



Republic of the Philippines
 Supreme Court
 Manila

THIRD DIVISION

HEIRS OF SPOUSES HILARIO
 MARINAS and BERNARDINA N.
 MARINAS,

G.R. No. 179741

Petitioners,

Present:

-versus-

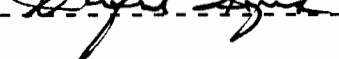
VELASCO, JR., J., *Chairperson*
 PERALTA,
 VILLARAMA, JR.,
 REYES, and
 JARDELEZA, JJ.

BERNARDO FRIANEZA,
 RODRIGO FRIANEZA,
 ALEJANDRA FRIANEZA,
 HILARIO VILLENA,
 SATURNINO VILLENA,
 FEDERICO FLORES, PEDRO
 FLORES and MARCELINA
 RAMOS,

Respondents.

Promulgated:

December 9, 2015.

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

DECISION

JARDELEZA, J.:

This is a Petition for Review on *Certiorari* assailing the *Decision* dated August 30, 2007¹ rendered by the Court of Appeals in CA-G.R. SP No. 89945. The Court of Appeals reversed the *Decision* dated March 16, 2005² issued by the Department of Agrarian Reform Adjudication Board (“DARAB”) affirming the dismissal of petitioners’ Complaint³ filed before the Regional Agrarian Reform Adjudicator in Urdaneta, Pangasinan.



¹ Ponencia by Associate Justice Amelita G. Tolentino, with Associate Justices Lucenito N. Tagle and Sixto Marella, Jr., concurring. *Rollo*, pp. 32-42.
² Docketed as DARAB Case No. 11328. *Id.* at 45-48.
³ Docketed as DARAB Case No. 01-2018-EP’01. *Id.* at 119-122.

The Facts

Deceased Hilario G. Marinas (“Hilario”) was the registered owner of a parcel of land located in Nantangalan, Pozorrubio, Pangasinan, with an area of approximately 114,000 square meters and covered by Transfer Certificate of Title (TCT) No. 137203 (“property”).⁴ He died on August 10, 1977 and was survived by his wife Bernardina and ten (10) children.⁵

On August 28, 1978, Bernardina, with the consent of her children, entered into several Agricultural Leasehold Contracts with respondents Bernardo Frianeza,⁶ Rodrigo Frianeza,⁷ Hilario Villena,⁸ Saturnino Villena,⁹ Federico Flores,¹⁰ Pedro Flores,¹¹ Nestor Ramos,¹² and Emiliano Frianeza¹³ covering different portions of the property.¹⁴

On May 23, 1989, Bernardina and respondents signed a Landowner-Tenant Farmers Deed of Undertaking whereby the former, pursuant to Presidential Decree No. 27 (“PD 27”),¹⁵ transferred ownership over portions of the property to respondents.¹⁶ Emancipation Patents (EPs) were issued to the individual respondents on different dates in May 1989 and registered with the Registry of Deeds of Lingayen, Pangasinan on November 29 and December 11, 1989.¹⁷ Bernardina died on October 5, 1990.¹⁸

On February 12, 2001, or almost twelve years later, petitioners, all heirs of deceased Hilario and Bernardina, filed a Complaint for Nullification of Patent and Other Documents, Reconveyance, Accounting and Damages before the Department of Agrarian Reform (DAR) Regional Adjudication Board in Urdaneta City.¹⁹ In their *Complaint*, petitioners stated that respondents secured the issuance of individual TCTs over different portions of the property,²⁰ as follows:

⁴ *Rollo*, pp. 72-73.

⁵ *Id.* at 119.

⁶ *Id.* at 73-74.

⁷ *Id.* at 75-76.

⁸ *Id.* at 77.

⁹ *Id.* at 78.

¹⁰ *Id.* at 79.

¹¹ *Id.* at 80.

¹² *Id.* at 81.

¹³ *Id.* at 82.

¹⁴ *Id.* at 119-120.

¹⁵ 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.

¹⁶ *Rollo*, pp. 111-113.

¹⁷ *Id.* at 33, 83-110.

¹⁸ *Id.* at 127.

¹⁹ *Id.* at 119-122.

