



Branch 256<sup>5</sup> on September 7, 2005<sup>6</sup> and December 16, 2005<sup>7</sup> in Civil Case No. 95-020, a complaint for redemption involving three parcels of agricultural land located in Muntinlupa City. Through the two orders, the RTC invalidated the compromise agreement entered into by and between SMS and four of the herein respondents, Efren Camerino (Efren), Cornelio Mantile (Cornelio), Domingo Enriquez (Domingo) and the Heirs of Nolasco del Rosario (Nolasco).<sup>8</sup> The RTC also denied SMS' motions (a) to hold in abeyance the execution of the decision allowing redemption; (b) to quash the writ of execution; and (c) for Honorable Judge Alberto L. Lerma (Judge Lerma) to inhibit himself from further issuing orders.

### Facts and Issues

In the Resolution<sup>9</sup> dated July 26, 2010, the Court summarized the facts and issues of the case as follows:

Victoria Homes, Inc. (Victoria Homes) was the registered owner of three (3) lots (subject lots), covered by Transfer Certificate of Title (TCT) Nos. (289237) S-6135, S-72244, and (289236) S-35855, with an area of 109,451 square meters, 73,849 sq m, and 109,452 sq m, respectively.<sup>10</sup> These lots are situated in Barrio Bagbagan, Muntinlupa, Rizal (now Barangay Tunasan, Muntinlupa City, Metro Manila).

Since 1967, respondents [Oscar], [Efren], [Cornelio], [Domingo] and [Nolasco] (herein represented by his heirs) were farmers-tenants of Victoria Homes, cultivating and planting rice and corn on the lots.

On February 9, 1983 and July 12, 1983, Victoria Homes, without notifying [the farmers], sold the subject lots to Springsun Management Systems Corporation (Springsun), the predecessor-in-interest of [SMS]. The Deeds of Sale were registered with the Registry of Deeds of Rizal. Accordingly, TCT Nos. (289237) S-6135, (289236) S-35855, and S-72244 in the name of Victoria Homes were cancelled and, in lieu thereof, TCT Nos. 120541, 120542, and 123872 were issued in the name of Springsun. Springsun subsequently mortgaged the subject lots to Banco Filipino Savings and Mortgage Bank (Banco Filipino) as security for its various loans amounting to ₱11,545,000.00. When Springsun failed to pay its loans, the mortgage was foreclosed extra-judicially. At the public auction sale, the lots were sold to Banco Filipino, being the highest bidder, but they were eventually redeemed by Springsun.

<sup>5</sup> With Judge Alberto L. Lerma, presiding.

<sup>6</sup> *Rollo*, pp. 457-458.

<sup>7</sup> *Id.* at 459-460.

<sup>8</sup> Collectively, the herein respondents, including Oscar Camerino (Oscar), who was not a party to the compromise agreement, shall be referred to as "the farmers."

<sup>9</sup> *SM Systems Corp. v. Camerino, et al.*, 639 Phil. 495 (2010).

<sup>10</sup> The cumulative area of the three parcels of land is 292,752 square meters.

On March 7, 1995, [the farmers] filed with the [RTC], Branch 256, Muntinlupa City, a complaint against Springsun and Banco Filipino for Prohibition/*Certiorari*, Reconveyance/Redemption, Damages, Injunction with Preliminary Injunction and Temporary Restraining Order or, simply, an action for Redemption. On January 25, 2002, the RTC rendered a decision in favor of [the farmers], authorizing them to redeem the subject lots from Springsun for the total price of ₱9,790,612.00. On appeal to the CA, the appellate court affirmed the RTC decision with a modification on the award of attorney's fees.

Aggrieved, Springsun elevated the matter to this Court *via* a petition for review on *certiorari*. The case was docketed as G.R. No. 161029. On January 19, 2005, we affirmed the CA Decision. With the denial of Springsun's motion for reconsideration, the same became final and executory; accordingly, an entry of judgment was made. [The farmers] thus moved for the execution of the Decision.

