



Republic of the Philippines
Supreme Court
 Manila

SUPREME COURT OF THE PHILIPPINES
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SECOND DIVISION

**CAMARINES SUR TEACHERS
 AND EMPLOYEES
 ASSOCIATION, INC., represented
 by its President, DR. ANTONIO A.
 RALUTA,**

Petitioner,

- versus -

**PROVINCE OF CAMARINES SUR,
 represented by Governor LUIS
 RAYMUND F. VILLAFUERTE,
 JR.,**

Respondent.

G.R. No. 199666

Present:

**CARPIO, J., Chairperson,
 CAGUIOA,
 J. REYES, JR.,
 LAZARO-JAVIER, and
 ZALAMEDA, JJ.**

Promulgated:

07 OCT 2019

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DECISION

CAGUIOA, J.:

This is a petition for review on *certiorari*¹ (Petition) under Rule 45 of the Rules of Court assailing the Decision² of the Court of Appeals³ (CA) dated March 16, 2011 and its Resolution⁴ dated November 23, 2011 in CA-G.R. SP No. 111459. The CA Decision granted the petition by the respondent Province of Camarines Sur (Province), reversed and set aside the Decision⁵ dated August 10, 2009 and the Order dated September 28, 2009 of the Regional Trial Court, Fifth Judicial Region, Branch 26, Naga City (RTC) in Civil Case No. 2009-0048, and reinstated the Decision⁶ dated March 12, 2009 of the Municipal Trial Court in Cities, Naga City, Branch 1 (MTCC Br. 1) in Civil Case No. 12884. The CA Resolution denied the motion for reconsideration filed by petitioner Camarines Sur Teachers and Employees Association, Inc. (CASTEA).

¹ *Rollo* (G.R. No. 199666), pp. 10-28, excluding Annexes.

² *Id.* at 30-42. Penned by Associate Justice Danton Q. Bueser, with Associate Justices Noel G. Tijam (retired Member of the Court) and Marlene Gonzales-Sison concurring.

³ Eleventh Division and Former Eleventh Division, respectively.

⁴ *Rollo* (G.R. No. 199666), pp. 43-44.

⁵ *Id.* at 62-68. Penned by Judge Filemon B. Montenegro.

⁶ *Id.* at 69-73. Penned by Presiding Judge Jose P. Nacional.

Facts and Antecedent Proceedings

As culled from the RTC Decision, the antecedents are as follows:

The x x x Province of Camarines Sur is the registered owner of a certain parcel of land situated in Barangay Peñafrancia, Naga City covered by Original Certificate of Title No. 22 [in the name of the Province of Camarines Sur (*Gobierno Provincial de Ambos Camarines*)⁷]. [O]n September 28, 1966, the Local Government of the Province of Camarines Sur thru then Governor Apolonio G. Maleniza donated a portion of said property covered by OCT No. 22 with an approximate area of Six Hundred (600) square meters to the Camarines Sur Teachers' Association, Inc. (CASTEA) by virtue of the Deed of Donation Inter Vivos executed by the parties x x x. On October 14, 2007, [the Province of Camarines Sur] executed a Deed of Revocation of Donation thru Governor Luis Raymund F. Villafuerte, Jr. and served a copy thereof to [CASTEA] on October 17, 2007 x x x. On October 23, 2007, the x x x Province of Camarines Sur thru the Provincial Legal Officer sent a demand letter to [CASTEA] for the latter to vacate the premises of the property in question within x x x [10] x x x days from receipt of the letter x x x.

[On February 13, 2008, the Province of Camarines Sur, represented by Gov. Luis Raymund F. Villafuerte, Jr., filed a case for Unlawful Detainer against CASTEA⁸ before the MTCC.]

On the other hand, [CASTEA] contends that the [Province of Camarines Sur] has ceased to be the owner of the x x x [600] x x x square meters portion of the property possessed and occupied by [CASTEA] contending that the ownership thereof has already been transferred to [CASTEA] by virtue of the Deed of Donation Inter Vivos it executed in favor of [CASTEA] on September 28, 1966. [CASTEA] argues that its act of leasing out to Bodega Glassware portion of the building it constructed on the donated property does not constitute selling, mortgaging or encumbering the donated property or any improvements thereof.

[CASTEA] also maintains that the incumbent governor has no authority to file the instant case because the Sangguniang Panlalawigan has not given its authority to do so. Thus, when Gov. Luis Raymund F. Villafuerte, Jr. signed the verification and certification on non[-]forum shopping of the complaint without authority from the Provincial Board, it is as if the plaintiff which is a corporate body did not sign the verification and certification. Hence, the case should be dismissed outright.

[CASTEA] further argues that there was no violation of the conditions of the Deed of Donation. It further contends that the Deed of Donation remains valid and subsisting and [CASTEA]'s rightful exercise of ownership over the property continues notwithstanding the Deed of Revocation dated October 14, 2007 executed by Governor Luis Raymund F. Villafuerte, Jr. considering that [CASTEA] has not violated any of the conditions imposed under the Deed of Donation. [CASTEA] insists that the revocation of the subject Deed of Donation should be made by the proper party through a court action. That the Deed of Revocation has no legal force and effect considering that when it was executed by Gov. Luis

⁷ Id. at 69.

⁸ Id. at 14.

Raym[un]d F. Villafuerte[, Jr.], he was not legally authorized by the Provincial Board of Camarines Sur through a resolution to do so x x x.

[CASTEA] also submits that the action for revocation of the subject Deed of Donation is already barred by prescription. The complaint was filed by the Province of Camarines Sur on April 25, 2008, while the lease contract was executed between [CASTEA] and Bodega Glassware on September 29, 1995⁹ [for a period of 20 years, commencing from September 1, 1995 to September 1, 2015¹⁰]. Thus, a period of x x x 13 x x x years from the alleged violation has already passed and therefore the action has already prescribed.¹¹

On March 12, 2009, the MTCC Br. 1 rendered a Decision the dispositive portion of which reads as follows:

WHEREFORE, premises considered, the Court finds for the plaintiff, ordering defendant CASTEA:

1. To immediately vacate the 600 square meters land covered by Original Certificate of Title No. 22 registered in the name of plaintiff, and surrender the same peacefully to the latter;
2. To pay plaintiff the amount of Php. 20,000.00 a month from November, 2007 until it vacates the premises, as reasonable compensation for the use of the land.

Defendant's counterclaim is ordered DISMISSED for lack of merit, with cost against defendant.

SO ORDERED.¹²

CASTEA appealed the MTCC Br. 1 Decision to the RTC. In its Decision dated August 10, 2009, the RTC reversed the MTCC Br. 1 Decision. The dispositive portion of the RTC Decision states:

WHEREFORE, premises considered, the decision of the court a quo is hereby reversed and set aside and a new one entered DISMISSING the above case for failure of the plaintiff to present evidence to substantiate its cause of action.

