



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

**SPOUSES JOSE M. ESTACION, JR.
and ANGELINA T. ESTACION,**
Petitioners,

G.R. No. 163361

Present:

SERENO, C.J.,
Chairperson,
LEONARDO-DE CASTRO,
BERSAMIN,
VILLARAMA, JR., and
REYES, JJ.

- versus -

**THE HONORABLE SECRETARY,
DEPARTMENT OF AGRARIAN
REFORM, REGIONAL DIRECTOR,
DAR, REGION 7, PROVINCIAL
AGRARIAN REFORM OFFICER
OF NEGROS ORIENTAL,
MUNICIPAL AGRARIAN REFORM
OFFICER, DAR, GUIHULNGAN,
NEGROS ORIENTAL, PRESIDENT,
LAND BANK OF THE
PHILIPPINES, and PHILIPPINE
NATIONAL BANK, DUMAGUETE
BRANCH,**

Respondents.

Promulgated:

MAR 12 2014

X-----X

DECISION

REYES, J.:

In September 1995, spouses Jose M. Estacion, Jr.¹ and Angelina T. Estacion (petitioners) initially filed a petition for just compensation with the

¹ Jose M. Estacion, Jr. died on February 24, 2009 during the pendency of this case, and is survived by his spouse, Angelina T. Estacion, and their four children, namely: Jose T. Estacion III, Edgardo T. Estacion, Michael T. Estacion and Joselyn Estacion Hamoy. *Rollo*, pp. 377-378.

Λ

Regional Trial Court (RTC) of Negros Oriental, Branch 30, acting as a Special Agrarian Court (SAC). In their petition, they alleged that they are the owners of two parcels of adjacent land in Guihulngan, Negros Oriental, with an aggregate area of 986,932 square meters. The first parcel (Lot No. 1-A) has 793,954 sq m, while the second parcel (Lot No. 4810) has 192,978 sq m, both covered by Transfer Certificate of Title (TCT) No. T-9096. According to the petitioners, sometime in February 1974, they were informed that their properties were placed under the coverage of the Operation Land Transfer program of Presidential Decree (P.D.) No. 27.² They contested the coverage, claiming that it was untenanted and primarily devoted to crops other than rice and corn. Despite their protest, their properties were forcibly covered for agrarian purposes, and that the tenants to whom the properties were awarded were enjoying the benefits thereof, without the petitioners having been duly compensated for the value of said properties. Thus, the petitioners prayed for the determination of just compensation or in the alternative, to restore to them possession of the properties, with damages.³

Instead of filing an answer, public respondents Department of Agrarian Reform (DAR) and Land Bank of the Philippines (LBP) filed a Motion to Dismiss, which, according to the petitioners, is a prohibited pleading under Section 16⁴ of P.D. No. 946.⁵ In their Motion to Dismiss, public respondents claimed that: (1) the RTC has no jurisdiction over the case; (2) the petitioners have no legal personality to sue the public respondents; (3) the petitioners have no cause of action against the public respondents; and (4) the case is barred by the statute of limitations, among others.⁶ The petitioners filed a Comment on the Motion to Dismiss.⁷

On May 12, 1998, the petitioners filed an Amended Petition⁸ and included the Philippine National Bank (PNB) as respondent. It appears that sometime in October 1974, the petitioners mortgaged the properties covered by TCT No. T-9096 as security for a ₱449,200.00-loan they obtained from PNB. The mortgage was foreclosed on December 10, 1984 and title was already transferred to the name of PNB. In including PNB as respondent, the petitioners contended that its foreclosure of the mortgaged properties was done in violation of P.D. No. 27 and subsequently,

² Dated October 21, 1972, entitled DECREEING THE EMANCIPATION OF TENANTS FROM THE BONDAGE OF THE SOIL TRANSFERRING TO THEM THE OWNERSHIP OF THE LAND THEY TILL AND PROVIDING THE INSTRUMENTS AND MECHANISM THEREFOR.

³ *Rollo*, pp. 26-35.

⁴ Should be Section 17.