²⁰ *Id.* at 120.

NAME	PATENT NO. ²¹	DATE OF ISSUE ²²	TCT No.	LOT No.	AREA (SQM)
Bernardo Frianeza	A-345889	May 31, 1989	10253	19	1,224
	A-345866	May 31, 1989	10252	21	672
	A-345881	May 31, 1989	10251	26	18,167
Rodrigo Frianeza	A-345875	May 31, 1989	10248	22	15,644
	A-345859	May 31, 1989	10249	23	553
	A-345857	May 30, 1989	10250	27	875
Alejandra Frianeza	A-345695	May 25, 1989	10265	1	2,530
	A-345694	May 25, 1989	10254	2	315
	A-345863	May 31, 1989	10257	18	26,968
	A-345865	May 31, 1989	10256	20	843
	A-345876	May 31, 1989	10255	25	1,851
Hilario Villena	A-345864	May 31, 1989	10258	28	608
	A-345693	May 25, 1989	10802	3	7,044
	A-345688	May 26, 1989	10245	7	599
	A-345690	May 25, 1989	10246	8	419
Saturnino Villena	A-345697	May 25, 1989	10247	9	831
	A-345882	May 31, 1989	10244	14	459
	A-345878	May 31, 1989	10241	15	307
	A-345883	May 31, 1989	10243	16	1,712
Federico Flores	A-345888	May 31, 1989	10242	17	2,259
	A-345691	May 25, 1989	10801	5	3,198
Pedro Flores	A-345689	May 26, 1989	10261	6	553
	A-345877	May 31, 1989	10259	12	371
Marcelina Ramos	A-345887	May 31, 1989	10260	13	7,373
	A-345692	May 25, 1989	10803	4	6,029
	A-345696	May 25, 1989	10262	10	518
	A-345858	May 31, 1989	10264	11	10,295
	A-345860	May 31, 1989	10263	24	935

Petitioners claim that respondents' titles were illegal, having been obtained (1) in bad faith and/or (2) without complying with the legal requirements for the transfer and distribution of landholdings to qualified beneficiaries.²³ Thus, petitioners prayed for, among others, the cancellation of the titles issued in favor of respondents and the reconveyance of the corresponding portions.²⁴

Bad faith

According to petitioners, upon Hilario's death, they became co-owners of the property with Bernardina, with a participation of one-eleventh (1/11) share per heir. Petitioners claim that respondents knew of their co-ownership over the property. Despite this knowledge, respondents chose to deal exclusively with Bernardina who, as surviving spouse, was entitled only to a 1/11 share in the property. Respondents allegedly took advantage of Bernardina's age and sickness and misrepresented that Bernardina was the landowner of the entire property with the right to convey/transfer title over

²¹ *Id.* at 83-110.

²² *Id.*

²³ *Rollo*, p. 120.

²⁴ *Id.* at 121.

the same.²⁵ Thus, even assuming that the transfer made by Bernardina in respondents' favor would be declared valid, it would only be limited to her 1/11 share.²⁶

Non-compliance with legal requirements

Petitioners likewise maintain that the subject property was exempted from the coverage of agrarian laws.²⁷ They nevertheless argue that, even assuming that PD 27 applies, the transactions involving the property were attended by defects and irregularities that further make the resulting transfers to respondents void and ineffective.²⁸ For example, petitioners claim that respondents obtained their respective titles without first having paid the value of the corresponding portions.²⁹ Petitioners also allege that they, as co-owners of the property, were never notified of any proceeding for the cancellation of TCT No. 137203, which they say is still valid and subsisting.³⁰ Furthermore, respondents have allegedly and illegally converted their respective portions for residential purposes, contrary to the intent of agrarian laws.³¹

Instead of filing an Answer, respondents, through the Legal Services Division of the DAR Office in Urdaneta City, filed a *Comment* dated April 11, 2001. Respondents raised the prematurity of the Complaint due to petitioners' failure to exhaust the proper administrative remedies governing the cancellation of registered EPs.³² They also presented a *Certification* dated May 2, 2001 issued by Eduardo A. Martinez, Municipal Agrarian Reform Officer ("MARO") in Pozorrubio, Pangasinan, to prove that they have paid the required amortizations in full.³³

Rulings of the Regional Adjudicator and the DARAB

On August 13, 2001, OIC-Regional Adjudicator Rodolfo A. Caddarao issued a *Decision*³⁴ dismissing petitioners' Complaint, the dispositive portion of which reads:

WHEREFORE, premises considered, the complaint in the instant case is hereby DISMISSED for lack of cause of action and/or for being premature.