No costs.¹³

The RTC took the stand that there was a need for a court action to revoke the Deed of Donation since CASTEA denied having violated the conditions thereof and refused to voluntarily return the donated property. Thus, only a judicial determination could conclusively settle whether the revocation by the Province was proper. The RTC explained:

⁹ The MTCC Decision dated March 12, 2009 states that it was on September 7, 1995 when CASTEA leased the building erected on the donated property. Id. at 69.

¹⁰ Rollo (G.R. No. 199666), p. 69.

¹¹ Id. at 63-64.

¹² Id. at 72-73.

¹³ Id. at 68.

The [c]ourt a quo committed a reversible error when it ruled that it may be concluded that upon leasing by the defendant CASTEA of the subject property to the Bodega Glassware, there was an automatic revocation of the donation and the possession of defendant over the property became, from then on, by mere tolerance of plaintiff. Defendant-appellant insists that its lease with the Bodega Glassware was made for the benefit of the defendant and for the purpose of carrying out its function which commenced in 1995 in consonance with the specific purpose of the donation, which is for the upliftment of education and the teachers. The rentals collected have redounded to the benefit of the teachers and employees for its mutual aid and death benefits paid to members x x x. On the other hand, the plaintiff contends that lease is an encumbrance as defined in the case of Roxas vs. Court of Appeals and Cayetano, GR No. 92245 dated June 26, 1991.

This court believes that the court a quo erred when it ruled that there was an automatic revocation of the donation considering that there is a need for a court action to revoke the Deed of Donation. Article 764 of the Civil Code provides that the donation shall be revoked at the instance of the donor, when the donee failed to comply with any of the conditions which the former imposed upon the latter.

The case of Ongsiako, et al. vs. Ongsiako, et al. (L-7510, March 30, 1957) as cited by Paras in his book is instructive. It states that although Article 764 provides that the donation shall be revoked "at the instance of the donor" when the donee fails to comply with any of the conditions which the former imposed on the latter, the Supreme Court held that the donor may not revoke (sic) a donation by his own unilateral act, even if the donee should have broken any of the conditions imposed by the donation. A court action is essential, if the donee refuses to return the property voluntarily.

In the later case of Edgardo Dolar vs. Barangay Lublub of the Municipality of Dumangas, et al. G.R. No. 152663 dated November 18, 2005, the Supreme Court ruled that where, however, the donee denies, as here, the rescission or challenges the propriety thereof, then only the final award of the court can conclusively settle whether the resolution is proper or not.¹⁴

The RTC also ruled that the action to revoke the donation, whether anchored under Article 764 (4 years from non-compliance by the donee of the conditions in the deed of donation) or Article 1144 (10 years from when the right of action accrues upon a written contract) of the Civil Code, the unlawful detainer case was filed beyond the said periods.¹⁵

The motion for reconsideration filed by the Province was denied in the Order of the RTC dated September 28, 2009.¹⁶

The Province filed a petition for *certiorari* under Rule 65 of the Rules of Court before the CA. The CA granted the petition and reversed the RTC

¹⁴ Id. at 67.

¹⁵ Id.

¹⁶ Id. at 30.

Decision. The dispositive portion of the CA Decision dated March 16, 2011 states:

WHEREFORE, premises considered, the petition is **GRANTED**. The August 10, 2009 Decision and September 28, 2009 Order of the Regional Trial Court of Naga City, Branch 26, in Civil Case No. 2009-0048 are **REVERSED** and **SET ASIDE**. The March 12, 2009 Decision of the Municipal Trial Court in Cities, Naga City, Branch 1, in Civil Case No. 12884 is **REINSTATED**.

SO ORDERED.¹⁷

The CA ruled that CASTEA violated the Deed of Donation since a lease is an encumbrance in contemplation of the law, *viz.*:

x x x The “act of leasing out” made by the respondent in favor of the third party had the legal effect of encumbrance. A lease such as the one involved in this case is an encumbrance in contemplation of law. (PCI Leasing and Finance, Inc. vs. UCPB General Insurance Co., Inc. G.R. No. 162267. July 4, 2008.) The respondent clearly violated the contract of donation which made it void and of no more force and effect. As this Court is obliged to give effect to the agreement and enforce the contract to the letter (National Power Corp. vs. Premier Shipping Lines, Inc., *supra.*), We hereby declare that petitioner has the right to recover the property donated. We hence favor the filing of unlawful detainer case as the possession of the respondent was originally legal but became illegal due to the expiration or termination of the right to possess. (Canlas vs. Tubil, G.R. No. 184285. September 25, 2009.)¹⁸

On the issue of prescription, the CA stated that the general rules on prescription apply and not the rules on donation since the subject donation is an onerous one and Article 1108(4) of the Civil Code provides that prescription runs against juridical persons, except the State and its subdivisions.¹⁹ Thus, the CA ruled that despite the filing of the unlawful detainer case in 2008, it was not barred by prescription, *viz.*:

The long[-]standing rule is that prescription does not run against the State and its subdivisions. When the government is the real party in interest, and it is **proceeding mainly to assert its own right to recover its own property**, there can as a rule be no defense grounded on laches or prescription. (Republic of the Philippines vs. Hon. Mamindiara Mangotara, G.R. No. 170375. July 7, 2010; Eagle Realty Corp. vs. Republic of the Philippines, G.R. No. 151424, July 4, 2008; Republic of the Philippines vs. Heirs of Agustin L. Angeles, G.R. No. 141296, October 7, 2002.) Even, therefore, with the filing of the unlawful detainer case only in 2008, petitioner’s action was not barred by prescription.²⁰

CASTEA filed a motion for reconsideration.²¹ The motion was denied in the CA Resolution²² dated November 23, 2011, which states:

¹⁷ Id. at 41-42.

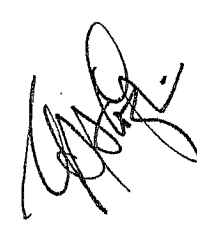
¹⁸ Id. at 41.

¹⁹ Id. at 39.

²⁰ Id. at 39-40.

²¹ Id. at 45-54.

²² Id. at 43-44.



This Court, after a meticulous study of the arguments set forth in the Motion for Reconsideration filed by herein respondent, finds no cogent reason to revise, amend, much less reverse, the decision dated March 16, 2011. The Motion for Reconsideration is thus **DENIED**.

SO ORDERED.²³

Proceedings Before the Court

Hence, the present Rule 45 Petition dated January 13, 2012.

At the outset it should be noted that, in another Rule 45 *certiorari* petition (G.R. No. 194199), the Province questioned the Decision²⁴ of the CA's Special Tenth Division dated May 31, 2010 in CA-G.R. SP No. 110521, captioned as *Province of Camarines Sur Represented by Governor Luis Raymund F. Villafuerte, Jr. v. Bodega Glassware Represented by its owner Joseph D. Cabral (Bodega Glassware)*, which denied the Province's appeal to the CA and affirmed the Decision of the Regional Trial Court, Branch 26, Naga City. The RTC Decision²⁵ reversed the Decision dated December 11, 2008 of the Municipal Trial Court of Naga City, Branch 2 (MTC Br. 2) and, in its stead, dismissed the unlawful detainer case filed by the Province against Bodega Glassware, the lessee of a portion of the building constructed by CASTEA on the donated property.