⁵ Dated July 17, 1976, entitled REORGANIZING THE COURT OF AGRARIAN RELATIONS, STREAMLINING THEIR PROCEDURES AND FOR OTHER PURPOSES.

⁶ *Rollo*, pp. 60-71.

⁷ *Id.* at 73-76.

⁸ *Id.* at 79-89.

Republic Act (R.A.) No. 6657,⁹ which prohibits the foreclosure of properties covered by the agrarian laws.

PNB filed a motion to dismiss the amended petition, alleging lack of cause of action and prescription.¹⁰

On July 23, 1999, the SAC issued an Order¹¹ dismissing the case for lack of jurisdiction and lack of cause of action. The SAC sustained PNB's claim that it has already acquired the rights over the property by virtue of the extrajudicial foreclosure of the mortgage. The SAC also ruled that the petitioners failed to exhaust administrative remedies when they failed to secure prior determination of just compensation by the DAR. The SAC further ruled that being a SAC of limited jurisdiction, it does not have jurisdiction to nullify the extrajudicial foreclosure proceedings as indirectly sought by the petitioners. The dispositive portion of the SAC order reads:

Accordingly, the Order dated March 11, 1999 is modified and the above-entitled case is dismissed for lack of jurisdiction and lack of cause of action.

Petitioners' Motion for Reconsideration dated March 23, 1999 is denied for lack of merit.

SO ORDERED.¹²

Thus, the petitioners appealed to the Court of Appeals (CA), which in the assailed Decision¹³ dated September 26, 2003, dismissed the appeal for lack of merit. Their motion for reconsideration was denied by the CA in the assailed Resolution dated March 22, 2004.¹⁴

Hence, this petition for review, where the petitioners argue that: (1) the motions to dismiss filed by the respondents with the SAC are prohibited pleadings and should not have been given cognizance by the SAC; (2) they are the absolute owners of the properties as evidenced by TCT No. T-9096 (for Lot 1-A) and Tax Declaration No. 90-02-007 (for Lot No. 4810) issued in their names; and (3) the SAC has jurisdiction to (a) determine just compensation and there is no need to pass through the DAR, and (b) annul

⁹ Dated June 10, 1988, entitled AN ACT INSTITUTING THE COMPREHENSIVE AGRARIAN REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION; PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION, AND FOR OTHER PURPOSES; otherwise known as THE COMPREHENSIVE AGRARIAN REFORM LAW.

¹⁰ *Rollo*, pp. 90-91.

¹¹ *Id.* at 95-97.

¹² *Id.* at 97.

¹³ Penned by Associate Justice Andres B. Reyes, Jr. (now CA Presiding Justice), with Associate Justices Buenaventura J. Guerrero and Regalado E. Maambong, concurring; *id.* at 122-131.

¹⁴ *Id.* at 148-149.

the sheriff's sale of the properties.¹⁵

The DAR filed a comment to the petition, maintaining that the SAC correctly dismissed the case for lack of jurisdiction as it does not have any power to nullify the foreclosure order, and that such issue was vested in the RTC in the exercise of its general jurisdiction. The DAR also argued that the petitioners do not have any personality to file the case since the properties have already been foreclosed by the PNB and the title was consolidated in its name. Finally, the DAR contended that the petitioners failed to exhaust their administrative remedies when they failed to seek initial determination of just compensation with the DAR.¹⁶

PNB, meanwhile, justified the foreclosure of the properties mortgaged by the petitioners. According to PNB, since the petitioners admitted that the properties were untenanted, P.D. No. 27—which applies only to tenanted lands devoted to rice and corn, and which prohibits foreclosure of land covered by said act—does not apply. PNB also argued that it had every right to foreclose the mortgage on the properties due to the petitioners' failure to pay their agricultural crop loan; and that the latter's failure to redeem the properties justifies the consolidation of the title in PNB's name. Consequently, the petitioners are no longer owners of the properties and have no legal standing or cause of action to seek just compensation. PNB also maintained that the SAC does not have jurisdiction to nullify the foreclosure sale of the properties, and that the period to file such action has already prescribed.¹⁷

Ruling of the Court

The petition is **DENIED** for lack of merit.

