

Republic of the Philippines Supreme Court

Manila

THIRD DIVISION

ANASTACIO TINGALAN, substituted by his heirs, namely: ROMEO L. TINGALAN, ELPEDIO L. TINGALAN, JOHNNY L. TINGALAN and LAURETA T. DELA CERNA, Petitioners.

G.R. No. 195247

Present:

PERALTA,* J.,

Acting Chairperson,

VILLARAMA, JR.,

PEREZ,**

PERLAS-BERNABE,*** and

JARDELEZA, JJ.

- versus -

SPOUSES RONALDO and WINONA MELLIZA,

Respondents.

Promulgated:

June 29, 2015

DECISION

VILLARAMA, JR., J.:

At bar is a petition for review on certiorari of the Decision¹ and Resolution² of the Court of Appeals (CA) in CA-G.R. CV No. 01874-MIN dated June 23, 2010 and January 12, 2011, respectively, which affirmed *in toto* the Decision³ of the Regional Trial Court (RTC), Branch 10, Malaybalay City, in Civil Case No. 3120-01 dated December 8, 2008. The trial court ordered the cancellation of Original Certificate of Title (OCT) No. P-8757 of petitioner Anastacio Tingalan (Anastacio), its corresponding tax declaration and the transfer of title of the tax declaration under the name of respondent-spouses Ronaldo and Winona Melliza.

The original owner in fee simple of the subject property was petitioner Anastacio⁴— a member of the Bukidnon Tribe. His ownership is evidenced

^{*} Designated Acting Chairperson per Special Order No. 2071 dated June 23, 2015.

[&]quot;Designated Acting Member per Special Order No. 2084 dated June 29, 2015.

Designated Acting Member per Special Order No. 2072 dated June 23, 2015.

Rollo, pp. 19-28. Penned by Associate Justice Edgardo A. Camello with Associate Justices Leoncia R. Dimagiba and Nina G. Antonio-Valenzuela concurring.

² Id. at 31-33.

³ Id. at 35-39. Penned by Judge Josefina Gentiles Bacal.

Now deceased and substituted by his heirs, Romeo L. Tingalan, Elpedio L. Tingalan, Johnny L. Tingalan and Laureta T. Dela Cerna.

by OCT No. P-8757 Free Patent No. (X-4) 2195 and Tax Declaration No. 13-021-5522 over a five-hectare⁵ property located in Dalwangan, Malaybalay City, Bukidnon. The free patent was issued under his name on October 4, 1976.

In a Deed of Absolute Sale (Deed) dated March 28, 1977, petitioner Anastacio sold the subject property to respondent-spouses. Since then, respondent-spouses have been in actual, exclusive, peaceful, uninterrupted and adverse possession of the subject property. The Owner's Duplicate Certificate of Title and Tax Declaration were also issued under the names of respondent-spouses who paid for the transfer and real property taxes pertaining to the property in question.

Around 23 years later, or on June 7, 2000, one Elena Tunanan (Elena) filed an adverse claim over the subject property. Petitioner Anastacio countered and demanded that respondent-spouses vacate the property, but the latter refused claiming ownership over the same as supported by the Deed executed between them and petitioner Anastacio on March 28, 1977. Petitioner Anastacio then filed a complaint before the Office of the Barangay Captain but the summons were unheeded by respondent-spouses.

On October 22, 2001, Anastacio filed Civil Case No. 3120-01 with the court *a quo* for Quieting of Title and Recovery of Possession against respondent-spouses and Elena. In the complaint, petitioner Anastacio claimed that he remains to be the owner of the subject property as his title under OCT No. P-8757 has never been cancelled and that the sale was null and void since the Deed was executed within the five-year prohibitory period under the <u>Public Land Act</u>, as amended. The Deed was also written in the English language which, allegedly, he could neither speak nor understand. He further averred that being a member of a cultural minority, the Deed should have been approved by the Chairman of the Commission on National Integration under Sections 120 and 124 of Republic Act No. 3872,⁶ as amended.

