



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

FILINVEST LAND, INC.,
Petitioner,

G.R. No. 192629

Present:

VELASCO,*
BRION,** *Acting Chairperson*,
DEL CASTILLO,
MENDOZA, and
LEONEN, JJ.

- versus -

Promulgated:

EDUARDO R. ADIA, LITO M.
ADIGUE, CANDIDO M. AMPARO,
MARINO S. AMPARO, RODOLFO S.
AMPARO, FLORDELIZA L. ARIAS,
BALBINO M. ATIENZA, PEDRO M.
ATIENZA, DALMACIO C.
AVANILLA, PASTOR M. AVANILLA,
VENACIO P. BAUTISTA, RODOLFO
S. BERGADO, ENRIQUE R.
BRABANTE, EMMA D. BUBAN,
JUANITO A. CANDARE, ROMEO O.
CANDARE, ANTONIO M.
CATAPANG, EDUARDO A.
CATAPANG, GRACIANO C.
CATAPANG, HERMINIO V.
CATAPANG, JUANA P. CATAPANG,
REYNALDO P. CATAPANG, ROMEO
A. CATAPANG, RODOLFO A.
CATAPANG, VICTORIANO A.
CATAPANG, JUAN D. CENTOS,
FERNANDO B. CERNETCHEZ,

25 NOV 2015

W. Cabalag/Perfetto

* Designated as Acting Member in lieu of Associate Justice Antonio T. Carpio, per Special Order No. 2282 dated November 13, 2015.

** Designated as Acting Chairperson in lieu of Associate Justice Antonio T. Carpio, per Special Order No. 2281 dated November 13, 2015.

RM

EDUARDO C. CREENCIA, ARNEL N. M. CREMA, REYNALDO B. CRISTAL, MOISES CUBCUBIN, DELSO POBLETO, SALVADOR M. DE LEON, MELQUIADES P. DESCALSO, GREGORIO P. DINO, ROBERTO L. DOMINO, CELSO R. ESCALLAR, ARMAND P. ESCUADRO, ELISA C. FELICIANO, PASTOR C. FERRER, ERLINDO M. FORMARAN, LEONARDO D. GARINO, RAFAEL R. GRANADO, ALMARIO IBANEZ, CASIMIRO P. IBANEZ, CEFERINO P. IBANEZ, MIGUEL V. IBANEZ, MONTANO V. IBANEZ, CESAR N. JECIEL, ALFREDO B. LAURENTE, EFIGENIA B. LAURENTE, CELSO C. MEDINA, EDUARDO A. PANGANIBAN, ROMEO C. PASCUA, DANILO L. PAULMINO, LAURO A. PEGA, LEONARDO M. PEREZ, FELIPE V. PETATE, LEONARDO V. PETATE, ESTANISLAO PORTO, MAXIMO D. PORTO, GREGORIO L. REYES, JOSE L. REYES, LEONARDO M. SALINGYAGA, DEMETRIO A. SALONGA, MANOLITO G. SORILLA, HERMOGENES L. TORRES, JUANITO M. TORRES, MARIANO B. TAGLE, MARIO D. TAGLE, and SANCHO V. VILLA,

Respondents.

X-----X

DECISION

BRION, J.:

We resolve the petition for review on *certiorari* challenging the April 15, 2010 decision¹ and June 17, 2010 resolution of the Court of Appeals (CA) in CA G.R. CV No. 87424. The CA decision affirmed the Regional Trial Court's (RTC) decision² directing the petitioner to vacate the properties and to return the transfer certificates of title (TCTs) to the respondents.

¹ Penned by Associate Justice Florito S. Macalino and concurred in by Associate Justices Juan Q. Enriquez, Jr. and Ramon M. Bato, Jr. *Rollo*, pp. 67-93.

² RTC Decision dated August 20, 2004, *id.* at 191, and RTC Order dated April 18, 2005, *id.* at 211.

FACTUAL BACKGROUND

The respondents were the registered owners of various parcels of land located in Barangay Hugo Perez, Trece Martires, Cavite. These properties were awarded to them pursuant to the Comprehensive Land Reform Law (*CARL*),³ and had a total land area of about 709,910 square meters under seventy-five (75) TCTs.

In 1995, Filinvest Land, Inc. (*Filinvest*) acquired possession of these properties. Each of the respondents executed a *Sinumpaang Salaysay* entitled *Pagbibitaw ng Karapatan (affidavits)*. Based on these affidavits, the respondents relinquished all their rights over the properties for valuable consideration.