P.D. No. 946 is not applicable

The basis for the petitioners' objection to the motions to dismiss filed by the respondents with the SAC is Section 17 of P.D. No. 946, which states:

Sec. 17. *Pleadings; Hearings; Limitation on Postponements.* The defendant shall file his answer to the complaint (not a motion to dismiss), within a non-extendible period of ten (10) days from service of summons, and the plaintiff shall file his answer to the counterclaim, if there be any, within a non-extendible period of five (5) days. x x x.

¹⁵ Id. at 13-21.

¹⁶ Id. at 195-202.

¹⁷ Id. at 210-226.

The petitioners' reliance on P.D. No. 946, however, is misplaced.

First, the petitioners are correct in pointing out that P.D. No. 946 prohibits the filing of a motion to dismiss. P.D. No. 946, however, is not applicable.

It is settled that jurisdiction over the subject matter is determined by the law in force at the time of the commencement of the action.¹⁸ At the time the petitioners filed their case for just compensation in 1995, P.D. No. 946, which reorganized the Court of Agrarian Relations (CAR) and streamlined its procedure, has already been superseded by R.A. No. 6657, which created, among others, the SACs.¹⁹ Section 57 of R.A. No. 6657 expressly provides that the SACs shall exercise original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners, and the prosecution of all criminal offenses under said Act.²⁰ More importantly, Section 57 further provides that "[t]he Rules of Court shall apply to all proceedings before the [SACs], unless modified by this Act."

In this case, the RTC of Negros Oriental, Branch 30, was acting as a SAC. The Rules of Court,²¹ therefore, was the rule of procedure applicable to the cases filed before it. Under Rule 16 of the Rules of Court, and even under the present 1997 Rules of Civil Procedure, as amended, a motion to dismiss is not a prohibited pleading. Consequently, the SAC had every right to admit and resolve the motions to dismiss filed by respondents LBP and PNB.

Even assuming, for argument's sake, that P.D. No. 946 is applicable, the rule prohibiting a motion to dismiss is not inflexible and admits of exception. The rule is that technicalities may be disregarded in order to resolve the case on its merits.²² It should be borne in mind that the prohibition on the filing of a motion to dismiss under P.D. No. 946 was meant to achieve a just, expeditious and inexpensive disposition of agrarian cases.²³ In this case, the filing of the motions to dismiss did not unduly delay the disposition of the case. In fact, said motions brought into light the flaws in the appropriateness of the petition for just compensation filed by the petitioners and readily provided the SAC reasonable basis for its dismissal. In *Tanpingco v. Intermediate Appellate Court*,²⁴ the Court took exception to the literal interpretation of Section 17 of P.D. No. 946 and sustained the grant of a motion to dismiss, viz:

¹⁸ *Erectors, Inc. v. National Labor Relations Commission*, 326 Phil. 640, 649 (1996).

¹⁹ *See Machete v. CA*, 320 Phil. 227, 235 (1995).

²⁰ Section 57, Chapter XIII (Judicial Review).

²¹ Prior to its amendment in 1997.

²² *Tanpingco v. Intermediate Appellate Court*, G.R. No. 76225, March 31, 1992, 207 SCRA 652, 656.

²³ *See* Preamble of P.D. No. 946.

²⁴ G.R. No. 76225, March 31, 1992, 207 SCRA 652.

We, therefore, take exception to the literal application of Section 17 of P.D. No. 946 for as stated in *Salonga v. Warner Barnes and Co., Ltd.* (88 Phil. 125 [1951], an action is brought for a practical purpose, nay to obtain actual and positive relief. If the party sued upon is not the proper party, any decision that may be rendered against him would be futile, for it cannot be enforced or executed. The effort that may be employed will be wasted.²⁵

Moreover, Section 16 of P.D. No. 946 explicitly required the CAR to “utilize and employ every and all reasonable means to ascertain the facts of every case in accordance with justice and equity and the merits of the case, without regard to technicalities of law and procedure.” Certainly, it would be more dilatory if the SAC were to deny the motions to dismiss filed by LBP and PNB, require them to file an answer and proceed with the trial of the case, only to subsequently dismiss the case based on the palpable grounds alleged in the motions to dismiss.