SO ORDERED.³⁵

²⁵ *Id.* at 128.

²⁶ *Id.* at 128-129.

²⁷ *Id.* at 121.

²⁸ *Id.* at 129.

²⁹ *Id.*

³⁰ *Id.*

³¹ *Rollo*, p. 130.

³² *Id.* at 123.

³³ DAR records, p. 102.

³⁴ *Rollo*, pp. 49-53.

³⁵ *Id.* at 53.

Regional Adjudicator Caddarao found that “the contention of [petitioners] that the subject landholding was sold by their mother to the respondents when she was too ill and incoherent was not proven by any evidence.”³⁶ Quite the reverse, the different documents executed by Bernardina appear to indicate that she entered into the agreements voluntarily, her signatures appearing to be “in order and does not show that the person signing the same cannot do so.”³⁷ He likewise found that respondents have fully paid the amortizations on the landholdings as shown by the Certification issued by MARO Martinez.³⁸

Anent the claim of exemption on the ground that the subject property is within petitioners’ lawful retention area, Regional Adjudicator Caddarao upheld respondents’ defense of prematurity, absent any Order of Exemption issued by the DAR Secretary on the property. He said: “[i]t is only after an issuance of an Order of Exemption...may the Board took [sic] cognizance of the same and declare the EPs granted thereof as cancelled on such ground.”³⁹

The DARAB affirmed *in toto* the Regional Adjudicator’s ruling in a *Decision* dated March 16, 2005.⁴⁰ Aggrieved, petitioners filed a Petition for Review with the Court of Appeals.⁴¹

Ruling of the Court of Appeals

In its *Decision* dated August 30, 2007,⁴² the Court of Appeals reversed the rulings of the administrative agencies.

While ruling that land transfers under PD 27 are not covered by the conventional rules under civil law on sales, the Court of Appeals found that there was no sufficient evidence to show that respondents have actually completed payment of the required amortizations. It thus ordered the cancellation of the emancipation patents issued in favor of respondents. The dispositive portion of the Court of Appeals’ *Decision* reads:

WHEREFORE, premises considered, the petition is **GRANTED**. The assailed decision of the DARAB is **REVERSED** and **SET ASIDE**. The questioned Emancipation Patents issued to the respondents covering the petitioners’ landholding are **NULLIFIED WITHOUT PREJUDICE** to their application for the issuance of new patents after showing compliance with the requirements of the law.

SO ORDERED.⁴³

³⁶ *Id.* at 52.

³⁷ *Id.*

³⁸ *Rollo*, pp. 52-53.

³⁹ *Id.* at 53.

⁴⁰ *Id.* at 43-48.

⁴¹ *CA rollo*, pp.14-31.

⁴² *Rollo*, pp. 32-42.

⁴³ *Id.* at 41-42.

The Petition

Petitioners appeal the Court of Appeals' *Decision* and present the following arguments:⁴⁴

- (1) The mode of acquisition of the properties involved was through voluntary sale or direct payment scheme, hence, the rule on co-ownership should have governed such that since the sales were signed only by Bernardina Marinas, it shall affect only her own share and not those of her children;
- (2) Due to the violations committed by respondents relative to the issuance of their emancipation patents, they should no longer be qualified to apply for new ones;
- (3) There was an illegal conversion of the properties involved; and
- (4) The properties fall within petitioners' lawful retention limits.

Ruling of the Court

We deny the Petition for lack of merit.

Transfer of land under PD 27 not akin to a conventional sale under our civil laws; Consent is not necessary for the validity of the transfer

Petitioners argue that since the mode of acquisition of the properties involved was through voluntary sale or direct payment scheme, the civil law rules on co-ownership apply. Thus, the sale contracts entered into by Bernardina should only affect her own share and not those of her children.

