Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

WELLER JOPSON,
Petitioner,

- *versus* -

FABIAN O. MENDEZ, JR. and DEVELOPMENT BANK OF THE PHILIPPINES,
Respondents.

G.R. No. 191538

Present:

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

Promulgated:

December 11, 2013

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DECISION

PERALTA, *J.*:

Assailed in this Petition for Review on *Certiorari* under Rule 45 of the Rules of Court are the Decision[1] dated July 9, 2009 and Resolution[2] dated February 12, 2010 of the Court of Appeals (*CA*) in CA-G.R. SP No. 70781.

The facts, as found by the CA, are as follows:

> Spouses Laura S. Pascual (Laura) and Jose H. Mendoza (Jose) owned a parcel of land situated at Naga City, Camarines Sur. The property had an aggregate area of one hundred one thousand forty-five (101,045) square meters and was covered by Transfer Certificate of Title (TCT) No. 687. On 26 December 1961, the said property was subdivided into sixty-three (63) lots through a judicially approved subdivision and became part of Laura Subdivision. Thus, TCT No. 687 was cancelled and, in its stead,

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[1] Penned by Associate Justice Priscilla J. Baltazar-Padilla, with Associate Justices Mariano C. Del Castillo (now a member of this Court) and Monina Arevalo-Zenarosa, concurring; *rollo*, pp. 18-31.

[2] *Rollo*, pp. 32-33.

TCT No. 986 (covering 31 lots), TCT No. 987 (covering 31 lots) and TCT No. 988 (covering 1 lot) were issued.

On 4 January 1992, spouses Laura and Jose conveyed to respondent Development Bank of the Philippines (respondent DBP), by way of *dacion en pago*, the parcel of land covered by TCT No. 986 (subject landholding) which has an area of eight thousand nine hundred forty-six (8,946) square meters. The transfer was evidenced by a Deed of Conveyance of Real Estate Property in Payment of Debt. As a consequence, the Registry of Deeds of Naga City cancelled TCT No. 986 and issued TCT No. 1149 in favor of respondent DBP.

Sometime in the year 1990, respondent DBP published an Invitation to Bid for the conveyance of the subject landholding covered by TCT No. 1149. On 28 December 1990, the said property was sold for ₱1.2M to petitioner Fabian O. Mendez, Jr. x x x as the highest bidder. Thus, TCT No. 1149 was cancelled and, in lieu of it, TCT No. 21190 was issued to [respondent Mendez].

Sometime in 1991, a Complaint was filed by x x x Weller Jopson x x x with the Provincial Agrarian Reform Adjudicator (PARAD) of Camarines Sur. It was directed against respondent DBP, [respondent Mendez] and Leonardo Tominio (Leonardo) for annulment of sale, preemption/redemption and reinstatement with prayer for a writ of preliminary injunction and/or restraining order with damages.

In essence, [petitioner] alleged that he is a *bona fide* tenant-farmer of the parcel of land subject of the sale between respondent DBP and [respondent Mendez]; his father Melchor Jopson (Melchor), was the original tenant of subject landholding appointed as such by the spouses Laura and Jose in 1947; in 1967, he succeeded his father in cultivating the subject landholding now covered by the present TCT No. 21190 when his father became ill; from 1967 up to December 1990, he laboriously tilled and cultivated the parcel of land and religiously shared the harvest with respondent DBP through its representatives or employees; on 20 December 1990, a certain Leonardo, acting upon the instructions of [respondent Mendez], unlawfully entered the subject landholding and ejected him from the same; the sale of the subject landholding by respondent DBP to petitioner is void because the latter is not qualified to acquire the same under Republic Act (R.A.) No. 6657; the sale of the parcel of land is also violative of Executive Order (E.O.) No. 360, series of 1989, in relation to Section 1 of E.O. No. 407 dated 14 June 1990; he was deprived of his preferential right to buy the parcel of land he tenanted under reasonable terms and conditions as provided for by Section 11, R.A. No. 3844; in the alternative, he also has the right to redeem the parcel of land from petitioner at a reasonable price pursuant to Section 12, R.A. No. 3844; the forcible entry by Leonardo upon the instructions of [respondent Mendez] desecrated his right to security of tenure and deprivation of his livelihood; he is entitled to the award of actual damages, moral damages, exemplary damages, attorney's fees and litigation expenses; a writ of preliminary injunction should be issued to prevent petitioner or his agents from disposing of the parcel of land.