The respondents alleged that they surrendered possession of their properties with the understanding that Filinvest would develop these into a residential subdivision, pursuant to a joint venture agreement (*JVA*). They also entrusted their respective owner's duplicate original copies of the TCTs to Filinvest because they were told that these would be used in preparing the development plans. The respondents added that they were even given money to find their own place while the development was taking place.

The respondents repeatedly requested Filinvest to return their owner's TCT copies and to give them a copy of the *JVA*. Since development had not yet begun, they also sent a letter to Filinvest to allow them to temporarily return to their lands. They received no response. Instead, Filinvest began to fence the area and prohibited entry. To protect their rights, the respondents filed notices of adverse claim.

In 2010, the respondents filed a **complaint for recovery of possession** with damages against Filinvest.

In its answer, Filinvest argued that (a) the respondents had relinquished their rights over the property, (b) no *JVA* was signed, and (c) all of the respondents signed the affidavits under which possession was validly transferred to Filinvest.

At trial, the respondents' witnesses initially denied that they executed the affidavits but changed their answers when they saw their signatures on them.

Filinvest presented two witnesses. Leilanie Faforga (*Faforga*), the custodian of Filinvest's acquisition documents, testified that she did not possess any documents on the properties other than the respondents' affidavits. To her knowledge, no *JVA* had been signed.

³ Republic Act No. 6657, June 10, 1988.

Lina Ferrer-De Guzman (*De Guzman*) testified that she was the Head of the Land Acquisition Department at the time of the transactions. She stated that the sale with Filinvest did not push through because the properties were covered by the CARL. Under its Section 27, the properties cannot be sold, transferred, or conveyed within a period of ten (10) years. Thus, instead of a sale, she negotiated a transfer of possession to Filinvest through the affidavits until such time that a sale could be made.

In its decision, the RTC found the respondents to be the lawful possessors. It then ordered Filinvest to: (a) vacate the properties; (b) return all the TCTs to the respondents; and (c) pay two hundred thousand pesos as attorney's fees.

The respondents challenged this ruling through a petition for review before the CA.

THE CA RULING

The CA affirmed the RTC's decision. It ruled that the respondents undoubtedly own the properties and are entitled to possession.

First, the CA ruled that the respondents failed to prove the JVA's existence and due execution. They failed to produce the original copy and any secondary evidence to prove that it exists. Thus, the CA had no basis to conclude that Filinvest did not perform its obligations under the alleged JVA.

Second, the CA ruled that the affidavits could not be valid sources of Filinvest's right because their terms were contrary to law, specifically Section 27 of the CARL. A plain reading of these affidavits showed that all rights, not just possession, over the properties were transferred. Without expressly mentioning transfer of ownership, the affidavits effectively gave Filinvest indefinite control over the properties; thus, the affidavits were void.

Third, the CA ruled that, although both parties knew that the transfers were prohibited, the respondents may still recover the properties based on Article 1416 of the Civil Code. This provision is an exception to the *pari delicto* doctrine. This provision states that when an agreement is not illegal *per se* but is merely prohibited, and the prohibition is designed to protect the plaintiff, he may recover what he has delivered. Section 27 of the CARL was designed to protect the landless farmers; thus, the respondents may still recover their properties.

Lastly, the CA removed the award of attorney's fees because the RTC did not give any reason for granting it.

The CA denied Filinvest's motion for reconsideration; hence, this petition.

THE PETITION

In its petition and supplemental petition, Filinvest insists that:

First, the affidavits are valid. Section 27 of the CARL only prohibits the sale, transfer, or conveyance of the properties. It does not prohibit the assignment of possessory rights. When the respondents executed the affidavits, they voluntarily assigned their possessory rights over the properties in Filinvest's favor. Filinvest is, therefore, the lawful possessor of the properties.

Second, assuming *arguendo* that the affidavits are void, the respondents must return the consideration they received. Otherwise, they will unjustly enrich themselves at Filinvest's expense.

Third, both parties are *in pari delicto* for entering into the void transaction. Thus, the Court should leave them as they are. Furthermore, the *pari delicto* exception in Article 1416 of the Civil Code does not apply to void contracts.

THE RESPONDENTS' CASE

On their part, the respondents argue that:

First, the affidavits are void because they effectively transferred ownership, not just possession, over the properties. The affidavits' provisions require a perpetual surrender of the respondents' ownership rights. This transfer violates Section 27 of the CARL.