The petitioners have no personality to file the petition for the determination of just compensation

Records bear out the fact that at the time the petitioners filed the Amended Petition in 1998, ownership of the properties sought to be compensated for was already transferred to respondent PNB. As early as 1969, the petitioners already mortgaged the properties as security for the sugar crop loan they originally obtained from respondent PNB,²⁶ and as admitted by the petitioners, respondent PNB foreclosed the mortgage on the property in 1982.²⁷ As a result, title to the properties was consolidated in the name of PNB. Moreover, as disclosed by PNB,²⁸ the properties were already transferred to the government pursuant to the mandate of Executive Order No. 407,²⁹ which directed all government-owned and -controlled corporations to surrender to the DAR all landholdings suitable for agriculture.³⁰ Clearly, the petitioners have no personality to seek determination of just compensation given that ownership of and title to the properties have already passed on to PNB and eventually, the State.

²⁵ Id. at 656.

²⁶ See Entry Nos. 42556 and 43665 on TCT No. T-9096, *rollo*, p. 145.

²⁷ Id. at 86.

²⁸ Id. at 211.

²⁹ Dated June 14, 1990, entitled ACCELERATING THE ACQUISITION AND DISTRIBUTION OF AGRICULTURAL LANDS, PASTURE LANDS, FISHPONDS, AGRO-FORESTRY LANDS AND OTHER LANDS OF THE PUBLIC DOMAIN SUITABLE FOR AGRICULTURE.

³⁰ Including all pertinent ownership documents in their custody, such as the owner’s duplicate copy of the certificates of title, tax declarations and other documents necessary to effect the transfer of ownership; Section 1, E.O. No. 407.

In *Government Service Insurance System v. Court of Appeals*,³¹ a case similar to the case at bench, the Court held that the private respondent therein had no personality to sue for the determination and payment of just compensation of the subject lots because whatever right he may have had over said lots was defeated by the consolidation of ownership in the name of petitioner GSIS. Thus –

It is not disputed that the subject lots were not redeemed from petitioner. **When the one (1) year redemption period expired without private respondent exercising the right of redemption, ownership over the foreclosed properties was consolidated in the name of petitioner.** Hence, the latter can legally transfer ownership therein to the DAR in compliance with Executive Order No. 407. Clearly, private respondent had no personality to sue for the determination and payment of just compensation of said lots because he failed to show that his offer was accepted by the DAR, and more importantly, because **whatever right he may have had over said lots was defeated by the consolidation of ownership in the name of petitioner who turned over the subject lots to the DAR.** x x x Private respondent x x x has no right to sell what never became his, much more, ask that he be compensated for that which was never bought from him.³² (Emphasis ours)

The petitioners cannot solely rely on TCT No. T-9096 to assert ownership over the properties since it is merely an evidence of ownership or title over the particular property described therein.³³ Ownership is not the same as a certificate of title.³⁴

Exclusive and original jurisdiction of the SAC to determine just compensation

In upholding the SAC's dismissal of the case below, the CA sustained the SAC's ruling that the petitioners failed to exhaust their administrative remedies when they filed the case for just compensation directly with the SAC instead of going through the DAR summary administrative proceedings to determine compensation as provided in Section 16 of R.A. No. 6657.³⁵

Contrary to the CA's position, however, the RTC, acting as a SAC, has jurisdiction to determine just compensation at the very first instance, and the petitioners need not pass through the DAR for initial valuation.

³¹ 427 Phil. 281 (2002).

³² Id. at 292-293.

³³ *Heirs of Clemente Ermac v. Heirs of Vicente Ermac*, 451 Phil. 368, 377 (2003).

³⁴ Id.

³⁵ *Rollo*, pp. 128-129.