Evidently, the Province had filed **two** separate unlawful detainer cases: one against CASTEA, and another, against Bodega Glassware. As mentioned earlier, the case against CASTEA was filed on February 13, 2008. It is this case that is now before the Court (*i.e.*, G.R. No. 199666). The case against Bodega Glassware was filed on March 13, 2008²⁶ and was the case elevated to the Court in G.R. No. 194199.

It must be noted that, among the grounds for reversing the MTC Br. 2 Decision and entering a new decision dismissing the complaint filed by the Province against Bodega Glassware, the RTC cited the failure of the Province to implead CASTEA as an indispensable party, considering that Bodega Glassware derived its right to occupy the leased premises from CASTEA, and to inform the court of the pendency of the unlawful detainer case that the Province had earlier filed against CASTEA before the MTCC Br. 1, rendering the Province guilty of forum shopping.²⁷

Bodega Glassware was resolved by the Court's Third Division in its Decision²⁸ dated March 22, 2017. The Court's Third Division reversed and

²³ Id. at 43.

²⁴ Id. at 114-127. Penned by Associate Justice Ramon R. Garcia, with Associate Justices Romeo F. Barza and Manuel M. Barrios concurring.

²⁵ See Decision dated May 13, 2009 of the RTC of Naga City, Branch 26 in Civil Case No. 2009-0007; *rollo* (G.R. No. 194199); pp. 82-88.

²⁶ See *Province of Camarines Sur v. Bodega Glassware*, 807 Phil. 865, 871 (2017).

²⁷ *Supra* note 25, at 86.

²⁸ *Province of Camarines Sur v. Bodega Glassware*, *supra* note 26.

set aside the Decision of the CA, which affirmed the Decision of the RTC. The Decision of the MTC Br. 2, which ordered Bodega Glassware to vacate and surrender to the Province the premises that it leased from CASTEA and to pay to the Province ₱15,000.00 a month from date of judicial demand until it vacated the subject premises, was reinstated.

Against the Petition of CASTEA now before the Court, the Province filed its Comment²⁹ dated August 16, 2017 wherein it basically adopted the Court's Third Division Decision in *Bodega Glassware*.

Issues

The petitioner raises the following issues in the Petition:

1. whether the CA erred in reversing the RTC Decision;
2. whether the CA erred when it rendered 2 inconsistent decisions in CA-G.R. No. SP No. 110521 (Special Tenth Division) and in CA-G.R. No. 111459 (Eleventh Division) promulgated on May 31, 2010 and March 16, 2011, respectively, both appeals involving the same property subject of the appealed cases;
3. whether the CA erred in its Resolution dated November 23, 2011 when it disregarded the issues raised in the Motion for Reconsideration and failed to clarify, explain or discuss the inconsistent stand taken by the 2 Divisions of the CA in 2 appealed cases which involved the same property subject of the Deed of Donation Inter Vivos, Deed of Revocation and Contract of Lease; and
4. whether the CA erred in its interpretation of the laws as applied in its assailed Decision dated March 16, 2011 and its Resolution dated November 23, 2011.³⁰

The Court's Ruling

The Petition is meritorious.

Ultimately, the resolution of the issues raised in the Petition involves the correct interpretation and application of the following provision of the Deed of Donation Inter-Vivos³¹ dated September 28, 1966 (the Deed of Donation):

That the condition of this donation is that the DONEE shall use the above described portion of the land subject of the present donation for no

²⁹ *Rollo* (G.R. No. 199666), pp. 156-168.

³⁰ *Id.* at 16.

³¹ *Id.* at 75-76.

other purpose except the construction of its building to be owned and to be constructed by the above-named DONEE to house its offices to be used by the said Camarines Sur Teachers' Association, Inc., in connection with its functions under its charter and by-laws and the Naga City Teachers' Association as well as the Camarines Sur High School Alumni Association, PROVIDED FURTHERMORE, that the DONEE shall not sell, mortgage or [e]ncumber the property herein donated including any and all improvements thereon in favor of any party and Provided, lastly that the construction of the building or buildings referred to above shall be commenced within a period of one (1) year from and after the execution of this donation, otherwise, this donation shall be deemed automatically revoked and voided and of no further force and effect.³²

Depending on the interpretation and application of the aforesaid provision, possession of the donated property will either remain with CASTEA, as the donee, or revert to the Province, as the donor. While the interpretation and application thereof directly impact on the issues regarding the revocation of the donation and reversion/ownership of the donated property, the present case is an unlawful detainer and it is only the issue of possession *de facto* or physical possession which the Court can rule on with finality.

Without question, the issue of ownership over the donated property is inextricably linked with the issue of possession. The Province bases its right to possession of the donated property on the assertion that CASTEA had violated the afore-quoted provision of the Deed of Donation which violation triggered an automatic reversion of ownership thereof to the Province. Simply put, the Province's claim of possession proceeds from its alleged right as the owner of the donated property. On the other hand, CASTEA maintains that it is still the owner of the donated property and posits that the revocation of the donation is not valid, and the action therefor has prescribed.

The Court is mindful of Sections 16 and 18, Rule 70 of the Rules of Court, to wit:

SEC. 16. *Resolving defense of ownership.* — When the defendant raises the defense of ownership in his pleadings and the question of possession cannot be resolved without deciding the issue of ownership, the issue of ownership shall be resolved only to determine the issue of possession.

x x x x

SEC. 18. *Judgment conclusive only on possession; not conclusive in actions involving title or ownership.* — The judgment rendered in an action for forcible entry or detainer shall be conclusive with respect to the possession only and shall in no wise bind the title or affect the ownership of the land or building. Such judgment shall not bar an action between the same parties respecting title to the land or building.

x x x x

³² Id. at 75.

The Court's Third Division in *Bodega Glassware* awarded to the Province possession of the donated property being then leased by Bodega Glassware, in full recognition of the foregoing Sections, to wit:

The core issue in this case is who between petitioner [the Province] and Bodega [Glassware] has the right to the actual physical possession of the property. The resolution of this issue requires us to look into the basis of their claims of possession. Essential to this is the determination of the effect of the automatic revocation clause in the Deed of Donation. We note, however, that an action for unlawful detainer pertains only to the issue of *possession de facto* or actual possession. Thus, while we may rule on the basis of the parties' claims of possession — which, in the case of the petitioner, involves an assertion of ownership — this determination is only provisional and done solely to settle the question of possession.³³

Similar to *Bodega Glassware*, the Court through its Second Division will likewise resolve the instant unlawful detainer mindful of Sections 16 and 18 of Rule 70 and its interpretation and application of the afore-quoted provision of the Deed of Donation will be provisional in respect of the issues of the revocation of the donation as well as the reversion and ownership of the donated property.

The issue here on the validity and propriety of the revocation by the Province of the Deed of Donation, which will entitle it physical possession of the donated property, rests on whether CASTEA's breach of the Deed of Donation, if any, warrants the automatic revocation thereof.