In *Maylem v. Ellano*,⁴ this Court ruled that the waiver or surrender of possession of properties awarded under CARL is a prohibited transfer. Thus, Filinvest's contention that they validly acquired possession through the affidavits is baseless. Since the transfer to Filinvest is prohibited, the respondents are the properties' lawful possessors.

Second, all the requisites of Article 1416 of the Civil Code are present. Thus, the courts may return the properties to the respondents' possession. Moreover, the respondents will not be unjustly enriched if the properties are returned to them because Filinvest has possessed their properties for more than fifteen years.

In sum, the CA did not commit any error in affirming the RTC's decision.

In a manifestation in 2006, the respondents informed this Court that while this case is pending, Filinvest was able to cancel the TCTs in respondents' names and to obtain new ones in its name.

⁴ G.R. No. 162721, July 13, 2009, 592 SCRA 440.

THE ISSUE

The core issue in an *accion publiciana* case is who between Filinvest and the respondents are the properties' lawful possessors.

OUR RULING

The petition is unmeritorious.

An *accion publiciana* or a case for recovery of possession determines who between the parties has the better and legal right to possess the properties, independently of title.⁵

Filinvest's claim of rightful possession relies on the affidavits. Hence, we must ascertain whether these affidavits validly transferred possession.

The affidavits are void for violating Section 27 of the CARL.

Since the properties involved were awarded pursuant to CARL, its provisions apply here. Section 27 of the CARL states:

“Section 27. *Transferability of Awarded Lands.* – Lands acquired by the beneficiaries under this Act **may not be sold, transferred or conveyed** except through hereditary succession, or to the government, or the LBP, or to other qualified beneficiaries **for a period of ten (10) years** x x x” (emphasis supplied)

This provision prohibits the sale, transfer, or conveyance of the properties within ten years, subject to four exceptions⁶ which do not apply to this case.

As early as 1990, the transfers of possessory rights over landholdings awarded under agrarian laws had been declared void in *Torres v. Ventura*.⁷

In that case, Torres tilled the subject land when Presidential Decree No. 27 (*PD 27*) was promulgated in 1972. In 1978, he transferred his rights of possession and enjoyment over the land to Ventura for ₱5,000.00. Through an Affidavit of Waiver, Torres relinquished all his rights over the property in Ventura's favor. In 1985, he offered to redeem the property but Ventura refused. Thus, he filed a complaint for recovery of possession.

This Court resolved the question of who has better right of possession between the tiller and the transferee of the land, ruling in Torres' favor based

⁵ *Reyes v. Sta. Maria*, 180 Phil 141 (1979).

⁶ *Lebrudo v. Loyola*, G.R. No. 181370, March 9, 2011, 645 SCRA 156.

⁷ G.R. No. 86044, July 2, 1990, 187 SCRA 96, 102.

on the facts and on the constitutional mandate to promote agrarian reform. We noted that the fundamental policy of the law is to transfer ownership over the land to the farmers who till them. To give effect to this policy, PD 27 prohibits the transfer of the land to third parties, subject to certain exceptions. In a 1979 memorandum circular,⁸ the Minister of Agrarian Reform acknowledged the prevalence of transactions transferring ownership, rights, or possession over awarded lands. The Minister emphasized that these transactions violate PD 27 and are, thus, **void**.

The ruling in *Torres* was reiterated in *Corpuz v. Grospe*⁹ and in *Lapanday v. Estita*.¹⁰ In *Lapanday*, the Court stated that waivers of rights and interests over landholdings awarded by the government are invalid for violating agrarian reform laws. Thus, these waivers are void.

The proscription in PD 27 against transferring land awards to third persons was **carried over to Section 27 of RA 6657**.¹¹

The pronouncements in *Torres* were ruled to be applicable to land awards under RA 6657 in *Maylem v. Ellano*,¹² in *Lebrudo v. Loyola*,¹³ and in *Gua-an v. Quirino*.¹⁴ In these cases, the Court emphasized that any waiver and transfer of rights and interests within the 10-year prohibitory period under RA 6657 is **void** for violating agrarian reform law¹⁵ whose main purpose is to ensure that the farmer-beneficiary shall continuously possess, cultivate, and enjoy the land he tills.¹⁶ The affidavits and quitclaims signed by the farmers to surrender possession were accordingly declared void.

In the present case, the parties do not dispute that the transfers occurred within the ten-year period. Filinvest contends, however, that only transfer of ownership is prohibited, not of possession.