[SMS] instituted an action for Annulment of Judgment with prayer for the issuance of a Temporary Restraining Order before the CA, docketed as CA-G.R. SP No. 90931. [SMS] sought the annulment of the RTC decision allowing [the farmers] to redeem the subject property. [SMS] argued that it was deprived of the opportunity to present its case on the ground of fraud, manipulations and machinations of [the farmers]. It further claimed that the Department of Agrarian Reform, not the RTC, had jurisdiction over the redemption case. The CA, however, dismissed the petition on October 20, 2005. Its motion for reconsideration was also denied for lack of merit. The matter was elevated to this Court *via* a petition for review on *certiorari* in G.R. No. 171754, but the same was denied on June 28, 2006. After the denial of its motion for reconsideration, the Decision became final and executory; and an entry of judgment was subsequently made.

Meanwhile, on December 18, 2003, [the farmers] executed an Irrevocable Power of Attorney in favor of Mariano Nocom (Nocom), authorizing him, among other things, to comply with our January 19, 2005 Decision by paying the redemption price to Springsun and/or to the court. [The farmers], however, challenged the power of attorney in an action for revocation with the RTC. In a summary judgment, the RTC annulled the Irrevocable Power of Attorney for being contrary to law and public policy. The RTC explained that the power of attorney was a disguised conveyance of the statutory right of redemption that is prohibited under Republic Act No. 3844. The CA affirmed the RTC decision. However, this Court, in G.R. No. 182984, set aside the CA Decision and concluded that the RTC erred in rendering the summary judgment. The Court thus remanded the case to the RTC for proper proceedings and proper disposition, according to the rudiments of a regular trial on the merits and not through an abbreviated termination of the case by summary judgment.

On August 4, 2005, as [SMS] refused to accept the redemption amount of ₱9,790,612.00, plus ₱147,059.18 as commission, [the farmers] deposited the said amounts, duly evidenced by official receipts,<sup>11</sup> with the RTC. The RTC further granted [the farmers'] motion for execution and, consequently, TCT Nos. 120542, 120541, and 123872 in the name of

<sup>11</sup> Official Receipt Nos. (a) 1960572 for ₱9,790,612.00; (b) 1690553 for ₱73,529.59; and (c) 1689658 for ₱73,529.59, all dated August 4, 2005, *see* Summary Judgment, *rollo*, pp. 513-524, at 520.

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[SMS] were cancelled and TCT Nos. 15895, 15896, and 15897 were issued in the names of [the farmers]. It also ordered that the "Irrevocable Power of Attorney," executed on December 18, 2003 by [the farmers] in favor of Nocom, be annotated in the memorandum of encumbrances of TCT Nos. 15895, 15896, and 15897.

On August 20, 2005, [SMS] and [the farmers] (except [Oscar]) executed a document, denominated as *Kasunduan*,<sup>12</sup> wherein the latter agreed to receive ₱300,000.00 each from the former, as compromise settlement. [SMS] then filed a Motion to Hold Execution in Abeyance on the Ground of Supervening Event.

On September 7, 2005, the RTC denied [SMS'] motion, thus:

WHEREFORE, in view of the foregoing, [SMS'] Motion to Hold in Abeyance Execution on Ground of Supervening Event is denied and the *Kasunduan* separately entered into by [Efren, Cornelio, Domingo and the Heirs of Nolasco] are hereby disapproved.

SO ORDERED.

Aggrieved by the aforesaid Order and the denial of its motion for reconsideration, [SMS] elevated the matter to the CA. On May 8, 2006, counsel for [the farmers] moved that they be excused from filing the required comment, considering that only [Oscar] was impleaded as private respondent in the amended petition; and also because [the farmers] already transferred *pendente lite* their contingent rights over the case in favor of Nocom. Nocom, in turn, filed a Motion for Leave of Court to Admit Attached Comment to the Petition.

On October 23, 2006, the appellate court rendered the assailed Decision, finding [SMS] guilty of forum shopping. The CA concluded that the present case was substantially similar to G.R. No. 171754. It further held that the compromise agreement could not novate the Court's earlier Decision in G.R. No. 161029 because only four out of five parties executed the agreement.

Undaunted, [SMS] comes before us in this petition for review on *certiorari*, raising the following issues:

1. Whether or not the *Kasunduan* effectively novated the judgment obligation.
2. Whether or not the [CA should have ruled] on the Motion to Expunge the Comment of Mariano Nocom filed by [SMS].
3. Whether or not Mariano Nocom should be allowed to participate in the instant case on the basis of the null and void Irrevocable Power of Attorney.