To recall, the provision under review is:

That the condition of this donation is that the DONEE shall use the above described portion of land subject of the present donation for no other purpose except the construction of its building to be owned and to be constructed by the above-named DONEE to house its offices to be used by the said Camarines Sur Teachers' Association, Inc., in connection with its functions under its charter and by-laws and the Naga City Teachers' Association as well as the Camarines Sur High School Alumni Association, PROVIDED FURTHERMORE, that the DONEE shall not sell, mortgage or [e]ncumber the property herein donated including any and all improvements thereon in favor of any party and Provided, lastly that the construction of the building or buildings referred to above shall be commenced within a period of one (1) year from and after the execution of this donation, otherwise, this donation shall be deemed automatically revoked and voided and of no further force and effect.³⁴

The provision involves four aspects, namely:

- (1) a prestation to do — “the DONEE shall use the above described portion of [the] land subject of the present donation for no other

³³ *Province of Camarines Sur v. Bodega Glassware*, supra note 26, at 874.

³⁴ *Rollo* (G.R. No. 199666), p. 75.



purpose except the construction of its building to be owned and to be constructed by the above-named DONEE to house its offices to be used by the said Camarines Sur Teachers' Association, Inc., in connection with its functions under its charter and by-laws and the Naga City Teachers' Association as well as the Camarines Sur High School Alumni Association;"

- (2) a prestation not to do — "the DONEE shall not sell, mortgage or [e]ncumber the property herein donated including any and all improvements thereon in favor of any party;"
- (3) a term or period for the prestation to do — "the construction of the building or buildings referred to above shall be commenced within a period of one (1) year from and after the execution of this donation;" and,
- (4) effect of the non-compliance — "this donation shall be deemed automatically revoked and voided and of no further force and effect."

The provision clearly imposes a burden on the donee which is onerous or burdensome in character — CASTEA should use the donated property for the construction of a building to be owned and to be constructed within one year from September 28, 1966 (date of execution of the Deed of Donation) by CASTEA to house the office to be used by it, in connection with its functions under its charter and by-laws and the Naga City Teachers' Association as well as the Camarines Sur High School Alumni Association.

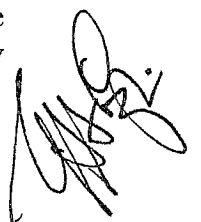
Also, the provision imposes a restriction on the alienation and encumbrance by CASTEA of the donated property — CASTEA should not sell, mortgage or encumber the donated property including any and all improvements thereon in favor of any party.

The provision further contains an automatic revocation of the donation upon non-compliance thereof by CASTEA resulting in its nullity.

Given the different aspects of the donation, how should it be characterized?

Justice Eduardo P. Caguioa expounded on the different classifications of donations, *viz.*:

x x x According to its effects[,] donation may be classified into *pure, conditional, with a term* and *onerous*. *Pure donations* are those not subject to any future and uncertain event nor to a period. *Conditional donations* are those subject to a future and uncertain event which may either be suspensive or resolutive. *Donations with a term* are those whose demandability [or termination] depends on the arrival of a term which may



also be either suspensive or resolutive. *Onerous donations* are those where a burden inferior in value to the property donated is imposed on the donee. This kind of donations includes those *improper donations* where a burden equal in value to the property donated is imposed; as well as *mixed donations* and *modal donations*. *Mixed donation (negotium mixtum cum donatione)* is one which contains an onerous transaction, e.g., a sale of a thing for a price lower than its value, made in the nature of a semi-donation. **Modal donation is one which imposes on the donee a prestation.** In this connection the explanation of modal institution in succession provided in Article 882³⁵ is applicable. The prestation imposed on the donee may either be a burden or charge inferior in value to the property donated or services to be performed in the future.³⁶ (Emphasis and underscoring supplied)

From an obligation³⁷ point of view, there are two prestations imposed on CASTEA. One is to do, which is to use the donated property for the purpose intended and to construct the required building, and the other is not to do, which is not to sell, mortgage or encumber it to any person. The prestation to construct a building is undoubtedly **modal** in nature as it imposed a prestation or obligation on CASTEA. Thus, the donation to CASTEA can properly be classified as a **modal donation** (because of CASTEA's obligation to construct the required building) with a prestation not to alienate/encumber and an automatic revocation clause. The donation may also be classified as an **onerous donation** because there is a burden imposed on the donee in the absence of proof that the burden or charge (cost of the building) is superior or greater than the value of the donated 600 square meters lot at the time of the donation in September 1966.

Whether the donation in question is classified as modal or onerous, there is no doubt that the rules governing contracts should prevail in the interpretation of the Deed of Donation pursuant to Articles 732 and 733 of the Civil Code.

Article 732 provides that “[d]onations which are to take effect *inter vivos* shall be governed by the general provisions on contracts and obligations in all that is not determined in this Title [on Donation]” while Article 733 provides that “[d]onations with an **onerous** cause shall be governed by the rules on contracts, and remuneratory donations by the provisions of the present Title as regards that portion which exceeds the value of the burden imposed.”³⁸ The precursor of Article 733 is Article 622 of the Civil Code of Spain (Old Civil Code), which provided: “[d]onations upon **valuable consideration** shall be governed by the rules concerning contracts.”³⁹

³⁵ Art. 882 of the Civil Code provides, in part: “The statement of the object of the institution, or the application of the property left by the testator, or the charge imposed by him, shall not be considered as a condition unless it appears that such was his intention.”

³⁶ Eduardo P. Caguioa, COMMENTS AND CASES ON CIVIL LAW CIVIL CODE OF THE PHILIPPINES, Vol. II (Articles 414-773), 1966 Third Edition, pp. 369-370, citing 4 Castan, 7th ed. 180.

³⁷ Art. 1156 of the Civil Code provides: “An obligation is a juridical necessity to give, to do or not to do.”

³⁸ Emphasis and underscoring supplied.

³⁹ Emphasis and underscoring supplied.

Both the value of the building or cost of its construction and the value of the 600 square meters lot that the Province donated to CASTEA at the time of donation in September 1966 are not borne out by the *rollo* of the case. There is, however, no dispute that CASTEA apparently complied with its prestation to construct a building to house its office and those of the other associations mentioned in the Deed of Donation within the one-year period stipulated therein. Otherwise, the Province would have included such violation in the Deed of Revocation of Donation⁴⁰ dated October 14, 2007 (Deed of Revocation). The Whereas clauses of the Deed of Revocation do not mention any such violation, *viz.*:

WHEREAS, the PROVINCE OF CAMARINES SUR has found out that the CASTEA, Inc. is leasing a portion of the donated property to Bodega Glassware as per actual inspection and survey of the area by the Provincial Assessor's Office. Moreover, CASTEA, Inc. has admitted this fact and even the Bodega Glassware has declared that it is leasing the area from the former for a period of twenty (20) years, i.e. from 1995 to 2015;

WHEREAS, said act of the CASTEA, Inc. is a clear violation of one of the afore-quoted conditions[.]⁴¹