Respondent-spouses countered that in view of the Deed dated March 28, 1977, the Owner's Duplicate Certificate of Title and Tax Declaration were issued under their names and they have been in actual, exclusive and uninterrupted possession of the subject property since the execution of the Deed. They further posited the following allegations: that the Certificate to File Action was legally flawed because petitioner Anastacio did not pay the docket fees; that the petition was defective because it did not indicate the assessed value of the subject property which is important in the

The subject property was erroneously described to have an area of "5,000" hectares in both the RTC and CA Decisions (Records, p. 201 & CA *rollo*, p. 111). The Original Certificate of Title No. P-8757 (Records, p. 5) and Tax Declaration No. 13-021-5522 (Records, p. 7) covering the subject property indicate the correct area of the lot to be 5.000 (five) hectares only.

⁶ AN ACT TO AMEND SECTIONS FORTY-FOUR, FORTY-EIGHT AND ONE HUNDRED TWENTY OF COMMONWEALTH ACT NUMBERED ONE HUNDRED FORTY-ONE, AS AMENDED, OTHERWISE KNOWN AS THE "PUBLIC LAND ACT", AND FOR OTHER PURPOSES. (Approved on June 18, 1964.)

determination of the jurisdiction of the trial court; and, that the action was barred by prescription. To counter respondent-spouses' assertion, petitioners maintained that notwithstanding the delivery of the title to and transfer of possession over the subject property to respondent-spouses, these circumstances could not have validated the sale because the Deed was executed within the five-year prohibitory period under the <u>Public Land Act</u>, as amended, making it void *ab initio*.

On December 8, 2008, the trial court dismissed the case for lack of cause of action and ordered the Register of Deeds to cancel OCT No. P-8757 and the corresponding tax declaration over the subject property, *viz.*:

WHEREFORE, premises considered and finding preponderance of evidence in favor of the respondents, the court orders dismissal of this Complaint for lack of cause of action. To order the Register of Deeds for the cancellation of OCT P-8757 and its Tax Declaration transferring its name to respondents Ronaldo Melliza, to pay [P]30,000 for attorney's fees and [P]10,000 as litigation expenses. To pay the cost.

SO ORDERED.⁷

The trial court upheld the validity of the sale despite the Deed being executed within the five-year prohibitory period because "the sale executed by petitioner to the respondent is not the kind of violation as contemplated in accordance of (sic) Sec[tion] 18 of [the] Public Land Act" as the transfer was not yet completed by the issuance of a new certificate of title under the name of respondent-spouses.⁸ On the issue on the validity of the Deed due to petitioner Anastacio's alleged inability to understand its stipulations which are written in English, the trial court held that being a notarized document, the Deed enjoys the presumption of regularity. The trial court also observed that Anastacio voluntarily sold the subject property as evidenced by the Affidavit of Non-Tenancy and the Certification/Receipt for the amount of Six Thousand Pesos (₽6,000.00). It likewise did not give credence to petitioner Anastacio's claim that his membership to a cultural minority required the approval of the Deed from the Chairman of the Commission on National Integration since he failed to present any proof or certification relative to his tribal identity from the National Commission on Indigenous Peoples. Finally, the trial court held that the failure of Anastacio to act within a considerable length of time barred his action on the ground of estoppel by laches.

On appeal, the CA affirmed the decision of the trial court *in toto* in its assailed Decision dated June 23, 2010, *viz.*:

FOR THESE REASONS, the assailed Decision of the trial court is **AFFIRMED** *in toto*. No costs.

SO ORDERED.9

⁷ *Rollo*, p. 39.

⁸ Id. at 38.

⁹ Id. at 27.

The appellate court held that the case was barred by laches due to the 24-year delay of petitioner Anastacio in filing the petition. The CA considered such delay as unconscionable and prejudicial to the rights of third persons who relied on his inaction as the original patentee of the subject property, *viz.*:

After a careful analysis of the facts and circumstances of the case, as borne out by the evidence, this Court finds the four elements mentioned to be present in the case at bar. First, Anastacio sold the land which was covered by a free patent title dated March 28, 1977 and the sale was made knowingly in violation of the Public Land Act. Second, from the date of the sale on March 28, 1977, Anastacio, the patentee could have instituted the action to annul the sale and regain the possession and ownership of the land. But notwithstanding the invalidity of the sale, patentee Anastacio, who knew of the invalidity and has had all the opportunity to institute an action for the annulment of the sale as a matter of law, did not bother at all to file a suit to annul the sale or to recover the land. Not until 24 years later. Third, the Spouses Melliza who are the vendees never expected or believed that Anastacio would bring an action to annul the sale and recover the land. The fact that the vendees told Anastacio that he could repurchase his property within the five (5)[-] vear period from the execution of the deed of sale but instead of repurchasing it, Anastacio gave the title to the Spouses seven years after the execution of the deed of sale in 1977 and did not bother them since then and fourth, it would be unjust and inequitable to still permit appellant to recover his property after that long, unexplained inaction. The long period of time more or less 24 years from the execution of the sale, had allowed the Spouses to invest considerable amount of money, time, and effort in developing and transforming the questioned property into a beautiful orchard, aside from the residential house, poultry, barn and other plantations made by the Spouses.¹⁰

The heirs of Anastacio, as substitutes, moved for reconsideration of the CA Decision on July 19, 2010. The appellate court denied the motion in its Resolution dated January 12, 2011, *viz.*:

After due deliberation of the petitioners' motion for reconsideration, this Court finds that the motion is without merit, as all issues and arguments interposed by the petitioners' (*sic*) have been amply passed upon in the Decision sought to be reconsidered. In the Court's considered view, nothing more is left to be discussed, clarified or done in the case. We perceive no just ground to warrant a review of Our resolution. No overriding or special reason has been given as to why petitioners' motion for reconsideration should be granted.¹¹

Hence, this petition raising a lone assignment of error, viz.:

THE COURT OF APPEALS, WITH DUE RESPECT, MAY HAVE ERRED IN HOLDING THAT EVEN IF THE DEED OF SALE WAS NOT VALID, APPELLANT ANASTACIO TINGALAN AND HIS SUCCESSORS IN INTEREST, ARE NOW BARRED BY LACHES FROM ASSERTING THEIR RIGHTS OVER THE SUBJECT PROPERTY, AFTER FAILING TO EXERCISE THEIR RIGHTS FOR

⁰ Id. at 26-27. Additional italics supplied.

¹¹ Id. at 32.

AN UNREASONABLE LENGTH OF TIME.¹²

We grant the petition.

The contract of sale entered into between petitioner Anastacio and respondent-spouses on March 28, 1977 is null and void from inception for being contrary to law and public policy. As a void contract – it is imprescriptible and not susceptible of ratification.

The law is clear under Section 118 of the <u>Public Land Act</u>, as amended, that unless made 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 any form of encumbrance for a term of five years from and after the date of issuance of the patent or grant, *viz*.:

SEC. 118. Except in favor of the Government or any of its branches, units, or institutions, or legally constituted banking corporations, 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 Natural Resources, which approval shall not be denied except on constitutional and legal grounds.

Following Section 118, the subject land could not have been validly alienated or encumbered on March 28, 1977 which was way within five years from the date of the issuance of the free patent under the name of petitioner Anastacio on October 4, 1976. The legal consequences of such sale – clearly made within the prohibitory period – are stated under Section 124 of the Public Land Act, as amended, *viz.*:

SEC. 124. Any acquisition, conveyance, alienation, transfer, or other contract made or executed in violation of any of the provisions of sections one hundred and eighteen, one hundred and twenty, one hundred and twenty-one, one hundred and twenty-two, and one hundred and twenty-three of this Act shall be **unlawful and null and void from its execution** and shall produce the effect of **annulling and cancelling** the grant, title, patent, or permit originally issued, recognized or confirmed, actually or presumptively, and cause the **reversion** of the property and its improvements to the State.¹³

The foregoing provision of law unambiguously classifies the subject contract of sale executed on March 28, 1977 as **unlawful and null and void**

¹² Id. at 9.