In his Answer dated 5 November 1991, [respondent Mendez] denied [petitioner]'s allegations and asseverated that the latter has no

> cause of action against him; [petitioner] is guilty of laches (or estoppel) for not having questioned the auction sale of the parcel of land; the PARAD had no jurisdiction over the case because the parcel of land subject of the sale is no longer classified as agricultural and it is not located in an agricultural zone; as compulsory counterclaim, he is entitled to the award of moral damages, exemplary damages, attorney's fees and litigation expenses; as cross-claim against respondent DBP, he prayed that in the event judgment is rendered in [petitioner]'s favor, respondent DBP should shoulder all the monetary awards that will be granted to [petitioner], return to him the purchase price with interest, reimburse him all the expenses that he incurred relative to the purchase of the parcel of land and the improvements thereon, compensate him for lost business opportunities and pay him for the reliefs in his counterclaim.
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> Leonardo, in his Answer dated 24 January 1992, denied [petitioner]'s allegations and averred that he was already in possession of the parcel of land even before 20 December 1990, long before he knew [respondent Mendez]; it was [petitioner], claiming to be respondent DBP's caretaker, who placed him in the subject landholding; as counterclaim, he should be awarded moral damages, attorney's fees and litigation expenses.
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> In its Amended Answer dated 15 June 1992, respondent DBP alleged that [respondent Mendez] accepted the sale will full knowledge of the extent and nature of the right, title and interest of the former, thus, he should be the one to assume the risk of any liability, or the extent thereof, when he purchased the subject landholding.
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> On 8 October 1993, [respondent Mendez] filed a Motion to Maintain Status Quo Ante Litem and to Cite Complainant in Contempt as [petitioner] forcibly entered the parcel of land in the company of armed men. The motion was resolved by granting [respondent Mendez's] request and ordering [petitioner] to vacate the parcel of land. [Respondent Mendez] was, however, ordered to post a cash bond in the amount of ₱10,000.00 to answer for any damage [petitioner] may incur upon the issuance of the order to vacate.[3]

In a Decision[4] dated August 25, 1995, the PARAD declared the sale of the subject property between respondents as a nullity and ordered respondent DBP to execute the necessary Deed of Transfer of the parcel of land in favor of the Republic of the Philippines. It held that while the subject landholding is situated within a district classified as secondary commercial zone and its subdivision was judicially approved, the same was not duly converted to non-agricultural use as prescribed by law. Resultantly, the Register of Deeds of Naga City was ordered to cancel TCT No. 21190. The dispositive portion of the decision reads:

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3 *Id.* at 19-21. (Citations omitted)

4 *Id*. at 88-99.

WHEREFORE, judgment is hereby rendered:

1. Declaring the Deed of Absolute Sale executed by respondent Development Bank of the Philippines (DBP) in favor of co-respondent Fabian Mendez contrary to law and therefore a nullity;

2. Ordering DBP to execute the necessary Deed of Transfer in favor of the Republic of the Philippines represented by the Department of Agrarian Reform and surrender to the latter possession of subject landholding for coverage under E.O. No. 947;

3. Ordering DBP to return the purchase price of ₱1,200,000.00 to co-respondent Fabian Mendez;

4. Denying the claim for redemption and reinstatement by petitioner;

5. Ordering the Clerk of the Board, DARAB, Naga City to return to Fabian Mendez the cash bond of ₱10,000.00;

6. Dismissing all other claims for lack of merit.

7. Ordering the Register of Deeds, Naga City to cancel TCT No. 21190.

SO ORDERED.[5]

Respondents moved for reconsideration of the aforesaid decision and argued that the parcel of land is no longer agricultural per Zoning Ordinance No. 603 adopted on December 20, 1978.

In a Resolution[6] dated February 26, 1996, the PARAD reversed its earlier ruling and declared that the parcel of land in question is duly classified and zonified as non-agricultural land in accordance with pertinent laws and guidelines.

Petitioner, thereafter, filed a Notice of Appeal with the DARAB.