We now examine the affidavits' contents. The affidavits signed by the respondents read, in part, thus:

“SINUMPAANG SALAYSAY
(PAGBIBITAW NG KARAPATAN)

x x x

1. Na pinapatunayan ko/naming (*sic*) na tinanggap ko/naming nang lubos na kasiyahan ang halagang _____ (P_____) Salaping Pilipino, mula sa FILINVEST LAND, INC. bilang kabuuang bayad pinsala (disturbance fee) sa mga pananim ko/naming at ng aking/aming buong pamilya at sa lahat ng iba pa

⁸ Ministry of Agrarian Reform, Memorandum Circular No. 7, Series of 1979, April 23, 1979.

⁹ G.R. No. 135297, June 13, 2000, 333 SCRA 425.

¹⁰ G.R. No. 162109, January 21, 2005, 449 SCRA 240, 242.

¹¹ *Maylem v. Ellano*, *supra* note 4, at 452.

¹² *Id.*

¹³ *Supra* note 6.

¹⁴ G.R. No. 198770, November 12, 2012, 685 SCRA 236, 341-342.

¹⁵ *Maylem*, *supra* note 4 cited in *Lebrudo*, *supra* note 6.

¹⁶ *Lebrudo*, *supra* note 6.

ko/naming mga pag-aari sa lupaing nabanggit at **bilang karapatang bayad sa lahat kong/naming interes, karapatan at paghahabol sa nasabing lupain.**

2. Na alang-alang sa nabanggit na tinanggap kong/naming kabayaran, **kusang-loob ko/naming pinawawalang bisa at kabuluhan ang anumang interes, karapatan at paghahabol bilang magsasaka** at kaagad kong isasauli sa mga nasabing may-ari, sa paglagda ko/naming nito, ang aking/aming pamumumisyon **at lahat ng kapapatan sa nasabing lupain.**

3. Na ako/kami at ang aking/aming pamilya ay nangangako na mula sa paglagda ko/naming nito ay hindi na ako/kami magtatanim ng ano pa mang halaman sa lahat ng mga nasabing lupain o **di kaya'y makikialam pa sa anumang paraan sa nasabing lupain.**

4. Na aking/aming **kinikilala ang karapatan ng mga may-arang nabanggit** at ng kanilang mga kahalili na bakuran ang lahat ng lupaing nabanggit matapos kong/aming lagdaan ang salaysay na ito at, ako/kami ay **wala nang ano pa mang karapatan na pumasok o kaya'y makialam sa kahi't (sic) anong paraan maging sa nasabing parselang nasasakop ng Titulong nabanggit,** maging may maani man kami o wala sa mga bunga, kung mayroon man, o ang ano pa mang mga nalalabing pananim na matatagpuan doon pagdating ng nasabing takdang araw na iyon.

5. Na alang-alang sa mga nakasaad sa itaas, ako/kami at ang aming buong pamilya ay **wala nang paghahabol na ano pa man ukol sa nasabing lupain** laban sa nabanggit na may-ari at sa kanilang maaaring maging **kahalili pa sa pagmamay-ari** nito, at aming pinagtitiyay na ang nasabing may-ari at mga kahalili ay wala nang magiging ano pa mang pananagutan sa akin/amin sa ilalim ng anumang nakaraang kasunduan namin sa kanila o sa kanilang mga magulang, o sa ilalim ng batas.

x x x"¹⁷ (emphases supplied)

The affidavits, as worded, totally waive or transfer the respondents' rights and interests over the properties. The CA correctly observed that the affidavits do not only assign possessory rights, but perpetually surrender the respondents' ownership rights. Furthermore, De Guzman admitted that the affidavits were deliberately designed to circumvent the proscription under RA 6657.

Clearly, the transfers of the properties, through the affidavits, violate Section 27 of the CARL. Under our established rulings, these affidavits or waivers are **void**.

Because the transfers made to Filinvest in 1995 are void, Filinvest cannot claim rightful possession over the properties. The respondents are the awardees based on the CARL and should be recognized as the lawful possessors.

The pari delicto exception does not apply here.

We now go to the issue of whether the principle of *pari delicto* applies to this case. We answer in the negative.

¹⁷ Rollo, pp. 87-88.

Filinvest claims that if the affidavits are void, this Court should consider the parties to be in *pari delicto*. Both parties came to court with unclean hands because they voluntarily entered into the void transactions. Thus, the court should leave them where they are – Filinvest possessing the properties and the respondents keeping the money they received.

We see no merit in Filinvest's position.