Their contention is completely devoid of merit.

It is settled in *Hospicio de San Jose de Barili, Cebu City v. Department of Agrarian Reform*⁴⁵ that land transfers mandated under PD 27 are not considered conventional sales under our civil laws. In *Hospicio*, we ruled that a provision in the law prohibiting the **sale** of properties donated to a charitable organization incorporated by the same law did **not** bar the implementation of agrarian reform laws as regards the properties.⁴⁶ The Court explained:

Generally, sale arises out of a contractual obligation. Thus, it must meet the first essential requisite of every contract that is the presence of consent. Consent implies an act of volition in entering into the agreement.

⁴⁴ *Id.* at 19-20.

⁴⁵ G.R. No.140847, September 23, 2005, 470 SCRA 609.

⁴⁶ *Id.* at 616.

The absence or vitiation of consent renders the sale either void or voidable.

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The twin process of expropriation of lands under agrarian reform and the payment of just compensation is akin to a forced sale, which has been aptly described in common law jurisdictions as “sale made under the process of the court, and in the mode prescribed by law,” and “which is not the voluntary act of the owner, such as to satisfy a debt, whether of a mortgage, judgment, tax lien, etc.” The term has not been precisely defined in this jurisdiction, but reference to the phrase itself is made in Articles 223, 232, 237 and 243 of the Civil Code, which uniformly exempt the family home “from execution, forced sale, or attachment.” Yet a forced sale is clearly different from the sales described under Book V of the Civil Code which are conventional sales, as it does not arise from the consensual agreement of the vendor and vendee, but by compulsion of law. Still, since law is recognized as one of the sources of obligation, there can be no dispute on the efficacy of a forced sale, so long as it is authorized by law.⁴⁷ (Emphasis and underscoring supplied.)

Thus, for as long as the property is covered under PD 27, the obligation to transfer ownership of the property arises. Consent of one, some or all of the co-owners to the transfer is immaterial to its validity.

*Voluntary Land Transfer/Direct
Payment scheme merely modes
of implementation*

Bernardina chose to enter into a *Voluntary Land Transfer/Direct Payment Scheme*. This is allowed under Executive Order No. (EO) 228,⁴⁸ which provides for the different modes of payment and compensation for land transfers under PD 27:

Section 1. All qualified farmer beneficiaries are now deemed full owners as of October 21, 1972 of the land they acquired by virtue of Presidential Decree No. 27.

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Section 3. **Compensation shall be paid to the landowners in any of the following modes,** at the option of the landowners:

⁴⁷ *Id.* at 616-618.

⁴⁸ Declaring Full Land Ownership to Qualified Farmer Beneficiaries covered by Presidential Decree No. 27: Determining the Value of Remaining Unvalued Rice and Corn Lands Subject to P.D. No. 27; and Providing for the Manner of Payment by the Farmer Beneficiary and Mode of Compensation to the Landowner.

- (a) Bond payment over ten (10) years, with ten percent (10%) of the value of the land payable immediately in cash, and the balance in the form of LBP bonds bearing market rates of interest that are aligned with 90-day treasury bills rates, net of applicable final withholding tax. One-tenth of the face value of the bonds shall mature every year from the date of issuance until the tenth year.

The LBP bonds issued hereunder shall be eligible for the purchase of government assets to be privatized.

- (b) **Direct payment in cash or in kind by the farmer-beneficiaries with the terms to be mutually agreed upon by the beneficiaries and landowners** and subject to the approval of the Department of Agrarian Reform; and
- (c) Other modes of payment as may be prescribed or approved by the Presidential Agrarian Reform Council. (Emphasis and underscoring supplied.)

In fact, similar arrangements also appear in subsequent agrarian reform laws.⁴⁹ Bernardina's choice to avail of the direct payment scheme concerns only the manner of payment/mode of compensation and does not affect the compulsory obligation to transfer arising from law. It does not serve to remove the transaction over the property from the coverage of agrarian reform laws.