Emphasis supplied.

ab initio for being in violation of Section 118, *i.e.*, entered into within the five-year prohibitory period. This provision of law is clear and explicit and a contract which purports to alienate, transfer, convey or encumber any homestead within the prohibitory period is void from its execution.¹⁴ The Court has held in a number of cases that such provision of law is mandatory¹⁵ with the purpose of promoting a specific public policy to preserve and keep in the family of the patentee that portion of the public land which the State has gratuitously given to them.¹⁶

The trial court, as affirmed by the appellate court, ruled that the subject sale entered into between petitioner Anastacio and respondent-spouses "is not the kind of violation as contemplated in accordance of (*sic*) Sec. 118 of [the] Public Land Act"¹⁷ due to the following clause contained in the Deed, *viz*.:

"That this deed of sale is **subject to the condition** that vendee will ask permission from [the] Sec. of Agriculture and Natural Resources for its transfer x x x failure to do so, this contract will be binding Oct. 4, 1981 x x x." 18

In view of this clause in the Deed, both courts *a quo* construed the contract as a conditional sale with the following legal effects, *viz*.:

As the Deed of Sale was considered conditional and there was no complete conveyance or transfer that occurred, the five (5)-year prohibitory period is not applicable in this instant case.

The Deed of Sale is but a preliminary step for the issuance of a new certificate of title which is the final step to accomplish registration.

To effect the land sold, the presentation of the Deed of Sale and its entry in the day book must be done with the surrender of the owner's certificate of title. It is the Deed of Sale that is registered in respondent's favor and the Transfer Certificate of Title subsequently obtained over the property which has superior right thereon. $x \times x$

In the instant case, such did not happen, with the name still intact of the petitioner there was no complete transfer yet of the ownership or conveyance hence the sale executed by petitioner to the respondent is not the kind of violation as contemplated in accordance of (*sic*) Sec. 118 of [the] Public Land Act.¹⁹

We do not agree.

The subject property was clearly encumbered within the mandatory five-year prohibitory period in flagrant violation of the <u>Public Land Act</u>, as amended. The inclusion of the afore-quoted clause in the Deed did not

⁴ Binayug v. Ugaddan, G.R. No. 181623, December 5, 2012, 687 SCRA 260, 272.

¹⁵ Binayug v. Ugaddan, id., citing Arsenal v. Intermediate Appellate Court, 227 Phil. 36, 46 (1986).

¹⁶ Republic v. Court of Appeals, 253 Phil. 698, 714 (1989).

¹⁷ *Rollo*, p. 38. Emphasis omitted.

¹⁸ Id. at 37. Emphasis supplied.

¹⁹ Id. at 38. Citation and emphasis omitted.

operate to effectively exclude the subject sale from the mandatory prohibition. Petitioner Anastacio and respondent-spouses knew that the sale of the subject land was prohibited by law in 1977, and the conditional clause in the Deed was included in order to circumvent the legal prohibition of the sale. Both parties knew that the "permission" of the Secretary of Agriculture and Natural Resources could not have been legally procured within the prohibitory period, and the expected failure of herein respondent-spouses to get such permission would make the contract binding on October 4, 1981 – or after the five-year prohibition. Despite this condition, however, respondent-spouses occupied the subject property immediately after the contract of sale was executed on March 28, 1977 – exercising acts of ownership even during the prohibitory period. This was admitted by one of the spouses in following testimony as quoted in the assailed decision of the trial court, *viz.*:

- Q When this Deed of Sale was executed in 1977[,] you occupied the property?
- A Immediately after I gave the money, I occupied the property.
- Q When did you give the money?
- A 1977[.]
- Q When was the title given?
- A 6 or 7 years later because we did not live there. I live in Butuan.
- Q But you cultivated the property in 1977?
- A Yes[,] your [H]onor[.]
- Q And there was no disturbance from them?
- A No disturbance, nothing[.]

X X X X

(TSN pp. 24-26 4/3/08, Facturan)²⁰

It is clear as day that during the period of the five-year prohibition, the scheme devised by petitioner Anastacio and respondent-spouses had resulted in practically depriving the grantees – herein petitioner Anastacio and his heirs – that piece of land that the government had gratuitously given to them, giving rise to a situation which is the exact antithesis of the primordial aim of our free patent and homestead provisions under the <u>Public Land Act</u>, as amended.