In a Decision[7] dated January 25, 2000, the DARAB reversed the PARAD's ruling and held that there is a tenancy relationship between respondent DBP and petitioner as evidenced by the sharing of harvest between them. Thus, petitioner is not a mere caretaker but a *bona fide* tenant. It, however, did not sustain petitioner's claim for redemption of the

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5 *Id*. at 98-99.
6 *Id*. at 116-118.
7 *Id*. at 119-131.

subject landholding since he failed to consign with the PARAD a reasonable amount to cover the price of the land. It held as follows:

> **WHEREFORE,** on the basis of the foregoing, the assailed Order is hereby **REVERSED** and a new one entered:
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> 1. Declaring petitioner-appellant entitled to reinstatement to the subject landholding; and
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> 2. Directing Fabian Mendez and all other persons in his behalf or under his authority to maintain petitioner-appellant in peaceful possession and cultivation of the subject-landholding as agricultural lessee thereof.
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> SO ORDERED.[8]

Respondent Mendez filed a motion for reconsideration against said decision, while petitioner filed a Petition for Review with the CA advancing the argument that the PARAD and the DARAB erred and gravely abused their discretion in denying his right of redemption of the parcel of land. In a Decision dated November 29, 2001, the CA denied petitioner's petition.

In a Resolution[9] dated April 26, 2002, the DARAB denied respondent Mendez's motion for reconsideration. Accordingly, respondent Mendez filed an appeal with the CA.

In a Decision dated July 9, 2009, the CA nullified and set aside the decision and resolution of the DARAB. The *fallo* reads:

> **WHEREFORE,** the foregoing premises considered, the petition is hereby **GRANTED.** Accordingly, the challenged Decision and Resolution of the DARAB, dated 25 January 2000 and 26 April 2002, respectively, are **NULLIFIED** and **SET ASIDE.** The complaint of respondent Jopson before the PARAD is **DISMISSED.**
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> SO ORDERED.[10]

Unfazed, petitioner filed a Motion for Reconsideration. However, the same was denied in a Resolution dated February 12, 2010.

Thus, the present petition wherein petitioner raises the following issues for our resolution:

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8 *Id*. at 131. (Emphasis in the original)
9 *Id*. at 141-142.
10 *Id.* at 30. (Emphasis in the original)

1. THE HONORABLE COURT OF APPEALS COMMITTED REVERSIBLE ERROR OF LAW WHEN IT DISREGARDED THE SUBSTANTIAL EVIDENCE RULE BY OVERTURNING THE FINDINGS OF FACT OF THE DARAB THAT PETITIONER IS A BONAFIDE AGRICULTURAL TENANT OF THE SUBJECT PROPERTY.

2. THE HONORABLE COURT OF APPEALS GRAVELY ERRED IN FINDING THAT THE PARAD AND THE DARAB HAVE NO JURISDICTION OVER THE CASE.[11]

In essence, the issues are: (1) whether petitioner is a *bona fide* tenant of the subject property, and (2) whether the PARAD and DARAB have jurisdiction over the present case.

At the outset, it must be emphasized that in order for a tenancy agreement to arise, it is essential to establish all its indispensable elements, *viz.*: (1) the parties are the landowner and the tenant or agricultural lessee; (2) the subject matter of the relationship is an agricultural land; (3) there is consent between the parties to the relationship; (4) the purpose of the relationship is to bring about agricultural production; (5) there is personal cultivation on the part of the tenant or agricultural lessee; and (6) the harvest is shared between the landowner and the tenant or agricultural lessee. All these requisites are necessary to create a tenancy relationship, and the absence of one or more requisites will not make the alleged tenant a *de facto* tenant.[12]

In this case, however, the facts substantiating a *de jure* tenancy are missing.

First, besides petitioner's bare assertion that a tenancy relationship exists between him and respondent DBP, no other concrete proof was presented by petitioner to demonstrate the relationship of petitioner and respondent DBP as tenant and landowner. In fact, respondent DBP resolutely argued that petitioner is not a tenant but a mere caretaker of the subject landholding.

Second, the subject matter of the relationship is not an agricultural land but a commercial land. Section 3 (c) of Republic Act (R.A.) No. 6657,[13] otherwise known as the *Comprehensive Agrarian Reform Law (CARL)*, states that "an agricultural land refers to land devoted to agricultural activity

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11 *Id.* at 9-10.

12 *Masaquel v. Orial*, 562 Phil. 645, 653 (2007).

13 *An Act Instituting a Comprehensive Agrarian Reform Program to Promote Social Justice and Industrialization, Providing the Mechanism for its Implementation, and For Other Purposes*.

as defined therein and not classified as mineral, forest, residential, commercial or industrial land."