On the exercise of petitioners' right of retention

Petitioners claim that the property falls within the seven (7) hectare retention limit given to landowners. They assert that “[t]he property in question has a total land area of more than 14 hectares and the petitioners are all in all ten (10) of them and if they exercise their right of retention, they are entitled to at least 3 hectares each.”⁵⁰

⁴⁹ Executive Order No. 229 (1987), Providing the Mechanism for the Implementation of the Comprehensive Agrarian Reform Program, provides:

Section 8. *Voluntary Land Transfer*.—Landowners whose lands are subject to redistribution under this Order have the option of entering into a **voluntary agreement for direct transfer of their lands to appropriate beneficiaries, under terms and conditions acceptable to both parties** xxx.

Section 9. *Voluntary Offer to Sell*.—The government shall purchase all agricultural lands it deems productive and suitable to farmer cultivation **voluntarily offered for sale** to it at a valuation determined in accordance with Section 6. Such transactions shall be exempt from the payment of capital gains tax and other taxes and fees. (Emphasis and underscoring supplied.)

See also Sections 18 to 21 of Republic Act No. 6657.

⁵⁰ *Rollo*, p. 21.

It is true that the right of retention is constitutionally guaranteed, subject to reasonable limits prescribed by the legislature.⁵¹ In *Daez v. Court of Appeals*,⁵² we said:

xxx It serves to mitigate the effects of compulsory land acquisition by balancing the rights of the landowner and the tenant and by implementing the doctrine that social justice was not meant to perpetrate an injustice against the landowner. A retained area, as its name denotes, is land which is not supposed to anymore leave the landowner's dominion, thus sparing the government from the inconvenience of taking land only to return it to the landowner afterwards, which would be a pointless process.⁵³

Thus, under PD 27, an affected landowner may retain an area of not more than seven (7) hectares if such landowner is cultivating such area or will now cultivate it. Under Republic Act No. (RA) 6657,⁵⁴ retention by the landowner is not to exceed five (5) hectares, and three (3) hectares to each child, under certain specified conditions.⁵⁵

As with any other right, this right of retention may be waived by the landowner. In cases of voluntary transactions involving covered land, a landowner seeking to exercise his right to retain is *presumed* to have already exercised the same, or at the very least, expected to exercise it simultaneous to the transaction. DAR Administrative Order No. 11, Series of 1990,⁵⁶ provides:

⁵¹ Section 4, Article XIII of the Constitution provides:

Section 4. The State shall, by law, undertake an agrarian reform program founded on the right of farmers and regular farmworkers, who are landless, to own directly or collectively the lands they till or, in the case of other farmworkers, to receive a just share of the fruits thereof. To this end, the State shall encourage and undertake the just distribution of all agricultural lands, **subject to such priorities and reasonable retention limits as the Congress may prescribe**, taking into account ecological, developmental, or equity considerations, and subject to the payment of just compensation. In determining retention limits, the State shall respect the right of small landowners. The State shall further provide incentives for voluntary land-sharing. (Emphasis supplied.)

⁵² G.R. No. 133507, February 17, 2000, 325 SCRA 856.

⁵³ *Id.* at 863-864.

⁵⁴ The Comprehensive Agrarian Reform Law of 1988.

⁵⁵ **Section 6. Retention Limits.** — Except as otherwise provided in this Act, no person may own or retain, directly or indirectly, any public or private agricultural land, the size of which shall vary according to factors governing a viable family-size farm, such as commodity produced, terrain, infrastructure, and soil fertility as determined by the Presidential Agrarian Reform Council (PARC) created hereunder, but in no case shall retention by the landowner exceed five (5) hectares.

Three (3) hectares may be awarded to each child of the landowner, subject to the following qualifications: (1) that he is at least fifteen (15) years of age; and (2) that he is actually tilling the land or directly managing the farm: Provided, That landowners whose lands have been covered by Presidential Decree No. 27 shall be allowed to keep the areas originally retained by them thereunder: Provided, further, That original homestead grantees or their direct compulsory heirs who still own the original homestead at the time of the approval of this Act shall retain the same areas as long as they continue to cultivate said homestead. xxx

⁵⁶ Rules and Procedures Governing the Exercise of Retention Rights by Landowners and Award to Children under Section 6 of RA 6657.