In *Torres*, we ruled that the *pari delicto* doctrine does not apply in an agrarian reform case.¹⁸ To hold otherwise would defeat the spirit and intent of the agrarian reform to free the tillers from the bondage of the soil.¹⁹ The policy of the law must be upheld.

To elaborate, Article 1416 of the Civil Code provides an exception to the *pari delicto* doctrine. Under this article, the plaintiff may recover what he paid or delivered pursuant to a void contract if the following requisites are met: (a) the contract is not illegal *per se* but merely prohibited; (b) the prohibition is for the plaintiff's protection; and (c) public policy will be enhanced by his recovery.²⁰ These requisites are present in this case.

On the first requisite, the affidavits here are merely prohibited. A contract is illegal *per se* if, by universally recognized standards, it is inherently bad, improper, immoral, or contrary to good conscience.²¹

Ordinarily, affidavits or contracts of sale are lawful. Only Section 27 of the CARL made them unlawful.

On the second requisite, the prohibition under Section 27 of the CARL is meant to protect the farmer-beneficiaries. Section 2 of the CARL explains that the agrarian reform program is founded on the landless farmers' right to own land.²² Thus, their protection must be given utmost importance.

On the third requisite, public policy will be promoted by allowing the respondents to recover their land. The CARL distributes agricultural land to landless farmers to improve their quality of life.²³ Returning the land to them will enhance this public policy of agrarian reform.

Thus, the respondents may recover the subject properties.

¹⁸ *Torres*, *supra* note 7.

¹⁹ *Id.*

²⁰ *Acabal v. Acabal*, G.R. No. 148376, March 31, 2005, 454 SCRA 555.

²¹ ARTURO M. TOLENTINO, COMMENTARIES AND JURISPRUDENCE ON THE CIVIL CODE OF THE PHILIPPINES VI 641 (1991) *citing* *Guiang v. Kintanar*, G.R. Nos. 49634-36, July 25, 1981, 106 SCRA 49.

²² CARL, Section 2.

²³ *Id.*

No unjust enrichment

We find merit in the respondents' argument that no unjust enrichment took place. We note that Filinvest had possessed the properties since 1995 or for about twenty years. During this period, the respondents were deprived of the productive use of their land. The amount they paid to the respondents may serve as compensation for Filinvest's use of the properties for this long period.

In sum, we hold that the respondents are the lawful possessors of the disputed properties. Their affidavits are void and did not transfer possessory rights.

In 2006, the respondents filed a manifestation that new TCTs had already been issued in Filinvest's name. An *accion publiciana*, however, resolves only possessory rights. The revocation of TCTs, on the other hand, requires a conclusive determination of ownership. Thus, the respondents must file the appropriate action to annul the TCTs issued in Filinvest's name.

So as not to frustrate our pronouncement in this case, we order the registration of this Decision with the Register of Deeds of the place where the disputed properties are situated, in accordance with Section 78 of Presidential Decree (PD) No. 1529,²⁴ which provides:

*“SEC. 78 Judgment for Plaintiff. – Whenever in an action to recover possession or ownership of real estate or any interest therein affecting registered land judgment is entered for the plaintiff, **such judgment shall be entitled to registration on presentation of a certificate of the entry thereof from the clerk of court where the action is pending to the Register of Deeds for the province or city where the land lies**, who shall enter a memorandum upon the certificate of title of the land to which such judgment relates. If the judgment does not apply to all the land described in the certificate of title, the certificate of the clerk of court where the action is pending and the memorandum entered by the Register of Deeds shall contain a description of the land affected by the judgment.”*
(emphasis supplied)

WHEREFORE, we hereby **DENY** the petition for lack of merit. The April 15, 2010 decision and June 17, 2010 resolution of the Court of Appeals in CA G.R. SP No. 100262 are hereby **AFFIRMED**.

Upon finality of this Decision, the Office of the 2nd Division Clerk of Court is directed to furnish certified copies of this Decision and its Entry of Judgment to the appropriate Register of Deeds pursuant to Section 78 of PD No. 1529.

²⁴ Also known as the “PROPERTY REGISTRATION DECREE,” effective June 11, 1978.

Costs against petitioner.

SO ORDERED.



ARTURO D. BRION
Associate Justice

WE CONCUR:

PRESBITERO J. VELASCO, JR.
Associate Justice



MARIANO C. DEL CASTILLO
Associate Justice



JOSE CATRAL MENDOZA
Associate Justice



MARVIC M.V.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.



ARTURO D. BRION
Associate Justice
Acting Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution 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
Chief Justice