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Id. at 869-875.

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4. Whether or not the (sic) there is grave abuse of discretion when Judge Lerma denied the Motion to [I]nhibit filed by [SMS] despite Judge Lerma's clear showing of partiality for the other party.
5. Whether or not there is forum-shopping.<sup>13</sup> (Citations omitted)

In the same Resolution dated July 26, 2010, contrary to the CA's conclusion, the Court had resolved that SMS is not guilty of forum shopping for reasons stated below:

It is true that after the finality of this Court's Decision in G.R. No. 161029 dated January 19, 2005, [SMS] instituted and filed various petitions and motions which essentially prevented the execution of the aforesaid Decision. Yet, we do not agree with the CA that the instant case is dismissible because it earlier filed an action for annulment of judgment that involved substantially the same set of facts, issues, and reliefs sought. While [SMS'] goal in filing the instant case is the same as that in G.R. No. 171754 (which stemmed from the petition for annulment of judgment), that is to prevent the execution of the January 19, 2005 Decision, still, there is no forum shopping.

In the action for annulment of judgment, [SMS] sought the nullification of the January 19, 2005 Decision on the ground that it was deprived of its opportunity to present its case and that the RTC had no jurisdiction to decide the case. While in the instant case, [SMS] prays that the execution of the January 19, 2005 Decision be held in abeyance in view of the compromise agreement entered into by [SMS] and four [of the farmers, namely, Efren, Cornelio, Domingo and the Heirs of Nolasco]. In short, the issue threshed out in the annulment case was the validity of the 2005 Decision, while in this case, the issue is focused on the effect of the compromise agreement entered into after the finality of the Decision sought to be executed. Clearly, therefore, there is no identity of issues in the two cases.<sup>14</sup>

In the light of the foregoing, the Court declared that a further review of the herein assailed decision and resolution is in order. However, the Court were unable to fully dispose of all the issues raised considering the pendency then of Civil Case No. 05-172, the petition filed by the farmers before the RTC of Muntinlupa City, Branch 203, to challenge the Irrevocable Power of Attorney (IPA)<sup>15</sup> issued to Mariano Nocom (Nocom). This circumstance acquires greater significance as Nocom, in his own behalf, to the exclusion of the farmers, and on the basis of the IPA, has filed before this Court a Comment<sup>16</sup> and a Memorandum<sup>17</sup> to the instant petition. Hence, in the same Resolution dated July 26, 2010, the Court held in

<sup>13</sup> *SM Systems Corp. v. Camerino, et al.*, supra note 9, at 497-502.

<sup>14</sup> *Id.* at 503.

<sup>15</sup> *Rollo*, pp. 660-662.

<sup>16</sup> *Id.* at 594-644.

<sup>17</sup> *Id.* at 1036-1078.

abeyance the proceedings herein until Civil Case No. 05-172 shall have been terminated.<sup>18</sup>

Civil Case No. 05-172 was thereafter re-raffled to RTC of Muntinlupa City, Branch 256, following the voluntary inhibition from further hearing the case of the then Presiding Judge of Branch 203, Myra B. Quiambao.<sup>19</sup>

On September 20, 2011, the then Acting Presiding Judge of Branch 256, Leandro C. Catalo, issued an Order<sup>20</sup> dismissing the case on account of the farmers' withdrawal of their petition against Nocom. Necessarily, SMS' complaint-in-intervention was also dismissed and its motion for reconsideration was denied through the Order<sup>21</sup> issued by the RTC on April 3, 2012.

With Civil Case No. 05-172 now terminated, the Court can proceed to dispose of the four unresolved issues for consideration.