Whether the cost of construction of the building or its value is more or less than the value of the donated lot at the time of donation, the provisions and rules on contracts and obligations should be applied in determining the validity of the prestation to do imposed on CASTEA. There is no doubt and the parties do not dispute that the said prestation is valid pursuant to the principle of autonomy of contracts expressly embodied in Article 1306 of the Civil Code, which provides: "The contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy." The Court finds and so holds that there is nothing contrary to law, morals, good customs, public order, or public policy in the said prestation to do. **In the same vein, CASTEA complied with it given the fact that the Province did not interpose its violation by CASTEA.**

Applying the same principle of autonomy of contracts to the automatic revocation clause — upon non-compliance by CASTEA of the provision, the donation shall be deemed automatically revoked and voided and of no further force and effect — there appears nothing legally repugnant to this as well. The Court's Third Division in *Bodega Glassware* had ruled in favor of its validity, *viz.*:

This Court has affirmed the validity of an automatic revocation clause in donations in the case of *De Luna v. Abrigo*⁴² promulgated in 1990. x x x This Court found that the donation in *De Luna* was onerous as it required the donee to build a chapel, a nursery, and a kindergarten. We

⁴⁰ *Rollo* (G.R. No. 199666), pp. 77-78.

⁴¹ *Id.* at 77.

⁴² 260 Phil. 157 (1990).

then went on to explain that an onerous donation is governed by the law on contracts and not by the law on donations. It is within this context that this Court found an automatic revocation clause as valid.

We explained in *De Luna* that Article 1306 of the Civil Code allows the parties "to establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order or public policy." In contracts law, parties may agree to give one or both of them the right to rescind a contract unilaterally. This is akin to an automatic revocation in an onerous donation. The jurisprudence on automatic rescission in the field of contracts law therefore applies in an automatic revocation clause.

Hence, in *De Luna*, we applied our rulings in *University of the Philippines v. De los Angeles*⁴³ and *Angeles v. Calasanz*⁴⁴ where we held that an automatic rescission clause effectively rescinds the contract upon breach without need of any judicial declaration.⁴⁵ (Emphasis and underscoring supplied)

*The Roman Catholic Archbishop of Manila v. CA*⁴⁶ (*The Roman Catholic Archbishop of Manila*) likewise finds application in the present case.

In the said case, Spouses Eusebio de Castro and Martina Rieta executed a deed of donation on August 23, 1930 in favor of the Roman Catholic Archbishop of Manila covering a parcel of land with an area of 964 square meters located in Kawit, Cavite. The deed of donation provided that the donee shall not dispose or sell the property within a period of 100 years from the execution of the deed of donation, otherwise a violation of such condition would render *ipso facto* null and void the deed of donation and the property would revert to the estate of the donors. On June 30, 1980, or 50 years after the donation in 1930, the Roman Catholic Bishop of Imus, in whose administration all the properties within the province of Cavite owned by the Archdiocese of Manila was transferred, executed a deed of sale of the donated property in favor of Florencio and Soledad Ignao, therein petitioners. On November 29, 1984, the private respondents therein (the estate of deceased spouses Eusebio de Castro and Martina Rieta, represented by Marina Rieta Granados and Theresa Rieta Tolentino) filed a complaint for nullification of the deed of donation, rescission of contract and reconveyance of the donated property with damages.

The Court in *The Roman Catholic Archbishop of Manila* ruled in favor of the validity of the automatic reversion clause, viz.:

⁴³ 146 Phil. 108 (1970).

⁴⁴ 220 Phil. 10 (1985).

⁴⁵ *Province of Camarines Sur v. Bodega Glassware*, supra note 26, at 876-877.

⁴⁶ 275 Phil. 332 (1991). Rendered by the Second Division; penned by Associate Justice Florenz D. Regalado, with Associate Justices Ameurfina Melencio-Herrera and Edgardo L. Paras concurring; Associate Justice Teodoro R. Padilla took no part while Associate Justice Abraham F. Sarmiento was on leave.

The validity of such a stipulation in the deed of donation providing for the automatic reversion of the donated property to the donor upon non-compliance of the condition was upheld in the recent case of *De Luna, et al. vs. Abrigo, et al.*⁴⁷ It was held therein that said stipulation is in the nature of an agreement granting a party the right to rescind a contract unilaterally [in] case of breach, without need of going to court, and that, upon the happening of the resolutive condition or non-compliance with the conditions of the contract, the donation is automatically revoked without need of a judicial declaration to that effect. While what was the subject of that case was an onerous donation which, under Article 733 of the Civil Code is governed by the rules on contracts, since the donation in the case at bar is also subject to the same rules because of its provision on automatic revocation upon the violation of a resolutive condition, [for] parity of reasons said pronouncements in *De Luna* pertinently apply.

The rationale for the foregoing is that in contracts providing for automatic revocation, judicial intervention is necessary not for purposes of obtaining a judicial declaration rescinding a contract already deemed rescinded by virtue of an agreement providing for rescission even without judicial intervention, but in order to determine whether or not the rescission was proper.

When a deed of donation, as in this case, expressly provides for automatic revocation and reversion of the property donated, the rules on contract and the general rules on prescription should apply, and not Article 764 of the Civil Code. Since Article 1306 of said Code authorizes the parties to a contract to establish such stipulations, clauses, terms and conditions not contrary to law, morals, good customs, public order or public policy, we are of the opinion that, at the very least, that stipulation of the parties providing for automatic revocation of the deed of donation, without prior judicial action for that purpose, is valid subject to the determination of the propriety of the rescission sought. Where such propriety is sustained, the decision of the court will be merely declaratory of the revocation, but it is not in itself the revocatory act.

On the foregoing ratiocinations, the Court of Appeals committed no error in holding that the cause of action of herein private respondents has not yet prescribed since an action to enforce a written contract prescribes in ten (10) years. It is our view that Article 764 was intended to provide a judicial remedy in case of non-fulfillment or contravention of conditions specified in the deed of donation if and when the parties have not agreed on the automatic revocation of such donation upon the occurrence of the contingency contemplated therein. That is not the situation in the case at bar.⁴⁸ (Emphasis and underscoring supplied)

While the legality of automatic revocation or rescission clauses in deeds of donation has been upheld, the courts are not precluded from determining whether their application or enforcement by the donors concerned are proper if the donees contest the revocation or rescission. If the court sustains its propriety, the court's decision is not the act that revokes the donation but would be merely declaratory of the validity of the revocation.

⁴⁷ Supra note 42.

⁴⁸ *The Roman Catholic Archbishop of Manila v. CA*, supra note 46, at 341-342; citations omitted.

