public policy.

Indeed, the issues raised in this petition are mainly factual in nature. Factual issues are not proper subjects of the Court's power of judicial review. Well-settled is the rule that only questions of law can be raised in a petition for review under Rule 45 of the Rules of Civil Procedure.[12] It is, thus, beyond the Court's jurisdiction to review the factual findings of the Regional Adjudicator, the DARAB and the CA as regards the validity and the binding effect of the Addendum. Whether or not the person who signed the *Addendum* on behalf of the NGEI Coop was authorized to do so; whether or not the NGEI Coop members ratified the *Addendum*; whether or not the rental rates prescribed in the *Addendum* were unconscionably low so as to be illegal, and whether or not the NGEI Coop had consistently assailed the validity of the *Addendum* even prior to the filing of the complaint with the Regional Adjudicator, are issues of fact which cannot be passed upon by the Court for the simple reason that the Court is not a trier of facts.

As held in the recent case of *Carpio v. Sebastian*,[13] thus:

> x x x It bears stressing that in a petition for review on certiorari, the scope of this Court's judicial review of decisions of the Court of Appeals is generally confined only to errors of law, and questions of

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[12] *Mago v. Barbin*, G.R. No. 173923, October 12, 2009, 603 SCRA 383, 392, citing Section 1, Rule 45 which states that the petition shall raise only questions of law which must be distinctly set forth. *Ortega v. People*, G.R. No. 177944, December 24, 2008, 575 SCRA 519.

[13] G.R. No. 166108, June 16, 2010, 621 SCRA 1.

> fact are not entertained. We elucidated on our fidelity to this rule, and we said:
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> Thus, **only questions of law may be brought by the parties and passed upon by this Court in the exercise of its power to review. Also, judicial review by this Court does not extend to a reevaluation of the sufficiency of the evidence** upon which the proper x x x tribunal has based its determination.
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> It is aphoristic that **a re-examination of factual findings cannot be done through a petition for review on certiorari under Rule 45 of the Rules of Court** because as earlier stated, this Court is not a trier of facts; it reviews only questions of law. The **Supreme Court is not duty-bound to analyze and weigh again the evidence considered in the proceedings below.**[14]

In the present case, the Court finds no cogent reason to depart from the aforementioned settled rule. The DARAB made the following findings, *viz*:

> This Board finds that the said "Addendum to the Lease Agreement" is valid and binding to both parties. While the complainant impugn[s] the validity of the "Addendum" based on the ground that Chairman Dayday was not authorized by the Cooperative to enter into the Agreement, based on the records, a series of Resolution was made authorizing the Chairman to enter into the said "Addendum." Granting en arguendo that Chairman Dayday was not authorized to enter into the said Agreement, the fact remains that the terms and stipulations in the Addendum had been observed and enforced by the parties for several years. Both parties have benefited from the said contract. If indeed Chairman Dayday was not authorized to enter into said Agreement, why does the Cooperative have to wait for four (4) years to impugn the validity of the Contract. Thus, the Adjudicator a quo is correct in his findings that:
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> > As already discussed in the assailed Order, whatever procedural defects that may have attended the final execution of the addendum, these are considered waived and/or impliedly accepted or consented to by Complainants when its General assembly ratified its execution and lived with for the next four (4) years.
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> Further the Adjudicator a quo is correct in his findings that:
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> > It has to be impressed once more, that the Complaint is really one for the cancellation of the Addendum to the original lease agreement. The

[14] Id. at 8, citing *Diokno v. Cacdac*, G.R. No. 168475, July 4, 2007, 526 SCRA 440, 460-461.