### The Parties' Arguments

In support of the petition, SMS claims that the IPA issued in 2003 by the farmers in Nocom's favor effected a transfer of lands acquired under the agrarian reform program breaching both laws and public policy. Thus, notwithstanding the execution of the IPA, Nocom has no interest over the three parcels of land. Consequently, Nocom cannot step into the shoes of the farmers as a party to the case, hence, the pleadings he filed should be expunged from the records.<sup>22</sup>

SMS likewise alleges that the *Kasunduan* it executed with each of the four farmers complied with the requisites and principles of contracts, therefore, valid despite having been entered into after the finality of the judgment in the redemption case. Further, the amount of ₱300,000.00 paid to each of the four farmers was not unconscionable for being way above the sum of ₱25,000.00 originally demanded from SMS. Besides, there was an eventual admission of the lack of legitimate tenancy or agricultural leasehold relationship between the parties.<sup>23</sup>

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<sup>18</sup> *SM Systems Corp. v. Camerino, et al.*, supra note 9, at 506.

<sup>19</sup> *Rollo*, pp. 1148-1149.

<sup>20</sup> *Id.* at 1158-1159.

<sup>21</sup> *Id.* at 1160-1161.

<sup>22</sup> *Id.* at 43-45.

<sup>23</sup> *Id.* at 36-40.

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The farmers did not file a comment to the petition. In their stead, Nocom, representing himself as transferee *pendente lite* of the farmers' claimed rights of redemption, argues that the petition is fatally defective for failure to implead him as an indispensable party. As early as 2003, he had paid the farmers a total sum of ₱2,500,000.00. Thus, when SMS executed the *Kasunduan* with four of the farmers in 2005, the latter had nothing more to waive, and the judgment in the redemption case had also become final.<sup>24</sup>

### **Ruling of the Court**

*There is merit in the instant petition.*

It bears noting that on October 12, 2010, albeit in a case unrelated to the instant petition, the Court had found Judge Lerma guilty of gross misconduct and he was meted a penalty of dismissal from service.<sup>25</sup> Hence, one of the issues for the Court's consideration, to wit, the alleged partiality of Judge Lerma and his refusal to inhibit himself from further issuing orders relative to Civil Case No. 95-020 is rendered moot.

### **Nocom cannot rightfully substitute the farmers as a party to the case.**

While Civil Case No. 05-172 had already been dismissed due to the withdrawal by the farmers themselves of their petition to revoke the IPA before the RTC, the Court still finds Nocom to be without the legal personality to substitute the former as a party in the redemption case.

It is settled that the provisions of existing laws are read into contracts and deemed a part thereof.<sup>26</sup>

Section 62 of Republic Act (R.A.) No. 3844<sup>27</sup> clearly provides:

Sec. 62. *Limitation on Land Rights.*—Except in case of hereditary succession by one heir, landholdings acquired under this Code may not be resold, mortgaged, encumbered, or transferred until after the lapse of ten years from the date of full payment and acquisition and after such ten-year period, any transfer, sale or disposition may be made only in favor of

<sup>24</sup> Please see Comment, *id.* at 594-644, at 623-625, 634-642.

<sup>25</sup> Please see *Atty. Lourdes A. Ona v. Judge Alberto L. Lerma*, 647 Phil. 216, 250 (2010).

<sup>26</sup> Please see *Hacienda Luisita, Inc. v. Presidential Agrarian Reform Council, et al.*, 668 Phil. 365, 454 (2011), citing *Serrano v. Gallant Maritime Services, Inc., et al.*, 601 Phil. 245, 280 (2009).

<sup>27</sup> AN ACT TO ORDAIN THE AGRICULTURAL LAND REFORM CODE AND TO INSTITUTE LAND REFORMS IN THE PHILIPPINES, INCLUDING THE ABOLITION OF TENANCY AND THE CHANNELING OF CAPITAL INTO INDUSTRY, PROVIDE FOR THE NECESSARY IMPLEMENTING AGENCIES, APPROPRIATE FUNDS THEREFOR AND FOR OTHER PURPOSES. Effective August 8, 1963.

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persons qualified to acquire economic family-size farm units in accordance with the provisions of this Code x x x.

*Tayag v. Lacson*<sup>28</sup> unequivocally emphasizes the prohibition on the transfer of the right of redemption acquired pursuant to agrarian laws, viz.:

Under Section 22 of [R.A. No. 6657],<sup>29</sup> beneficiaries under P.D. No. 27<sup>30</sup> who have culpably sold, disposed of, or abandoned their land, are disqualified from becoming beneficiaries.