Section 57 of R.A. No. 6657 provides:

Sec. 57. *Special Jurisdiction.* — The Special Agrarian Courts shall have original and exclusive jurisdiction **over all petitions for the determination of just compensation to landowners, and the prosecution of all criminal offenses under this Act.** The Rules of Court shall apply to all proceedings before the Special Agrarian Courts, unless modified by this Act.

The Special Agrarian Courts shall decide all appropriate cases under their special jurisdiction within thirty (30) days from submission of the case for decision. (Emphasis ours)

The determination of just compensation is essentially a judicial function, which is vested in the RTC acting as SAC. It cannot be lodged with administrative agencies such as the DAR.³⁶ The Court has already settled the rule that the SAC is not an appellate reviewer of the DAR decision in administrative cases involving compensation.³⁷ In *Land Bank of the Philippines v. Wycoco*,³⁸ the Court upheld the jurisdiction of the SAC over the complaint for the determination of just compensation, despite the absence of summary administrative proceedings before the DARAB. Meanwhile, in *Landbank of the Philippines v. Honeycomb Farms Corporation*,³⁹ the Court ruled that the SAC properly acquired jurisdiction over the complaint for the determination of just compensation despite the pendency of the DARAB proceedings. According to the Court:

To reiterate, the taking of property under RA 6657 is an exercise of the State's power of eminent domain. "The valuation of property or determination of just compensation in eminent domain proceedings is essentially a judicial function which is vested with the courts and not with administrative agencies." Specifically, "[w]hen the parties cannot agree on the amount of just compensation, only the exercise of judicial power can settle the dispute with binding effect on the winning and losing parties."⁴⁰ (Citations omitted)

Nevertheless, as correctly pointed out by the SAC, it does not have the power to determine the validity of the extrajudicial foreclosure of the mortgage conducted by PNB over the properties, as prayed for by the petitioners. The jurisdiction of the SAC vested by Section 57 of R.A. No. 6657, while original and exclusive, is limited only to petitions for the determination of just compensation to landowners, and the prosecution of all criminal offenses under this Act. In *Quismundo v. Court of Appeals*,⁴¹ the

³⁶ *Landbank of the Philippines v. Listana*, G.R. No. 168105, July 27, 2011, 654 SCRA 559, 568.

³⁷ *Landbank of the Philippines v. Honeycomb Farms Corporation*, G.R. No. 166259, November 12, 2012, 685 SCRA 76.

³⁸ 464 Phil. 83 (2004).

³⁹ Supra note 37.

⁴⁰ Id. at 91.

⁴¹ 278 Phil. 620 (1991).

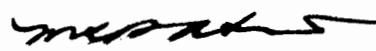
Court expressly ruled that Sections 56 and 57 delimit the jurisdiction of the RTCs in agrarian cases only to these two instances. And as correctly ruled by the SAC, “[w]hile a [SAC] has powers inherent to the [RTC] under Sec. 56 (3) of [R.A. No.] 6657 it should not be construed to refer to the power to exercise general jurisdiction which is vested in the [RTC].”⁴² Given these, it is no longer necessary to resolve respondent PNB’s argument that the petitioners’ cause of action for the declaration of the nullity of the extrajudicial foreclosure has already prescribed.

WHEREFORE, the petition for review is **DENIED** for lack of merit. The Decision dated September 26, 2003 and Resolution dated March 22, 2004 of the Court of Appeals in CA-G.R. CV No. 65086, insofar as it affirmed the Order dated July 23, 1999 of the Regional Trial Court of Negros Oriental, Branch 30, acting as a Special Agrarian Court, are **AFFIRMED**.

SO ORDERED.


BIENVENIDO L. REYES
Associate Justice

WE CONCUR:


MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson


TERESITA J. LEONARDO-DE CASTRO
Associate Justice



LUCAS P. BERSAMIN
Associate Justice



MARTIN S. VILLARAMA, JR.
Associate Justice

C E R T I F I C A T I O N

Pursuant to Section 13, Article VIII of the Constitution, 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