> negotiations that [led] to its execution is in fact a re-negotiation of the old lease contract, and not a negotiated original lease requiring the approval of the PARC Executive Committee. The re-negotiation that culminated in the execution of the addendum requires only the recommendation of the PARCCOM and the DAR, (AO No. 5, S-1997). It cannot be gainsaid, therefore, that both PARCCOM and the DAR after a long and tedious re-negotiation had no knowledge of such re-negotiation, but for reasons unknown, both have kept their peace, thus, allowing the addendum to be ratified, enforced and implemented. On the other hand, the arguments, that said addendum being void ab initio may be assailed at anytime cannot be conceded. First, because said addendum has not been officially or legally declared as a nullity. It is not nullified just because a subsequent resolution of the Coop Board abrogated the Addendum. To annul a Contract cannot be done unilaterally, in fact the reason why this case was filed. On the contrary, having been forged in 1998, complainants waited until 2002 to assail its validity, and in the meantime, their action to do so had prescribed pursuant to Section 28 of RA 3844, the law governing leasehold. The other assigned alleged errors having been fully discussed in the assailed Order of [M]arch 22, 2004, the same need no longer be traversed.
>
> Finding no reversible error on the finding of facts and law made by the Adjudicator a quo this Board hereby affirms the Order dated March 22, 2004.[15]

It is well to emphasize that the above-quoted factual findings and conclusions of the DARAB affirming those of the Regional Adjudicator were sustained by the CA in the assailed decision. The Court is in accord with the CA when it wrote:

> In appeals in agrarian cases, the only function of this Court is to determine whether the findings of fact of the Department of Agrarian Reform Adjudication Board (DARAB) are supported by substantial evidence – it cannot make its own findings of fact and substitute the same for the findings of the DARAB. And substantial evidence has been defined to be such relevant evidence as a reasonable mind might accept as adequate to support a conclusion and its absence is not shown by stressing that there is contrary evidence on record, direct or circumstantial; and where the findings

[15] Annex "M" of Petition, *rollo*, pp. 116-117.

> of the agrarian court are supported by substantial evidence, such findings are conclusive and binding on the appellate court.[16]

Considering that the findings of the Regional Adjudicator and the DARAB are uniform in all material respects, these findings should not be disturbed. More so in this case where such findings were sustained by the CA for being supported by substantial evidence and in accord with law and jurisprudence.

Verily, the factual findings of administrative officials and agencies that have acquired expertise in the performance of their official duties and the exercise of their primary jurisdiction are generally accorded not only respect but, at times, even finality if such findings are supported by substantial evidence.[17] The factual findings of these quasi-judicial agencies, especially when affirmed by the CA, are binding on the Court. The recognized exceptions to this rule are: (1) when there is grave abuse of discretion; (2) when the findings are grounded on speculation; (3) when the inference made is manifestly mistaken; (4) when the judgment of the Court of Appeals is based on a misapprehension of facts; (5) when the factual findings are conflicting; (6) when the Court of Appeals went beyond the issues of the case and its findings are contrary to the admissions of the parties; (7) when the Court of Appeals overlooked undisputed facts which, if properly considered, would justify a different conclusion; (8) when the facts set forth by the petitioner are not disputed by the respondent; and (9) when the findings of the Court of Appeals are premised on the absence of evidence and are contradicted by the evidence on record.[18] None of these circumstances is obtaining in this case.

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[16] Annex "D" of Petition, id. at 55-56.
[17] *Republic v. Salvador N. Lopez Agri-Business Corp*., G.R. Nos. 178895 and 179071, January 10, 2011, 639 SCRA 49, 60, citing *Taguinod v. Court of Appeals*, G.R. No. 154654, September 14, 2007, 533 SCRA 403, 416.
[18] *Heirs of Felicidad Vda. de Dela Cruz v. Heirs of Pedro T. Fajardo*, G.R. No. 184966, May 30, 2011, 649 SCRA 463, 471, citing *Pagsibigan v. People*, G.R. No. 163868, 4 June 2009, 588 SCRA 249, 257.

The Court understands the predicament of these farmer-beneficiaries of NGEI Coop. Under the prevailing circumstances, however, it cannot save them from the consequences of the binding lease agreement, the *Addendum*. The petitioners, having freely and willingly entered into the *Addendum* with FPPI, cannot and should not now be permitted to renege on their compliance under it, based on the supposition that its terms are unconscionable. The contract must bind both contracting parties; its validity or compliance cannot be left to the will of one of them.[19]

It is basic that a contract is the law between the parties. Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith. Unless the stipulations in a contract are contrary to law, morals, good customs, public order or public policy, the same are binding as between the parties.[20] The Court quotes with approval the ruling of the CA on this matter, to wit:

> Indeed, the terms and conditions between the parties unequivocally expressed in the *Addendum* must govern their contractual relations for these serve as the terms of the agreement, which are binding and conclusive on them.
>
> Consequently, petitioners cannot unilaterally change the tenor of the terms and conditions of the *Addendum* or cancel it altogether after having gone through the solemnities and formalities for its perfection. In fact, the *Addendum* had been consummated upon performance by the parties of the prestations and after they had already reaped the mutual benefits arising from the contract. Mutuality is one of the characteristics of a contract, and its validity or performance or compliance cannot be left to the will of only one of the parties. It is a long established doctrine that the law does not relieve a party from the effects of an unwise, foolish, or disastrous contract, entered into with all the required formalities and with full awareness of what he was doing.[21] (Underscoring supplied)

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[19] Article 1308 of the Civil Code, cited in *Morla v. Belmonte*, G.R. No. 171146, December 7, 2011.
[20] *Morla v. Belmonte*, G.R. No. 171146, December 7, 2011, citing *Roxas v. De Zuzuarregui, Jr.*, 516 Phil. 605, 622-623, (2006).
[21] Annex "D" of Petition, *rollo*, pp. 57-58.

It must be stressed that the *Addendum* was found to be a valid and binding contract. The petitioners failed to show that the Addendum's stipulated rental rates and economic benefits violated any law or public policy. The Addendum should, therefore, be given full force and effect, without prejudice to a renegotiation of the terms of the leasehold agreement in accordance with the provisions of Administrative Order No. 5, Series of 1997, governing their *Addendum*, as regards the contracting procedures and fixing of lease rental in lands planted to palm oil trees, specifically:

> IV. POLICIES AND GOVERNING PRINCIPLES
>
> xxx
>
> D. Renegotiation of the amount of lease rental shall be undertaken by the parties every five (5) years, subject to the recommendation of the PARCCOM and review by the DAR.
>
> Lease rental on the leased lands may be renegotiated by the contracting parties even prior to the termination of the contract on the following grounds: (a) domestic inflation rate of seven percent (7%) or more; (b) drop in the world prices of the commodity by at least twenty percent (20%); and (c) other valid reasons.
>
> E. Any conflict that may arise from the implementation of the lease contract shall be referred to the PARCCOM by any of the contracting parties for mediation and resolution. In the event of failure to resolve the issue, any of the parties may file an action with the Department of Agrarian Reform Adjudication Board (DARAB) for adjudication pursuant to Section 50 of R.A. No. 6657.

Anent the issue of prescription, Section 38 of R.A. No. 3844 (The Agricultural Land Reform Code), the applicable law to agricultural leasehold relations, provides:

> **Section 38.** *Statute of Limitations* - An action to enforce any cause of action under this Code shall be barred if not commenced within three years after such cause of action accrued. (Underscoring supplied)

On the basis of the aforequoted provision, the petitioners' cause of action to have the *Addendum*, an agricultural leasehold arrangement between NGEI Coop and FPPI, declared null and void has already prescribed. To recall, the *Addendum* was executed on January 29, 1998 and the petitioners filed their complaint with the Regional Adjudicator on June 20, 2002, or more than four years after the cause of action accrued. Evidently, prescription has already set in.

Inasmuch as the validity of the *Addendum* was sustained by the CA as devoid of any vice or defect, Article 1410 of the Civil Code on imprescriptibility of actions for declaration of inexistence of contracts, relied upon by the petitioners, is not applicable.

On a final note, the petitioners faulted the CA for failure to re-assess the facts of the case despite the conflicting findings of the Regional Adjudicator and the DARAB. Such imputation of error deserves no merit because, in truth and in fact, no such conflict exists. Contrary to the petitioners' claim, both tribunals declared the validity of the *Addendum* being in existence for several years and on the basis that the petitioners had enjoyed the benefits accorded under it, and both raised the ground of prescription of the petitioners' cause of action pursuant to Section 38, R.A. No. 3844.

All told, the Court, after a careful review of the records, finds no reversible error in the assailed decision of the CA.

WHEREFORE, the petition is **DENIED**.

SO ORDERED.

JOSE CATRAL MENDOZA
Associate Justice

WE CONCUR:

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

DIOSDADO M. PERALTA
Associate Justice

ROBERTO A. ABAD
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.

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