The need for a judicial determination of the valid exercise of the automatic revocation or rescission right granted to the donor is further explained in *Dolar v. Barangay Lublub (now P.D. Monfort North), Municipality of Dumangas*,⁴⁹ viz.:

If the corresponding contract of donation expressly provides for automatic rescission and/or reversion in case of breach of the condition therein, and the donee violates or fails to comply with the condition, the donated property reverts back automatically to the donor. Such provision, *De Luna* teaches, is in the nature of an agreement granting a party the right to rescind a contract in case of breach, without need of going to court and that upon the happening of the resolutive condition or non-compliance with the conditions of the contract, the donation is automatically revoked without need of a judicial declaration to that effect. Where, however, the donee denies, as here, the rescission or challenges the propriety thereof, then only the final award of the court can, to borrow from *University of the Philippines vs. de los Angeles*, “conclusively settle whether the resolution is proper or not.” Or, in the language of *Catholic Archbishop of Manila*:

The rationale for the foregoing is that in contracts providing for automatic revocation, judicial intervention is necessary not for purposes of obtaining a judicial declaration rescinding a contract already deemed rescinded by virtue of an agreement providing for rescission even without judicial intervention, but in order to determine whether or not the rescission was proper.

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In this case, since CASTEA contests the propriety of the Province's revocation of the Deed of Donation then the mere invocation by the Province of the automatic revocation clause is insufficient. A judicial declaration of its propriety is, therefore, required before the continued possession by CASTEA, as donee, can be declared unlawful. Since the

⁴⁹ 512 Phil. 108 (2005).

⁵⁰ Id. at 120-121.



present case is an unlawful detainer, the determination by the Court on this issue will be merely provisional.

Proceeding now to the prestation not to do that is imbedded in the provision under review, there appears to be no legal objection to the acts of the donee that are prohibited — “not sell, mortgage or [e]ncumber.” They are very reasonable in the light of the intended purpose of the Deed of Donation.

The Court now proceeds to determine whether the alleged breach of the prestation not to do, in light of the other prestations of CASTEA as provided in the Deed of Donation, is sufficient ground for its automatic revocation or rescission.

As earlier noted, the donation under review is either a modal or onerous one and not purely gratuitous. Thus, the rules on contracts govern.

It is admitted that one of the grounds for revocation of a donation is the failure of the donee to comply with any of the conditions of the donation. This is embodied in Article 764 of the Civil Code, which provides:

ART. 764. The donation shall be revoked at the instance of the donor, when the donee fails to comply with any of the conditions which the former imposed upon the latter.

In this case, the property donated shall be returned to the donor, the alienations made by the donee and the mortgages imposed thereon by him being void, with the limitations established, with regard to third persons, by the Mortgage Law and the Land Registration Laws.

This action shall prescribe after four years from the non-compliance with the condition, may be transmitted to the heirs of the donor, and may be exercised against the donee's heirs. (647a)

Civil Law commentators take the view that the term “conditions” must be understood to mean charges or burdens imposed upon the donee⁵¹ or in the vulgar sense of obligations or charges imposed by the donor on the donee.⁵² It is not used in its technical or strict legal sense, but in its broad sense.⁵³ The term does not refer to uncertain events on which the birth or extinguishment of a juridical relation depends⁵⁴ because in conditional donations, the donation never begins to exist or is vested immediately in the donee, by the non-compliance with the condition and a condition the performance of which depends upon the debtor would be void in law.⁵⁵

⁵¹ Edgardo L. Paras, *CIVIL CODE OF THE PHILIPPINES ANNOTATED*, Vol. II, Fifth Ed. 1967, p. 544, citing 3 Castan 107; Eduardo P. Caguioa, *supra* note 36, at 421.

⁵² Arturo M. Tolentino, *COMMENTARIES AND JURISPRUDENCE ON THE CIVIL CODE OF THE PHILIPPINES*, Vol. II, 1992 edition, p. 572; citations omitted.

⁵³ *Id.*; citations omitted.

⁵⁴ *Id.*; see also Eduardo P. Caguioa, *supra* note 36, at 421.

⁵⁵ Eduardo P. Caguioa, *id.*

However, a view is expressed that the term can also refer to resolutive conditions but not to suspensive conditions because if the condition is not fulfilled, the donation never becomes effective, and therefore, there will be nothing to revoke.⁵⁶

When the law states “when the donee fails to comply with any of the conditions” it implies that all the conditions or charges imposed must be complied with.⁵⁷ Thus, if there are several conditions or charges imposed upon the donee the failure to perform one will be sufficient cause for revocation since what is necessary is not mere delay but delay in law or *mora* and the reason for this ground of revocation is based not only on the principles of contracts but on the fact that the donee must suffer for failing to respect the will of the donor whose liberality has benefited him.⁵⁸

As to the effect of partial non-fulfillment, there is opinion to the effect that:

x x x Generally, partial non-fulfillment of a condition or charge imposed on the donee is as much a ground for revocation as total non-performance; because, to be considered fulfilled, the condition must be totally complied with. However, when the part fulfilled offers great utility to the donor, the courts are considered empowered to decree only a partial revocation, and even to deny revocation when the unperformed part is insignificant.⁵⁹

Since the donation in this case is either a modal or onerous one, which makes the rules on contract controlling, the pertinent provisions of the Civil Code on obligations and contracts must be considered in resolving whether the automatic revocation of the Deed of Donation is warranted. Article 764 and its commentaries can then be harmonized therewith.

Under Article 1168 of the Civil Code, “[w]hen the obligation consists in not doing and the obligor does what has been forbidden him, it shall also be undone at his expense.” As explained,

x x x In obligations not to do (**negative personal obligations**), the object of the obligation is fulfilled or realized so long as that which is forbidden is not done by the obligor. If the obligor does what has been forbidden him, two remedies are available to the obligee — to have it undone at the expense of the obligor in accordance with Art. 1168 and to ask for damages in accordance with Art. 1170. x x x

The first remedy is logical because it is the only way by which the end or object of the obligation may be effectively realized since what is demanded is not the performance of an act but an omission. With respect to the second remedy, it must be noted that in obligations of this type (not

⁵⁶ Edgardo L. Paras, *supra* note 51, at 544.

⁵⁷ *Id.* at 545.

⁵⁸ Eduardo P. Caguioa, *supra* note 36, at 421.

⁵⁹ Arturo M. Tolentino, *supra* note 52, at 573.

to do), delay or *mora* is not possible unlike positive obligations. This is so because in negative obligations, the obligation is either fulfilled or not fulfilled.

There are, however, certain cases where the remedy provided for in Art. 1168 is not available. In the first place, there are those cases where the effects of the act which is forbidden are definite in character, in which case, even if it is possible for the obligee to ask that the act be undone at the expense of the obligor, consequences contrary to the object of the obligation will have been produced which are permanent in character. In the second place, there are those cases where it would be physically or legally impossible to undo what has been done because of the very nature of the act itself, or because of a provision of the law, or because of conflicting rights of third persons. Hence, in these cases, the only remedy available to the obligee would be to proceed against the obligor for damages under Art. 1170 of the Civil Code.⁶⁰ (Emphasis and underscoring provided)

Article 1170 of the Civil Code provides: “[t]hose who in the performance of their obligations are guilty of fraud, negligence, or delay, and those who in any manner contravene the tenor thereof, are liable for damages.”⁶¹

The Province is not seeking either of the two remedies available in case of breach of negative obligations. Rather, it is seeking the rescission, or resolution, of the Deed of Donation.