As per Certification by the Office of the Zoning Administrator of Naga City, the subject landholding covered by TCT No. 21190 is classified as secondary commercial zone based on Zoning Ordinance No. 603 adopted on December 20, 1978 by the City Council and approved by the National Coordinating Council for Town Planning and Zoning, Human Settlements Commission on September 24, 1980. Thus, the reclassification of the subject landholding from agricultural to commercial removes it from the ambit of agricultural land over which petitioner claims a tenancy relationship is founded.

As extensively discussed by the CA –

> Indeed, the subject landholding is no longer an agricultural land despite its being planted with *palay*. It had long been reclassified as a commercial land and it even forms part of Laura Subdivision. Whatever the landowner does to the subject landholding, like plant it with *palay*, does not convert it to an agricultural land nor divest it of its actual classification. x x x
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> x x x x
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> The reclassification of the subject landholding from agricultural to non-agricultural by the City Council of Naga City through a zoning ordinance is undoubtedly binding to remove it from the coverage of the CARL. "In Natalia Realty, Inc. v. Department of Agrarian Reform, it was held that lands not devoted to agricultural activity are outside the coverage of CARL including lands previously converted to non-agricultural uses prior to the effectivity of CARL by government agencies other than DAR. This rule has been reiterated in a number of subsequent cases. Despite claims that the areas have been devoted for agricultural production, the Court has upheld the 'non-agricultural' classification made by the NHA over housing and resettlement projects, zoning ordinances passed by local government units classifying residential areas, and certifications over watershed areas issued by the Department of Environment and Natural Resources (DENR)." In addition, the power of the City Council of Naga City to adopt zoning ordinances is validly recognized under the law. x x x
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> x x x x
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> Furthermore, the reclassification of the subject landholding does not need a conversion clearance from the DAR for it to be legal since such reclassification occurred prior to 15 June 1988, the effectivity of R.A. No. 6657. As it is, only land classifications or reclassifications which occur from 15 June 1988 onwards require conversion clearance from the DAR. x x x [14]

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[14] *Rollo*, pp. 26-27. (Citations omitted)

Third, the essential element of consent is absent. In the present case, no proof was presented that respondent DBP recognized or hired petitioner as its legitimate tenant. Besides petitioner's self-serving assertions that he succeeded his father in tilling the subject landholding, no other concrete evidence was presented to prove consent of the landowner.

Anent the second issue, we rule that the PARAD and the DARAB have no jurisdiction over petitioner's claim.

Specifically, the PARAD and the DARAB have primary and exclusive jurisdiction, both original and appellate, to determine and adjudicate all agrarian disputes involving the implementation of the CARL under R.A. No. 6657. Thus, the jurisdiction of the PARAD and the DARAB is only limited to cases involving agrarian disputes, including incidents arising from the implementation of agrarian laws.[15] Section 3 (d) of R.A. No. 6657 defines an agrarian dispute in this wise:

> x x x x
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> (d) Agrarian dispute refers to any controversy relating to tenurial arrangements, whether leasehold, tenancy, stewardship or otherwise, over lands devoted to agriculture, including disputes concerning farmworkers' associations or representation of persons in negotiating, fixing, maintaining, changing or seeking to arrange terms or conditions of such tenurial arrangements. It includes any controversy relating to compensation of lands acquired under R.A. 6657 and other terms and conditions of transfer of ownership from landowners to farmworkers, tenants and other agrarian reform beneficiaries, whether the disputants stand in the proximate relation of farm operator and beneficiary, landowner and tenant, or lessor and lessee.

From the foregoing, it is clear that no agrarian dispute exists in the instant case, since what is involved is not an agricultural land and no tenancy relationship exists between petitioner and respondent DBP.

As aptly held by the CA, for the DARAB to have jurisdiction over a case, there must be a tenancy relationship between the parties. Perforce, the ruling of the PARAD, as well as the decision and resolution of the DARAB which were rendered without jurisdiction, are without force and effect.

WHEREFORE, premises considered, the instant petition is **DENIED**. The Decision dated July 9, 2009 and Resolution dated February

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[15] *Heirs of Candido del Rosario v. Del Rosario*, G.R. No. 181548, June 20, 2012, 674 SCRA 180, 190-191.

12, 2010 of the Court of Appeals, in CA-G.R. SP No. 70781, are hereby **AFFIRMED**.

SO ORDERED.

DIOSDADO M. PERALTA
Associate Justice

WE CONCUR:

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

ROBERTO A. ABAD
Associate Justice

JOSE CATRAL MENDOZA
Associate Justice

MARVIC MARIO VICTOR F. LEONEN
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