Our ruling in the case of *Manzano*, *et al.* v. *Ocampo*, *et al.*²¹ is both pertinent and informative, *viz.*:

The law prohibiting any transfer or alienation of homestead land within five years from the issuance of the patent **does not distinguish**

²⁰ Id. at 39.

²¹ 111 Phil. 283 (1961).

between executory and consummated sales; and it would hardly be in keeping with the primordial aim of this prohibition to preserve and keep in the family of the homesteader the piece of land that the state had gratuitously given to them, to hold valid a homestead sale actually perfected during the period of prohibition but with the execution of the formal deed of conveyance and the delivery of possession of the land sold to the buyer deferred until after the expiration of the prohibitory period, purposely to circumvent the very law that prohibits and declares invalid such transaction to protect the homesteader and his family. To hold valid such arrangements would be to throw the door wide open to all possible fraudulent subterfuges and schemes that persons interested in land given to homesteaders may devise to circumvent and defeat the legal provision prohibiting their alienation within five years from the issuance of the homesteader's patent.

We, therefore, hold that the sale in question is illegal and void for having been made within five years from the date of Manzano's patent, in violation of section 118 of the Public Land Law. $x \times x^{22}$

A void contract produces no legal effect whatsoever in accordance with the principle "quod nullum est nullum producit effectum." It could not transfer title to the subject property and there could be no basis for the issuance of a title from petitioner Anastacio's name to the names of respondent-spouses. It is not susceptible of ratification and the action for the declaration of its absolute nullity is imprescriptible. It was therefore error for both courts a quo to rule that "[p]etitioner's failure to act on such considerable time has already barred him by estoppel and laches." We quote the pertinent portion of the appellate court's assailed decision where it discussed its basis for ruling that laches exists in the case at bar:

 $x \times x$ Appellees in their brief admitted that deceased appellant can repurchase the property at the same price within the five (5)[-]year period from the execution of the deed of sale.

x x x In the case at bar, Anastacio Tingalan, the original patentee could have repurchased back (sic) his property or if not an action to recover back his property but it did not.

Instead, appellant Anastacio waited for more than 24 years to institute this case. It was only on October 22, 2001 or 24 years after that petitioner-appellant initiated an action to recover his property wherein the Spouses Melliza assumed that Anastacio Tingalan had already given up his right to recover back the property within five (5) years from the conveyance and being the owner, they cultivated and made improvements to the subject property. Appellant Anastacio who was not in possession of the property, asserted his claim 24 years after the appellees were already in possession and acquired the subject property; such delay is unconscionable and would prejudice the rights of third parties who placed reliance on the inaction of Anastacio, the original patentee.²⁶

²⁶ Id. at 24-25.

Id. at 290-291. Citations omitted; emphasis supplied.

Binayug v. Ugaddan, supra note 14, at 273, citing Heirs of Policronio M. Ureta, Sr. v. Heirs of Liberato M. Ureta, G.R. No. 165748, September 14, 2011, 657 SCRA 555, 580.

²⁴ Binayug v. Ugaddan, id., citing Heirs of Policronio M. Ureta, Sr. v. Heirs of Liberato M. Ureta, id.

²⁵ *Rollo*, p. 39.

We disagree.

The subject contract of sale, being null and void from inception, did not pass any rights over the property from petitioner Anastacio to respondent-spouses. Since petitioner Anastacio never lost ownership over the land in question, there was no need for him or his heirs to repurchase the same from respondent-spouses. With nothing to repurchase, laches could operate to bar petitioner and his heirs from asserting their rights to the property.