In reciprocal obligations, the remedy of resolution⁶² is embodied in Article 1191 of the Civil Code, which provides:

Art. 1191. The power to rescind obligations is implied in reciprocal ones, in case one of the obligors should not comply with what is incumbent upon him.

The injured party may choose between the fulfillment and the rescission of the obligation, with the payment of damages in either case. He may also seek rescission, even after he has chosen fulfillment, if the latter should become impossible.

The court shall decree the rescission claimed, unless there be just cause authorizing the fixing of a period.

This is understood to be without prejudice to the rights of third persons who have acquired the thing, in accordance with Articles 1385 and 1388 and the Mortgage Law. (1124)

While Article 1191 applies to reciprocal obligations and donation essentially involves a unilateral act and there is an express revocation clause in the Deed of Donation, Article 1191 is nevertheless relevant in the determination of the nature of the breach or violation of the obligation that

⁶⁰ Desiderio P. Jurado, COMMENTS AND JURISPRUDENCE ON OBLIGATIONS AND CONTRACTS (1987 Ninth Revised Edition), pp. 51-52.

⁶¹ Underscoring supplied.

⁶² To distinguish the remedy of rescission with respect to rescissible contracts.

will justify its rescission. Also, it has been opined that Article 764 is a clear case not only of revocation but also resolution because under Article 1191, non-compliance of conditions can be considered a resolutive condition.⁶³

What, then, is the nature of the breach or violation which will entitle an injured party to rescind or resolve the obligation? As ruled by the Court in the early case of *Song Fo & Co. v. Hawaiian Philippine Co.*⁶⁴

The general rule is that rescission will not be permitted for a slight or casual breach of the contract, but only for such breaches as are so **substantial and fundamental as to defeat the object** of the parties in making the agreement. x x x⁶⁵ (Emphasis and underscoring supplied)

It must be emphasized that the right to rescind or resolve by the injured party is not absolute as the third paragraph of Article 1191 authorizes the court to fix a period; thus, rescission will not be granted in the following cases: (1) where the breach is only slight or casual; (2) where there has been substantial compliance;⁶⁶ and (3) where the court finds valid reason for giving a period of fulfillment of the obligation.⁶⁷ Likewise, the courts may deny revocation of a donation based on non-fulfillment of "conditions" under Article 764 when the unperformed part is insignificant.⁶⁸

Given the foregoing disquisition on Article 764 and the pertinent provisions on obligations and contracts, the Court takes the position that the violation of CASTEA in entering into the 20-year lease with Bodega Glassware should not be taken in isolation with the other prestations and conditions in the Deed of Donation, especially the purpose of the donation. While under Article 764, a single violation or non-fulfillment is sufficient to revoke a donation based on the phrase "any of the conditions," its application must be circumscribed within the rules on obligations and contracts wherein substantial and fundamental breach as to defeat the object of the parties in making the agreement and substantial compliance are given due recognition and importance. Thus, a blind literal application of Article 764 without due consideration and regard to the peculiar circumstances of the donation at issue, bearing in mind the specific intention or purpose of the donor *vis-a-vis* the tangible benefits of the donation to the donee, is not adopted, bearing in mind the harshness of the consequence of revocation.

Thus, it behooves the Court to determine whether the act of CASTEA in entering into a 20-year contract of lease with Bodega Glassware, which appears to be a violation of the non-encumbrance provision or one of the

⁶³ Edgardo L. Paras, supra note 51, at 544.

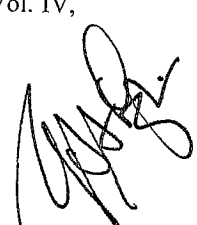
⁶⁴ 47 Phil. 821 (1925).

⁶⁵ Id. at 827.

⁶⁶ Article 1234 of the Civil Code provides: "If the obligation has been substantially performed in good faith, the obligor may recover as though there had been a strict and complete fulfillment, less damages suffered by the obligee."

⁶⁷ Eduardo P. Caguioa, COMMENTS AND CASES ON CIVIL LAW, CIVIL CODE OF THE PHILIPPINES, Vol. IV, 1983 Revised Second Edition, p. 189; Citations omitted.

⁶⁸ Arturo M. Tolentino, supra note 52, at 573; citation omitted.



“conditions” imposed upon CASTEA, is a substantial and fundamental one “that defeated the object of the parties in entering into the Deed of Donation”.

The whereas clause of the Deed of Donation reveals clearly what impelled the Province to make the donation to CASTEA, viz.:

That as an act of liberality and generosity which the DONOR by these presents have shown to the DONEE, and the further consideration that the DONEE has inspired in the DONOR the improvement and vital role it has played in the improvement in the upliftment of education and other important matters related thereto x x x.⁶⁹ (Underscoring supplied)

It is not disputed that CASTEA fully complied with its prestation to do — the building which it agreed to put up was constructed by CASTEA within the one-year period provided in the Deed of Donation. Avowedly the construction of the intended building is the major consideration of the donation:

That the condition of this donation is that the DONEE shall use the x x x land subject of the present donation for no other purpose except the construction of its building to be owned and to be constructed by the x x x DONEE to house its offices x x x.⁷⁰ (Emphasis and underscoring supplied)

The disputed breach emanates from the 20-year lease between CASTEA and Bodega Glassware, which CASTEA executed on September 29, 1995⁷¹ or 29 years after the Deed of Donation that the Province executed on September 28, 1966⁷² in favor of CASTEA. CASTEA points out that it leased to Bodega Glassware only a portion of the building it constructed.⁷³ CASTEA justifies the lease to Bodega Glassware as having been made “for [its] benefit x x x and for the purpose of carrying out its function which commenced in 1995 in consonance with the specific purpose of the donation, which is for the upliftment of education and the teachers [because t]he rentals collected have redounded to the benefit of the teachers and employees for its mutual aid and death benefits paid to members (Exh. 1 & 3, pp. 77 to 91, records).”⁷⁴

Did the lease defeat the object of the Deed of Donation so that it can be considered as a substantial and fundamental breach to warrant the resolution of said Deed of Donation?

The Court answers in the negative.

⁶⁹ *Rollo* (G.R. No. 199666), p. 75.

⁷⁰ *Id.*

⁷¹ *Id.* at 31. The date is stated as September 7, 1995 in the MTCC Decision; see note 9.

⁷² *Id.* at 76.

⁷³ *Id.* at 63.

⁷⁴ *Id.* at 67.

First, while an unregistered lease for more than one year is an encumbrance, the encumbrance was not perpetual as it is time-bound to only 20 years, which is not an unreasonable period. It must be noted as well that the lease had expired on September 1, 2015.

Second, the lease did not cover the entire donated 600-square meter lot and the building that CASTEA constructed. Only a portion of the building was leased. As admitted in the Deed of Revocation, “the Province x x x has found out that [CASTEA] is leasing a portion of the donated property to Bodega Glassware.”⁷⁵

Third, the rentals that were being collected were being given to members of CASTEA as mutual aid and death benefits, as supported by evidence on record. This is undoubtedly in keeping with the objective of the Deed of Donation – “the improvement and upliftment of education and other matters related thereto.” That the giving of mutual aid and death benefits to teachers and employees is meant to improve their plight and is expected to contribute in the upliftment of education cannot be disputed. Also, the Court notes that CASTEA needs funds for the upkeep, repair and maintenance of the building as well as the payment of real estate taxes due on the donated lot and the building. Where is CASTEA supposed to source these funds? From the contributions of its members, who are lowly paid teachers and employees?