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Under Section 12 of the law, if the property was sold to a third person without the knowledge of the tenants thereon, the latter shall have the right to redeem the same at a reasonable price and consideration. By assigning their rights and interests on the landholding under the deeds of assignment in favor of the petitioner, the defendants-tenants thereby waived, in favor of the petitioner, who is not a beneficiary under Section 22 of [R.A.] No. 6657, their rights of preemption or redemption under [R.A.] No. 3844. The defendants-tenants would then have to vacate the property in favor of the petitioner upon full payment of the purchase price. Instead of acquiring ownership of the portions of the landholding respectively [tilled] by them, the defendants-tenants would again become landless for a measly sum of ₱50.00 per square meter. The petitioner's scheme is subversive, not only of public policy, but also of the letter and spirit of the agrarian laws. That the scheme of the petitioner had yet to take effect in the future or ten years hence is not a justification. The respondents may well argue that the agrarian laws had been violated by the defendants-tenants and the petitioner by the mere execution of the deeds of assignment. In fact, the petitioner has implemented the deeds by paying the defendants-tenants amounts of money and even sought their immediate implementation by setting a meeting with the defendants-tenants. x x x.<sup>31</sup>

In the case before this Court, the IPA issued by the farmers conferred upon Nocom the rights to “*sell, assign, transfer, dispose of, mortgage and alienate*” the subject three parcels of land and “*procure the necessary transfer certificate of titles in his name as the absolute owner of said properties.*”<sup>32</sup> The said IPA is nothing less but a conveyance of the rights of the farmers to Nocom, hence, invalid for being an affront against agrarian laws. Section 62 of R.A. No. 3844 explicitly states that a transfer of the rights over agricultural leasehold acquired by a farmer can only be done after the lapse of 10 years reckoned from full payment or acquisition thereof,

<sup>28</sup> 470 Phil. 64 (2004).

<sup>29</sup> AN ACT INSTITUTING A COMPREHENSIVE AGRARIAN REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION, PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION, AND FOR OTHER PURPOSES. Approved on June 10, 1988.

<sup>30</sup> DECREERING 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. Approved on October 21, 1972.

<sup>31</sup> *Tayag v. Lacson*, supra note 28, at 98-99.

<sup>32</sup> *Rollo*, pp. 660-661.

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and only in favor of a person, who is qualified to be a beneficiary under agrarian laws. Both requisites are absent in the instant case. When the IPA was executed on December 18, 2003, ownership over the landholdings had not even been conferred upon the farmers and there is nothing on the records showing that Nocom is qualified to be a beneficiary under agrarian laws. Perforce, Nocom cannot step into the shoes of the farmers as a party to the case.

Be that as it may, in the interest of justice and to be able to write *finis* to the instant case, the Court will not expunge Nocom's pleadings but consider them as having been filed by an intervenor.

Section 1 of Rule 19 of the 1997 Rules of Civil Procedure states:

Section 1. *Who may intervene.* – A person who has a legal interest in the matter in litigation, or in the success of either of the parties, or an interest against both, or is so situated as to be adversely affected by a distribution or other disposition of property in the custody of the court or of an officer thereof may, with leave of court, be allowed to intervene in the action. The court shall consider whether or not the intervention will unduly delay or prejudice the adjudication of the rights of the original parties, and whether or not the intervenor's rights may be fully protected in a separate proceeding.

Although Nocom cannot properly substitute as a party to the case, it is not disputed that he supplied the amount of ₱9,790,612.00, plus ₱147,059.18 commission deposited by the farmers to the RTC to redeem the three parcels of land from SMS. That is where his interest lies. Nocom is entitled to be reimbursed for those amounts, and this is the only reason why the Court is allowing his intervention.

In sum, the Court finds the conveyance of the farmers' rights made in Nocom's favor to be unlawful. Notwithstanding the dismissal of the petition to nullify the IPA upon the instance of the farmers themselves, Nocom cannot rightfully substitute them as a party to this case.