Following the declaration that the contract of sale over the subject property is void for being in violation of Section 118 of the <u>Public Land Act</u>, as amended, jurisprudence dictates that the subject land be returned to the heirs of petitioner Anastacio. In the 1986 case of *Arsenal v. Intermediate Appellate Court*, ²⁷ we ruled, *viz.*:

x x x in cases where the homestead has been the subject of void conveyances, the law still regards the original owner as the rightful owner subject to escheat proceedings by the State. In the *Menil* and *M[a]nzano* cases earlier cited, this Court awarded the land back to the original owner notwithstanding the fact that he was equally guilty with the vendee in circumventing the law. This is so because this Court has consistently held that "the *pari delicto* doctrine may not be invoked in a case of this kind since it would run counter to an avowed fundamental policy of the State, that the forfeiture of a homestead is a matter between the State and the grantee or his heirs, and that until the State had taken steps to annul the grant and asserts title to the homestead the purchaser is, as against the vendor or his heirs, no more entitled to keep the land than any intruder." x x x

The Court made the same ruling on the issue of ownership in the earlier cited case of *Manzano* in 1961, including a disposition that the buyer therein is entitled to a reimbursement of the purchase price plus interest, *viz*.:

 $x \times x$ Being void from its inception, the approval thereof by the Undersecretary of Agriculture and Natural Resources after the lapse of five years from Manzano's patent did not legalize the sale $x \times x$. The result is that the homestead in question **must be returned to Manzano's heirs**, petitioners herein, who are, in turn, **bound to restore to appellee** Ocampo the sum of \$\mathbb{P}3,000.00\$ received by Manzano as the price thereof $x \times x$. The fruits of the land should equitably compensate the interest on the price. ²⁸

Prior to *Manzano*, we made a similar ruling in the case of *De los Santos v. Roman Catholic Church of Midsayap*²⁹ that "[u]pon annulment of the sale, the purchaser's claim is reduced to the purchase price and its interest."

We shall apply the same rule in the case at bar. However, since the trial court ruled that petitioners were barred by laches in asserting any claim

²⁷ Supra note 15, at 51.

Supra note 21, at 291. Citations omitted; emphasis supplied.

²⁹ 94 Phil. 405, 412 (1954).

to the subject property, it did not make a factual determination of the total purchase price paid by respondent-spouses to petitioner Anastacio which must be returned to the heirs of respondents, including interest on such amount. The trial court also did not make a ruling on the amount of interest to be paid by petitioners to respondent-spouses, and if the fruits realized by respondent-spouses from their long possession of the subject land since 1977 would "equitably compensate the interest on the price." This Court is not a trier of facts and we remand the instant case for the trial court to make a factual determination of the aforesaid amounts.

WHEREFORE, IN VIEW OF THE FOREGOING, the Decision and Resolution of the Court of Appeals dated June 23, 2010 and January 12, 2011, respectively, in CA-G.R. CV No. 01874-MIN are REVERSED and SET ASIDE. A new judgment is hereby entered:

- 1. Declaring **NULL AND VOID** the sale of the subject parcel of land situated at Dalwangan, Malaybalay City covered by OCT No. P-8757 Free Patent No. (X-4) 2195 with an area of five (5) hectares covered by Tax Declaration No. 13-021-5522;
- 2. Ordering respondent-spouses, their heirs, assigns, or representatives, to **RESTORE** the heirs of petitioner Anastacio actual and physical possession of the subject property;
- 3. Ordering respondent-spouses, their heirs, assigns, or representatives, to **RETURN AND DELIVER** to the heirs of petitioner Anastacio two documents: Original Certificate of Title No. P-8757 and Tax Declaration No. 13-021-5522; and,
- 4. **REMANDING** the instant case to the Regional Trial Court, Branch 10, Malaybalay City, for a determination of the total amount to be returned by petitioners to respondent-spouses consisting of the purchase price and the interest due thereon, and if the fruits realized by respondent-spouses from their long possession of the subject land since 1977 would equitably compensate the interest on the price.

This new judgment is without prejudice to any appropriate action the Government may take against petitioners as heirs of Anastacio Tingalan pursuant to Section 124 of the <u>Public Land Act</u>, as amended.

Associate Justice

No costs.

SO ORDERED.

See Manzano, et al. v. Ocampo, et al., supra note 21, at 291.

WE CONCUR:

DIOSDADOM. PERALTA

Associate Justice Acting Chairperson

JOSE PORTUGAL PEREZ
Associate Justice

ESTELA M. PERLAS-BERNABE

Associate Justice

FRANCIS H JARDELEZA

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.

DIOSDADO M. PERALTA

Associate Justice

Acting Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the <u>1987 Constitution</u> and the Division Acting 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

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Chief Justice