Fourth, CASTEA had already complied with its main prestation, which is the construction of the intended building, and based on the language of the Deed of Donation: “x x x and Provided, lastly that the construction of the building or buildings referred to above shall be commenced within a period of one (1) year from and after the execution of this donation, otherwise, this donation shall be deemed automatically revoked and voided and of no further force and effect,”⁷⁶ it would appear that it is the non-commencement of building construction within one year from the execution of the Deed of Donation that would trigger the automatic revocation clause. With the full compliance of its main prestation credited in CASTEA’s favor, the effect of its breach should be lessened or diminished.

Fifth, the building constructed by CASTEA and the donated lot continue to be owned by CASTEA and continue to house its offices pursuant to the mandate of the Deed of Donation because only a portion of the building was leased to Bodega Glassware.

Sixth, if the prohibited acts: “sell, mortgage or [e]ncumber” are to be interpreted in the light of the objective or “condition” of the donation as quoted above, then in order for the breach to reach the threshold of substantiality and fundamentality, the breach by CASTEA should be of a permanent character as to totally and perpetually deprive CASTEA of the use of the donated lot and the building that it constructed.

⁷⁵ Id. at 77.

⁷⁶ Id. at 75.

Thus, the perceived single violation by CASTEA when weighed against its substantial compliance of the other “conditions” or prestations of the donation and the avowed purpose of the donation is, as it should be, considered insignificant to trigger the application of the automatic revocation clause.

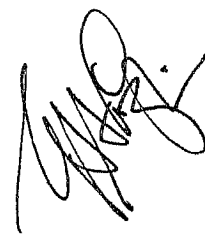
In fine, the revocation of the Deed of Donation by the Province is improper and lacks legal basis. However, given that CASTEA disregarded the provision of the Deed of Donation not to encumber the donated property, the Court awards nominal damages in favor of the Province in an amount equal to one half of the total rentals that CASTEA received from Bodega Glassware. It must be recalled that in *Bodega Glassware*, the Court, through its Third Division, had reinstated the Decision of the MTC Br. 2, which ordered Bodega Glassware to vacate and surrender to the Province the premises that it leased from CASTEA and to pay to the Province ₱15,000.00 a month from date of judicial demand until it vacated the subject premises. To grant damages to the Province more than the aforesaid amount would be iniquitous given the Court’s finding that CASTEA’s breach is not substantial.

In light of the foregoing, the Court finds it unnecessary to rule on each of the errors assigned and issues raised by CASTEA in its Petition. The invocation by the Province of the automatic revocation clause is incorrect and affords it no legal basis. The complaint for unlawful detainer filed by the Province against CASTEA was correctly dismissed by the RTC for its failure to present evidence to substantiate its cause of action.

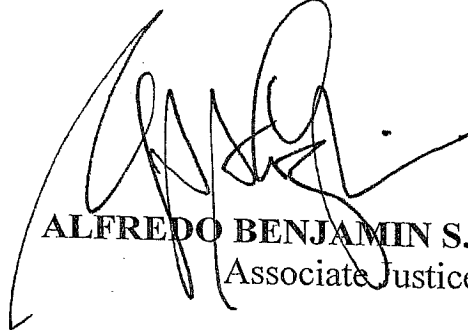
As a **final note**, the Court stresses that its ruling in this case is limited only to the issue of determining who between the parties has a better right to possession and is not a final and binding determination of the issue on ownership of the donated property. As such, the parties or even third persons may file the appropriate action for the determination of the issue of ownership where the issue of the validity of the revocation of the donation can be adjudicated with conclusiveness.⁷⁷

WHEREFORE, the Petition is hereby **GRANTED**. The Court of Appeals Decision dated March 16, 2011 and Resolution dated November 23, 2011 in CA-G.R. SP No. 111459 are hereby **REVERSED** and **SET ASIDE**. The Decision dated August 10, 2009 and the Order dated September 28, 2009 of the Regional Trial Court, Fifth Judicial Region, Branch 26, Naga City in Civil Case No. 2009-0048 are **REINSTATED** and **AFFIRMED** with **MODIFICATION**. Petitioner Camarines Sur Teachers and Employees Association, Inc. is ordered to pay as nominal damages to respondent Province of Camarines Sur one half of the total rentals that the former received from Bodega Glassware with interest at the rate of 6% *per annum* from finality of this Decision until full payment.

⁷⁷ See *Supapo v. Sps. de Jesus*, 758 Phil. 444, 467 (2015).

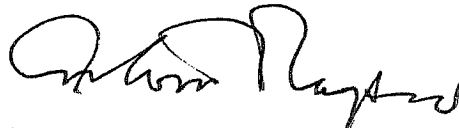


SO ORDERED.

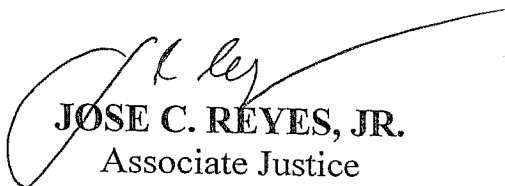


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

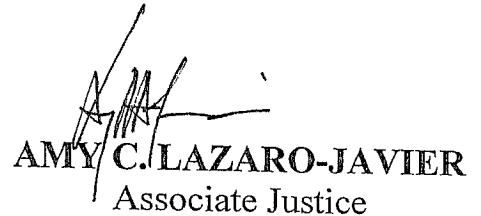
WE CONCUR:



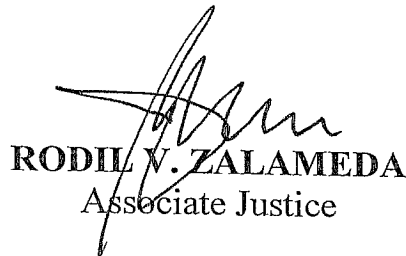
ANTONIO T. CARPIO
Associate Justice
Chairperson



JOSE C. REYES, JR.
Associate Justice




AMY C. LAZARO-JAVIER
Associate Justice



RODIL V. ZALAMEDA
Associate Justice

ATTESTATION

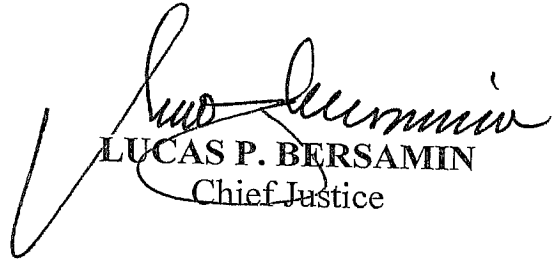
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

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.


LUCAS P. BERSAMIN
Chief Justice