E. Period Within Which to Exercise the Right of Retention

1. Under Compulsory Acquisition (CA)

The right of retention and the possibility of award to children, where applicable, must be availed of by the landowner **within a period of sixty (60) days from the date of receipt of Notice of Coverage** from the DAR that his landholding is subject to compulsory acquisition. Failure to respond within the specified period and after due notice would mean that the landowner **waives** his right to choose which area to retain.

2. Under Voluntary Offer to Sell (VOS)

The right to retention may be exercised **at the time the land is voluntarily offered for sale**. The VOS should indicate the landowner's choice of retained area, which should be not more than five (5) hectares, plus the area/s to be awarded to the qualified children. These areas should be specifically identified and segregated from the portion covered by the VOS.

A landowner who voluntarily offered his retained area for CARP coverage may be allowed to withdraw his offer. (Emphasis supplied.)

Administrative Order No. 4, Series of 1991⁵⁷ subsequently issued likewise provides:

4. A landowner is deemed to have **waived** his right of retention over a parcel of land by the performance of any of the following acts:
 - a. Signing of the Landowner-Tenant Production Agreement and Farmer's Undertaking (LTPA-FU) covering the subject property;
 - b. Entering into a direct-payment scheme agreement as evidenced by a Deed of Transfer over the subject property; and**
 - c. Signing/submission of other documents indicating consent to have the subject property covered, such as the form letter of the Land Bank of the Philippines (LBP) on the disposition of the cash and bond portions of a land transfer claim for payment, and the Deed of Assignment, Warranties and Undertaking executed in favor of the LBP. (Emphasis supplied.)

⁵⁷ Supplemental Guidelines Governing the Exercise of Retention Rights by Landowners under Presidential Decree No. 27.

In addition, under the 2003 Rules and Procedures Governing Landowner Retention Rights, failure to state an intention to retain *upon offer to sell or application under the voluntary land transfer/direct payment scheme* shall result in a waiver of the right.⁵⁸

In this case, Bernardina is deemed to have already waived the right to a retained area when she entered into a voluntary land transfer/direct payment scheme with respondents over the property, without any qualification as to the exercise of her right of retention. Petitioners, as Bernardina's successors-in-interest, are bound by her waiver.

On the issue of illegal conversion

We find it unnecessary to rule on petitioners' claim of illegal conversion at this time. For one, the record is completely bereft of proof to support such contention. More importantly, such claim involves factual questions which cannot be resolved by this Court, as it is not a trier of fact.⁵⁹

The Court of Appeals erred in ordering the cancellation of the emancipation patents issued in respondents' names

The Court of Appeals ordered the nullification of the emancipation patents issued to respondents. This, the Court of Appeals said, was without prejudice to their application for the issuance of new patents after showing complete compliance with the requirements for their issuance. It reasoned thus:

However, although the tenant-farmers are already deemed owners of the land they till, they are still required to pay the cost of the land. In the case at bar, **there is no competent evidence to prove that the respondents have paid the full amortizations for the lots awarded to them.** While the Regional Adjudicator stated in his decision that the respondents have paid the full amortizations as per certification dated May 2, 2001 by the Municipal Agrarian Reform Officer, Eduardo A. Martinez, nothing of such sort could be found from the records. Indeed, findings of facts by administrative bodies are usually accorded with respect and not disturbed by the appellate court, but this applies only if the same is supported by the evidence on record. The petitioners have consistently raised the lack of full payment of their landholdings from the Regional Adjudicator to the DARAB and to this Court, but the respondents never bothered to present proofs of payment after the lapse of considerable length of time. Neither did

⁵⁸ DAR Administrative Order No. 2 (2003), Section 6.2.

⁵⁹ *Quitortiano v. DARAB*, G.R. No. 171184, March 4, 2008, 547 SCRA 617, 627.

they dispute the allegation. In the absence of such evidence, it can be presumed that full payment has not been effected by the respondents.