**The compromise agreements executed by and between SMS and four of the farmers are valid, thus, a novation of the judgment in the redemption case.**

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In invalidating the compromise agreements, the RTC explained that at the time of their execution, the judgment in the redemption case was already final, thus, there were no more proceedings to suspend. Further, the amount of ₱300,000.00 paid by SMS to each of the four farmers was unconscionable.<sup>33</sup>

On the other hand, the CA, in ruling that the *Kasunduan* executed by SMS with each of the four farmers did not novate the judgment obligation, ratiocinated that:

[T]he right of redemption in favor of [the farmers] is one which must be exercised in full, if it is to be exercised at all. [The farmers] must be able to subrogate themselves in the place of and to the exclusion of [SMS]. Since such right is one which cannot be exercised partially, it follows that [SMS'] obligation to allow them to exercise the said right cannot also be performed severally. Because the right granted is incapable of dissection into component parts, the obligation imposed by the said judgment upon [SMS] is also indivisible. In obligations to do, as in that prescribed in the final judgment in Civil Case No. 95-020, indivisibility is also presumed.<sup>34</sup>

“A compromise is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.”<sup>35</sup>

Compromise is a form of amicable settlement that is not only allowed, but also encouraged in civil cases. Contracting parties may establish such stipulations, clauses, terms, and conditions as they deem convenient, provided that these are not contrary to law, morals, good customs, public order, or public policy.<sup>36</sup>

Rights may be waived through a compromise agreement, notwithstanding a final judgment that has already settled the rights of the contracting parties. To be binding, the compromise must be shown to have been voluntarily, freely and intelligently executed by the parties, who had full knowledge of the judgment.<sup>37</sup>

The Court, in its Resolution dated July 26, 2010, stated that:

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<sup>33</sup> Id. at 458.

<sup>34</sup> Id. at 74.

<sup>35</sup> NEW CIVIL CODE OF THE PHILIPPINES, Article 2028.

<sup>36</sup> *Heirs of Alfredo Zabala v. Hon. Court of Appeals, et al.*, 634 Phil. 464, 467-468 (2010).

<sup>37</sup> *Magbanua v. Uy*, 497 Phil. 511, 515 (2005).

Once a case is terminated by final judgment, the rights of the parties are settled; hence, a compromise agreement is no longer necessary. Though it may not be prudent to do so, we have seen in a number of cases that parties still considered and had, in fact, executed such agreement. To be sure, **the parties may execute a compromise agreement even after the finality of the decision.** A reciprocal concession inherent in a compromise agreement assures benefits for the contracting parties. For the defeated litigant, obvious is the advantage of a compromise after final judgment as the liability decreed by the judgment may be reduced. As to the prevailing party, it assures receipt of payment because litigants are sometimes deprived of their winnings because of unscrupulous mechanisms meant to delay or evade the execution of a final judgment.<sup>38</sup> (Citations omitted and emphasis ours)

There is no justification to disallow a compromise agreement, solely because it was entered into after final judgment. The validity of the agreement is determined by compliance with the requisites and principles of contracts, not by when it was entered into. As provided by the law on contracts, a valid compromise must have the following elements: (1) the consent of the parties to the compromise; (2) an object certain that is the subject matter of the compromise; and (3) the cause of the obligation that is established.<sup>39</sup>

In the course of the proceedings of the instant case, the farmers themselves raised no challenge relative to the existence of the elements of a valid contract. The execution of the compromise agreements between SMS and four of the farmers is an undisputed fact. There are likewise no claims of vitiated consent and no proof that the agreements were “*rescissible, voidable, unenforceable, or void.*”<sup>40</sup> Moreover, the Court does not find the amount of P300,000.00 paid to each of the four farmers as unconscionable especially in the light of Efren’s subsequent declaration that they tilled the land on their own initiative, without procuring anybody’s permission, and *sans* a harvest sharing agreement.<sup>41</sup>

Anent the CA’s ruling on the indivisibility of the exercise of the right of redemption, the Court finds the same to be without legal mooring.

Section 12 of R.A. No. 3844 originally provided:

Sec. 12. *Lessee’s Right of Redemption.* – In case the landholding is sold to a third person without the knowledge of the agricultural lessee, the latter shall have the right to redeem the same at a reasonable price and consideration. **Provided, That the entire landholding sold must be redeemed:** *Provided, further,* That where there are two or more

<sup>38</sup> *SM Systems Corp. v. Camerino, et al.*, supra note 9, at 504.

<sup>39</sup> *Magbanua v. Uy*, supra note 37, at 522.

<sup>40</sup> *Id.* at 523.

<sup>41</sup> Please see Efren’s *Sinumpaang Salaysay, rollo*, pp. 439-440, at 439.

agricultural lessees, each shall be entitled to said right of redemption only to the extent of the area actually cultivated by him. The right of redemption under this Section may be exercised within two (2) years from the registration of the sale and shall have priority over any other right of legal redemption. (Emphasis ours and italics in the original)

However, in view of its amendment by Section 12 of R.A. No. 6389,<sup>42</sup> it now reads as follows:

Sec. 12. *Lessee's Right of Redemption.* – In case the landholding is sold to a third person without the knowledge of the agricultural lessee, the latter shall have the right to redeem the same at a reasonable price and consideration: **Provided, that where there are two or more agricultural lessees, each shall be entitled to said right of redemption only to the extent of the area actually cultivated by him.** The right of redemption under this Section may be exercised within one hundred and eighty days from notice in writing which shall be served by the vendee on all lessees affected and the Department of Agrarian Reform upon the registration of the sale, and shall have priority over any other right of redemption. The redemption price shall be the reasonable price of the land at the time of the sale.

Upon the filing of the corresponding petition or request (to redeem) with the department or corresponding case in court by the agricultural lessee or lessees, the said period of one hundred and eighty days shall cease to run.

Any petition or request for redemption shall be resolved within sixty days from filing thereof; otherwise the said period shall start to run again.

x x x x (Emphasis and underlining ours)

Considering the foregoing, it is logical to conclude that the right of redemption can be exercised separately by each of the farmers in proportion to the area of the agricultural land they cultivated. Thus, the non-participation of Oscar will not affect the validity of the compromise agreements executed by SMS with four of the farmers.

Lastly, it is indispensable to inquire if the law or public policy disallows the four farmers from executing waivers of their redemption rights. In *Planters' Development Bank v. Garcia*,<sup>43</sup> the Court discussed as follows the rights of the landowners *vis-à-vis* those of tenants or agricultural lessees in cases of sale of the landholdings:

<sup>42</sup> AN ACT AMENDING REPUBLIC ACT NUMBERED THIRTY-EIGHT HUNDRED AND FORTY-FOUR, AS AMENDED, OTHERWISE KNOWN AS THE AGRICULTURAL LAND REFORM CODE, AND FOR OTHER PURPOSES. Effective September 10, 1971.

<sup>43</sup> 513 Phil. 294 (2005).

As an owner, Carolina has the right to dispose of the property without other limitations than those established by law. This attribute of ownership is impliedly recognized in Sections 10, 11 and 12 of [R.A.] No. 3844, where the law allows the agricultural lessor to sell the landholding, with or without the knowledge of the agricultural lessee and at the same time recognizes the right of preemption and redemption of the agricultural lessee. *Thus, the existence of tenancy rights of agricultural lessee cannot affect nor derogate from the right of the agricultural lessor as owner to dispose of the property. The only right of the agricultural lessee or his successor in interest is the right of preemption and/or redemption.*<sup>44</sup> (Italics in the original)

While the right of redemption is available to the farmers, it need not be exercised and can be waived. There is no law disallowing such waiver and it is not within the contemplation of transfers prohibited by Section 62 of R.A. No. 3844.

The Court, thus, finds no compelling grounds to invalidate the compromise agreements.

In *Heirs of Servando Franco v. Spouses Gonzales*,<sup>45</sup> the Court discussed novation in this wise:

A novation arises when there is a substitution of an obligation by a subsequent one that extinguishes the first, either by changing the object or the principal conditions, or by substituting the person of the debtor, or by subrogating a third person in the rights of the creditor: For a valid novation to take place, there must be, therefore: (a) a previous valid obligation; (b) an agreement of the parties to make a new contract; (c) an extinguishment of the old contract; and (d) a valid new contract. In short, the new obligation extinguishes the prior agreement only when the substitution is unequivocally declared, or the old and the new obligations are incompatible on every point. A compromise of a final judgment operates as a novation of the judgment obligation upon compliance with either of these two conditions.<sup>46</sup> (Citations omitted)

In the case at bar, SMS' obligation to allow redemption of the three parcels of land was superseded by the terms of the compromise agreements executed with the four farmers. SMS' new obligation consisted of the payment of ₱300,000.00 each to the four farmers, who, in turn, waived their redemption rights. Novation, thus, arose as the old obligation became incompatible with the new.