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It could be gleaned from PD 266, in relation to PD 27 and the jurisprudence applying the same, **that emancipation patents should be issued only after full payment of the amortizations as determined by law.** Although the respondents have been issued emancipation patents, and as could be inferred from PD 266, such issuance could indicate payment of the full amortization of the land covered thereby, the same could not be relied upon in this case inasmuch as the **petitioners managed to produce receipts of payment issued to some of the respondents clearly showing that they were issued after the date of the questioned emancipation patents. On that score, it could be said that the questioned EPs were issued sans complete compliance with the process for the application of PD 27.** Under the prevailing jurisprudence, the respondents may complete payment of the unpaid amortizations under RA 6657, the present Agrarian Reform Law. But until such time that the respondents have shown full payment thereof, they are not entitled to the issuance of emancipation patents. Accordingly, the EPs already issued to them are hereby cancelled.⁶⁰ (Emphasis supplied.)

We find that the Court of Appeals erred in ordering the cancellation of respondents' emancipation patents.

First, and as previously discussed, the law allows for different modes of payment of the value of the land acquired pursuant to PD 27, including voluntary arrangements for direct transfer/payment schemes *under terms and conditions mutually acceptable to both parties*.⁶¹ Under EO 229, these voluntary arrangements are subject to the approval of the DAR for compliance with the guidelines for voluntary transfers. These guidelines are:

Section 8. *Voluntary Land Transfer*.—xxx The general guidelines for voluntary land transfer are:

- (a) The beneficiaries are determined by the DAR to be the same individuals who would be eligible to purchase the land in case the government under this Order acquired the land for resale;
- (b) The area of land to be transferred is no less than the area which the government, under this Order, would otherwise acquire for resale;

⁶⁰ *Rollo*, pp. 39-41.

⁶¹ Executive Order No. 228, Section 3. See also Executive Order No. 229, Section 8 and Republic Act No. 6657, Section 20.

- (c) The terms and conditions of the government's standing offer to purchase from the landowner and standing offer to resell to the beneficiaries are fully known and understood by both parties;
- (d) The voluntary transfer agreement shall include sanctions for non-compliance by either party and shall be binding and irrevocable for both parties, and shall be duly recorded at and monitored by the DAR.

The records of this case show that Bernardina chose to enter into a Voluntary Land Transfer/Direct Payment Scheme. The Landowner-Tenant Farmers Deed of Undertaking executed between the parties on May 23, 1989 also contains the signatures of DAR representatives, implying compliance with the applicable guidelines.⁶² This Deed of Undertaking, with its terms and conditions voluntarily agreed upon by the parties, should be held binding upon Bernardina and her successors-in-interest.

Second. There is nothing in the Deed of Undertaking to show that the parties conditioned the issuance of emancipation patents in respondents' favor on the complete payment of the value of their corresponding lots. Thus, the fact that payments were made subsequent to the issuance of the patents does not affect the validity of the patents' issuance.

The Deed's salient portions read:

- 3. **That the LANDOWNER does hereby convey and transfer pursuant to PD 27 to the FARMER-BENEFICIARIES the parcels of land** for and in consideration of the amount indicated opposite their names below:

xxx

- 4. That the amount indicated will be paid in cash or its equivalent in kind to the LANDOWNER without any interest;

xxx

- 6. That in case the FARMER-BENEFICIARIES opt to pay the LANDOWNER in installment basis, the land value will be increased to P10,000 per hectare which will be amortized by the FARMER-BENEFICIARIES for a period of three (3) years only;
- 7. That **in case of failure** of the FARMER-BENEFICIARIES **to pay the landholdings awarded to him for a period of three (3) years**, the LANDOWNER has the right to **foreclose** on the property and subsequently award it to other qualified beneficiary within the locality; xxx.⁶³ (Emphasis supplied.)

We likewise note the consequence provided by the parties for respondents' failure to pay amortizations. Under their agreement, failure of

⁶² *Rollo*, pp. 111-113.

⁶³ *Id.* at 111-112.

the farmer-beneficiary to pay for a period of three (3) years will be cause for the **foreclosure by the landowner** of their corresponding portion.⁶⁴ This proviso further supports the view that title over the properties immediately vested upon respondents, without prejudice to Bernardina's right to foreclose on the property in case of default on payment for the stipulated period.