<sup>44</sup> Id. at 308-309, citing *Milestone Realty & Co., Inc. v. CA*, 431 Phil. 119, 132-133 (2002).

<sup>45</sup> 689 Phil. 378 (2012).

<sup>46</sup> Id. at 390.

The Court also notes that Oscar, the farmer who did not execute a compromise agreement with SMS, filed before the RTC a Manifestation and Motion,<sup>47</sup> dated September 15, 2006, indicating that “*he has no plans, as he is in no financial position, to exercise the right of redemption*”<sup>48</sup> granted to him.

Considering that the judgment obligation had been novated due to the execution of valid compromise agreements, and in the light of Oscar’s manifestation of his disinterest in exercising his right of redemption, the writ of execution issued by the RTC on August 22, 2005 in Civil Case No. 95-020, should thus be quashed.

**IN VIEW OF THE FOREGOING**, the Decision and Resolution of the Court Appeals, dated October 23, 2006 and June 29, 2007, respectively, in CA-G.R. SP No. 92994, are **SET ASIDE**. The writ of execution issued on August 22, 2005 by the Regional Trial Court of Muntinlupa City, Branch 256, in Civil Case No. 95-020 is hereby **QUASHED**. Transfer Certificate of Title Nos. 15895, 15896, and 15897 in the names of Oscar Camerino, Efrén Camerino, Cornelio Mantile, Domingo Enriquez and Nolasco del Rosario are hereby **CANCELLED**, and TCT Nos. 120541, 120542, and 123872 in the name of Springsun Management Systems Corporation, the predecessor of the petitioner herein, SM Systems Corporation, are **REINSTATED**. The trial court is further directed to **RETURN** to the intervenor, Mariano Nocom, the amounts of ₱9,790,612.00 and ₱147,059.18 consigned by him as redemption price and commission, respectively.

**SO ORDERED.**

  
**BIENVENIDO L. REYES**  
Associate Justice

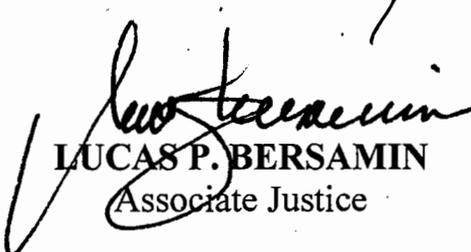
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<sup>47</sup> Rollo, pp. 924-927.

<sup>48</sup> Id. at 926.

**WE CONCUR:**

  
**PRESBITERO J. VELASCO, JR.**  
Associate Justice  
Chairperson

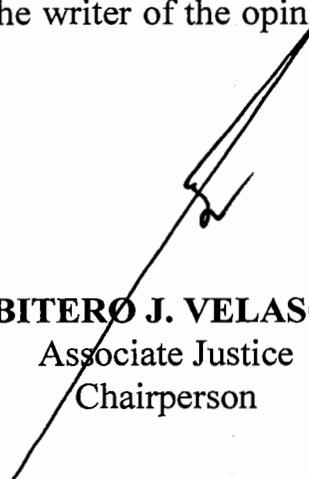
  
**LUCAS P. BERSAMIN**  
Associate Justice

  
**FRANCIS H. JARDELEZA**  
Associate Justice

  
**NOEL G. TIJAM**  
Associate Justice

**ATTESTATION**

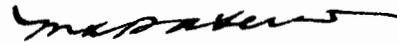
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

  
**PRESBITERO J. VELASCO, JR.**  
Associate Justice  
Chairperson

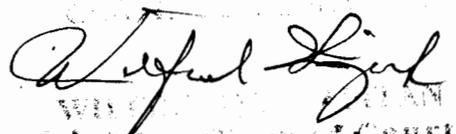
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### CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**MARIA LOURDES P. A. SERENO**  
Chief Justice



Division Clerk of Court  
Third Division  
MAY 03 2017

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