Prior complete payment of just compensation is not required for issuance of titles in cases of Voluntary Land Transfer/Direct Payment Scheme

We are aware of the rule requiring full payment of just compensation *prior to* the issuance of an emancipation patent. Such was the consistent pronouncement of this Court in *Association of Small Landowners in the Philippines, Inc. v. Secretary of Agrarian Reform*,⁶⁵ *Paris v. Alfeche*,⁶⁶ *Coruña v. Cinamin*⁶⁷ and *Reyes v. Barrios*,⁶⁸ among others. The foregoing cases, however, do not involve voluntary land transactions similar to the arrangement chosen by the parties in this case. For this reason, we find that the rule requiring *prior* complete payment does not find application here.

Moreover, under DAR Administrative Order No. 13, Series of 1991,⁶⁹ which sets forth the rules governing voluntary land transfers and/or direct payment schemes, “[t]he terms and conditions of [voluntary land transfer/direct payment scheme] should include the **immediate transfer of possession and ownership of the land in favor of the identified beneficiaries.**”⁷⁰ Thus, title, whether in the form of an Emancipation Patent or a Certificate of Land Ownership Award (CLOA), can be issued upon execution of the agreement between the landowner and the farmer-beneficiary.

In fact, DAR Administrative Order No. 2, Series of 1994⁷¹ provides that one of the grounds for the **cancellation** of registered emancipation patents or CLOAs is “default in the obligation to pay an aggregate of three

⁶⁴ Paragraph 7 of Deed of Undertaking. *Id.* at 112.

⁶⁵ G.R. No. 78742, July 14, 1989, 175 SCRA 343, 390.

⁶⁶ G.R. No. 139083, August 30, 2001, 364 SCRA 110, 121.

⁶⁷ G.R. No. 154286, February 28, 2006, 483 SCRA 507, 522.

⁶⁸ G.R. No. 172841, December 15, 2010, 638 SCRA 541, 555.

⁶⁹ Rules and Procedures Governing Voluntary Land Transfer or a Direct Payment Scheme (VLT/DPS) Pursuant to Sections 20 and 21, RA 6657.

⁷⁰ *Id.*, paragraph B.1.c reads:

The terms and conditions of VLT/DPS should include the **immediate transfer of possession and ownership** of the land in favor of the identified beneficiaries. In this regard, **Certificates of Land Ownership Awards (CLOAs) shall be issued** to the [agrarian reform beneficiaries] with proper annotations. (Emphasis supplied.)

⁷¹ Rules Governing the Correction and Cancellation of Registered/Unregistered Emancipation Patents (EPs), and Certificates of Land Ownership Award (CLOAs) due to Unlawful Acts and Omission or Breach of Obligations of Agrarian Reform Beneficiaries (ARBs) and for Other Causes.


(3) consecutive amortizations *in case of voluntary land transfer/direct payment scheme, except in cases of fortuitous events and force majeure.*⁷²

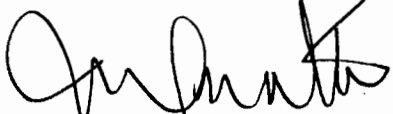
In view of the foregoing, and barring other grounds for invalidity, we find no irregularity in the issuance of respondents' emancipation patents. It was therefore error for the Court of Appeals to have ordered the cancellation of respondents' emancipation patents on such ground.

WHEREFORE, the Petition is **DENIED**. The *Decision* dated August 30, 2007 rendered by the Court of Appeals in CA-G.R. SP No. 89945 is **REVERSED** and **SET ASIDE**. The Emancipation Patents issued to respondents are declared **VALID**.


FRANCIS H. JARDELEZA
Associate Justice

WE CONCUR:


PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson


DIOSDADO M. PERALTA
Associate Justice


MARTIN S. VILLARAMA, JR.
Associate Justice



BIENVENIDO L. REYES
Associate Justice

⁷²

DAR Administrative Order No. 2 (1994), paragraph IV.B.6.

A T T E S T A T I O N

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

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

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's attestation, it is hereby certified 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